

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Committee of the Whole – June 23, 2022
AUTHOR: Shelley Gagnon, General Manager, Community Services
SUBJECT: JUNIOR B HOCKEY PROPOSAL

RECOMMENDATION(S)

THAT the report titled Junior B Hockey Proposal be received for information;

AND THAT the Sunshine Coast Regional District (SCRD) Board provide direction on what they would be prepared to support-in-principle at this time;

AND THAT the SCRD Board confirm if staff is to continue working with the Sunshine Coast Junior Hockey Society and the Sunshine Coast Hockey Group to further the development of the legal documentation required to outline the roles and responsibilities of each party as per the considerations that are supported-in-principle.

AND FURTHER THAT any recommendations be forwarded to the June 23, 2022 Regular Board Meeting.

BACKGROUND

On June 9, 2022, representatives of the newly formed Sunshine Coast Junior Hockey Society appeared as a delegation to the Sunshine Coast Regional District (SCRD) Committee of the Whole and requested the Board to consider their idea to apply to the Pacific Junior Hockey League (PJHL) to bring a Junior Hockey League franchise to the Sunshine Coast that would be based out of the Gibsons and Area Community Centre (GACC). The following resolution was adopted by the Board:

156/22 **Recommendation No. 2** *Business Proposal for Junior Hockey Team Based on the Sunshine Coast*

THAT the Sunshine Coast Junior Hockey Society's business proposal for a Junior Hockey team based on the Sunshine Coast be referred to staff to explore the opportunity further and work with the group on a timeline that will facilitate the direction the group is moving;

AND THAT a report be presented to the Committee of the Whole on June 23, 2022.

The PJHL has expressed an interest in expanding the league in September 2023 and is currently entertaining proposals by interested parties. The PJHL currently has 13 teams, mainly from the Vancouver and lower mainland area. Junior hockey is generally played by individuals 16-20 years old.

Over the past week, staff met with representatives from two separate (yet connected) groups: Sunshine Coast Junior Hockey Society (the *Society*) and the Sunshine Coast Hockey group (the *Company*). Although there is no formal application process for the Junior B Hockey franchise, the Society and Company will be presenting their proposal at the PJHL's Annual General Meeting this Saturday, June 25, 2022. The Society and Company have both indicated a strong desire to be able to confirm the SCR D Board's support in principle to the PJHL at that meeting.

The timelines related to the approval of the franchise proposal by the PJHL are as follows:

- June 25: Proposal presented at the PJHL Annual General Meeting
- July: Follow up questions issued by the PJHL regarding the proposal
- Mid-July: PJHL to participate in an on-site visit (GACC)
- End of August 2022: PJHL to make a final decision regarding proposal
- August 2023: New franchise training camp
- September 2023: League begins

The purpose of this report is to provide the SCR D Board information on the various elements of the Junior B Hockey franchise proposal and to outline the potential implications to the SCR D, so that the Board can consider whether there is Board support, and if there is, whether the Board is prepared to support-in-principle until such time as formal agreements and financial implications can be developed and brought back to the Board prior to execution.

DISCUSSION

As a result of the successful passing of a referendum on June 25, 2005, the SCR D funded and built the GACC for the purpose of community recreational use on land owned by the Town of Gibsons (ToG). The ToG and the SCR D entered into a long-term lease and license agreement for the use of the land and to operate the GACC. The term of the agreement expires in 2036 with two options for ten-year term renewals. Throughout the term of the agreement the SCR D is responsible for all the operational and capital costs of the building, and upon the expiration of the term, the building becomes the property of the ToG.

The GACC has a single sheet of ice (standard NHL size), four change rooms, a flex room, a coaches and referee room, and ancillary spaces supporting arena operations.

The application for the Junior B Hockey franchise is based on the Gibsons and Area Community Centre being the 'home arena' for the team and the various considerations that will be outlined further in this report.

The addition of a Junior B Hockey franchise on the Sunshine Coast would have many benefits, including:

Increased Ice Use: The Junior B team would practice during the day (typically low use time) and host games 12 weekends per season (Saturday night and Sunday afternoon). This is 'new' ice time being booked. The more ice time that is booked, the greater the user fee recovery rate is.

Economic Benefit: Game events will result in additional hotel night stays by both visiting team as well as spectators, increased spending at restaurants and shopping, tickets and merchandising.

Community Benefit: Sunshine Coast residents will have a new opportunity to continue to participate in their chosen sport, become spectators and be entertained by a higher level of hockey during competitions, and also get involved by volunteering on game day. Participation in recreation events provides opportunities for families, friends and community to gather and interact, which can enhance civic pride, increase a sense of belonging and result in healthier communities.

There are two different parties involved in the campaign to bring a Junior B Hockey franchise to the Sunshine Coast. The Sunshine Coast Junior Hockey Society (the *Society*) and the Sunshine Coast Hockey Group (the *Company*). These two separate entities each have a role in the Junior B Hockey franchise proposal. Although separate, they are interconnected as the following section will outline. The Society was formed to secure private investments for a capital upgrade to the GACC (which is part of the proposal for the franchise) and the Company was formed to secure the right to operate the franchise.

Roles and Responsibilities of the Various Parties:

The Society

As part of the proposal for the Sunshine Coast Junior B Hockey franchise, a capital investment is proposed for the GACC. The Society will attract the private investors to raise the capital required to construct a 10,000 ft² addition to the GACC on the south side of the arena (towards Dempster Field) that would include the following:

- Dedicated space for the team including:
 - 2 change rooms large enough to accommodate Jr. B teams (23+ players)
 - coaching and trainers offices
 - storage, laundry and dryland training area
- A second floor viewing area and broadcast platform (above new change rooms space).

At this time, the Society is suggesting that this addition can be accommodated on the south side of the arena, without any impact to Dempster Field, however, no geotechnical testing or designs have been completed.

The GACC may also require upgrades to accommodate livestreaming services and a media press box.

These addition/upgrades are estimated to cost \$3M. Construction is proposed to take place between October 2022 and August 2023. The construction project will interrupt service at the GACC arena (ice or dryland), however, the timing of the service interruption is unknown at this time. Both the SCRd and ToG would need to approve of the proposed addition and improvements and once completed, would become the property of the building owner (ultimately the ToG).

In