

February 15, 2018

To: Members,  
Community and Protective Services Committee

Re: Regina Minor Football Facility Lease

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RECOMMENDATION

1. That City Council authorize the Executive Director, City Services, to negotiate and approve an addendum to the 2017 Construction and Donation Agreement between Regina Minor Football 2000 Inc. (RMF) and the City to delay the donation of the building to the City for a period of up to 10 years and to permit the RMF to grant an interest in the building to their lender in order to secure financing for the building as further detailed in this report;
2. That City Council authorize the Executive Director, City Services, to negotiate and approve the terms of a Lease Agreement, at less than fair market value, for a period of up to 10 years, between the City and RMF which allows the RMF to:
  - a. keep the building on the City's lands prior to ownership of the building being turned over to the City;
  - b. grant an interest in the lease to their lender in order to secure financing for the building as further detailed in this report; and
  - c. sublease portions of the building to tenants for a fee to be determined by RMF;
3. That City Council authorize the Executive Director, City Services, to negotiate and approve the terms of a long term Operating and Maintenance Agreement as well as a lease for less than fair market value for portions of the building, to take effect upon donation of the building to the City and termination of the lease described in recommendation no. 2 and which includes a provision enabling RMF to sublease portions of the building to tenants for a fee to be determined by RMF;
4. That for a period of ten years or until such time that RMF's loan related to the building is paid off, whichever is sooner, City Council provide an annual operating grant to RMF in the same amount as the municipal portion of the property taxes levied on the lands and building as described in this report and collected from RMF in that year;
5. That the City Clerk be authorized to execute any necessary agreements or documents required to give effect to the above on behalf of the City after review by the City Solicitor.

CONCLUSION

In recent years, the Regina Minor Football Association (RMF) has invested more than \$1.9 million in the renewal of Leibel Field with artificial turf and additional amenities that support site programming. In 2016 City Council approved a further investment by RMF of \$4.0 million when RMF proposed the construction of a new support facility at Leibel Field that will further enhance the site. When this project was initially approved, RMF had agreed to donate the support facility to the City upon completion and enter into a long term operating agreement to allow public and field users access to the facility. However, RMF has now approached the City to request that the donation be delayed and that they be granted a lease, to facilitate them in obtaining financing of \$2.0 million toward the construction of the facility.

In order to assist the RMF in financing the project while at the same time maintaining the original intent that RMF would bear the cost of the facility, the Administration is recommending the delay of the donation of the facility by RMF, a lease to RMF of the land the building sits on and to permit the RMF to grant the building and lease as security to their lender. The lease would require certain public access to the facility as further described in this report.

The original agreement for the construction and donation of this building did not contemplate collecting property taxes from RMF as the building was to be donated to the City. With the building being owned by RMF the City is required to assess taxes against the improvement and lands. The Administration recommends that during the term of the lease and ownership of the building by RMF that an annual operating grant be paid to RMF in the amount of the municipal portion of property taxes collected from RMF in that year.

The Administration further recommends that once the loan is paid in full, in no more than 10 years' time, that the building be transferred to the City, the lease be terminated, and an operating and maintenance agreement be established, with an option for RMF to lease office space to generate revenue to sustain the facility into the future.

## BACKGROUND

In 2010, the City partnered with RMF, the Regina Soccer Association (RSA) and the Federal and Provincial Governments to construct the artificial turf field, known as Leibel Field. Since the construction of the field, RMF has also invested in the seating, press box, canteen and entrance and ticket wickets for the facility. In total, RMF has contributed approximately \$1.9 million to the development of the facility, with the majority of investments being accessible to all users of the facility. Most of these investments have been donated to the City.

Since RMF's original investment in Leibel Field, their program has grown substantially, from a two to three-month program to a six-month program. In 2015, RMF experienced their highest registration numbers to date, at a level of 1,830 players. This number is expected to continue to grow. As a result, RMF requires additional amenities to support their growing program.

In 2016 Council approved the negotiation of a construction and donation agreement for a new facility to serve Leibel Field (see Appendix A). The agreement negotiated would have the City of Regina provide land for RMF to construct a building adjacent to Leibel Field that would contain team change rooms, equipment storage and cleaning area on the first floor as well as classroom, board room and office space on the second floor. Once construction was complete the ownership of the building would then be turned over to the City and RMF would enter into a long-term operation and maintenance agreement. This agreement would have all costs associated with the building borne by the RMF organization.

Council approved this arrangement (CR16-3) and agreements were negotiated with the group. An extensive design process then began with the group receiving approval to move forward with construction from the City and Wascana Centre Authority (now the Provincial Capital Commission) at the beginning of 2017. At that time RMF had roughly half the funding available in their account, promissory notes for future funding from supporters and had planned to borrow the remaining \$2.0 million in funding. Based on this, their contractor commenced construction. RMF also had initial conversations with their financial establishment, which left them with the impression that taking a loan for the remainder of the construction would not be an issue.

Since that original meeting RMF has learned that their financial establishment requires the building as security for the loan. To enable construction completion of the facility RMF was able to secure short term financing. At this time work on the building has reached substantial completion and all that is remaining on the project is landscape work to be completed in the spring/summer. RMF has now approached the City to work through a solution enabling them to provide the building as security in order to secure longer term financing.

## DISCUSSION

Administration has reviewed RMF's request and in order for the bank to take the building as security for the loan, the land that the building is constructed on must also be owned or leased by RMF. In this case the original agreement required ownership of the building to be turned over to the City upon completion of construction. To facilitate RMF being able to secure the loan, an addendum to the original agreement would be required. This addendum would have RMF retain ownership for up to ten years or until the loan is paid in full, whichever is sooner. A lease agreement would be entered into at the same time which would contain terms similar to the originally drafted operating and maintenance agreement, which would ensure public access to the facility and would have RMF agree to maintain the building in good condition.

The Construction and Donation Agreement would permit RMF to grant a security interest in the building, and the Lease Agreement would permit RMF to grant a security interest in the lease. Both Agreements would allow this on certain conditions, such as:

- A requirement that RMF keep the building on the lands, maintain the building and to permit such public access as further detailed in the agreement;
- That no additional funds other than the \$2.0 million could be advanced against the security;
- That the City have the right, but not the obligation, to fulfil any obligation of RMF under the loan in order to prevent the lender from realizing on the security;
- RMF being responsible to obtain any necessary consents from the Provincial Capital Commission and all costs associated with registering and filing of any documents as required by RMF's lender to secure their interest;
- That the loan term must not exceed 10 years and that upon expiry of the 10 years or repayment of the loan, whichever is lesser, that the building be transferred to the City and the lease be terminated;
- As well as other items as negotiated by the Executive Director, City Services.

The Administration has considered the property tax implications related to the proposed arrangement. While this facility and any other buildings owned by the City in Wascana Centre would be exempt from taxation under *The Provincial Capital Commission Act*, the proposed delay in transfer of the Building means that RMF will be the owner of the building for up to 10 years and therefore the statutory tax exemption will no longer apply. *The Cities Act* provides that lands that would otherwise be exempt by statute become taxable if the occupant of a property is not exempt by statute. This applies where an improvement is constructed on exempt property, but it is owned by someone other than the owner of the land. Taxes for this facility and associated land are estimated to be \$47,000 to \$57,000.

Administration is recommending that RMF be provided with an annual operating grant in the amount of the municipal portion of the taxes. The original agreement for the construction and donation of this building would not have resulted in a property tax expenditure for RMF as the building was to be donated to the City. The original spirit and intent of the construction and donation of the building has not changed. What has changed is the security requirements needed for RMF to obtain long term financing related to the building. As a result, the Administration is recommending that financial assistance be provided in the form of an operating grant.

Once RMF has paid their loan in full, the City would then enter into an operating and maintenance agreement with RMF, as originally intended. This agreement would also contain an option for RMF to sub-lease office space in the facility to other community organizations to assist in generating revenue to sustain the facility into the future.

Based on the information presented, Administration is recommending that Council approve RMF's ownership of the building for no more than ten years and a lease at less than fair market value of the land for the same term. This arrangement will allow RMF to pay back their short-term financing and secure longer term financing from their financial institution. It will also allow the original intent of all costs being borne by the organization to remain intact, with the public still being able to access the facility. Once RMF have paid the loan in full Administration also recommends that the original arrangement be honoured and that the City and RMF enter into a long term operating and maintenance contract.

## RECOMMENDATION IMPLICATIONS

### Financial Implications

The proposed addendum to the 2017 Construction and Donation Agreement as described in the body of this report would contain a provision that should RMF default on its loan, the City will have, at its option, the ability to make either one or all further payments owing by RMF. If the City exercises its option to make all further payments, then ownership of the building would transfer to the City and the Lease would be terminated. The purpose of this option is to allow future City Council to have the ability to take over ownership of the building if RMF is at risk of losing the facility to its lender. Since the exercise of this provision is at the City's option, it does not constitute a guarantee of RMF's debt and therefore has no bearing on the City's current borrowing limit. It should be noted that the lender's willingness to extend the loan to RMF is evidence that the lender is confident that RMF has the ability to repay this loan. As a result, Administration has concluded that the risk of RMF defaulting on its loan is low and therefore the likelihood of the City exercising this provision is also low.

Administration is recommending that during the term of the lease and ownership of the building by RMF that an annual operating grant be paid to RMF in the amount of the municipal portion of property taxes collected from RMF in that year. This operating grant is outside of the City's Community Investment Grant Program and is unique to the circumstances described in this report. Using 2017's mill rates, the municipal portion of property taxes is estimated to be between \$27,000 and \$32,000.

Under the terms of the City's Donation Agreement and both the addendum to the Donation Agreement and the Lease Agreement recommended in this report, RMF is responsible for the operation of the new facility at Leibel Field. Consequently, there are no other financial implications regarding maintenance and operation of the facility.

Environmental Implications

There are no environmental implications associated with this report.

Policy and/or Strategic Implications

This project is consistent with the recommendations in the Recreation Facility Plan, which was adopted by Council in April 2010. The Recreation Facility Plan aims to improve customer service and cost recovery levels through more contemporary and economical facilities and through a broadened service delivery approach that focuses on using partnerships as a means to provide services to the public. This arrangement aligns with that vision.

Other Implications

There are no other implications associated with this report.

Accessibility Implications

The new facility has been constructed using current building codes and is accessible.

COMMUNICATIONS

Public notice is required for the recommendations in this report.

DELEGATED AUTHORITY

City Council approval is required for the recommendations contained within this report.

Respectfully submitted,



Laurie Shalley, Director  
Community Services Department

Respectfully submitted,



Kim Onrait, Executive Director  
City Services

Report prepared by:  
Janine Daradich, Manager Recreation Planning and Partnerships  
Jeff May, Manager Sport & Recreation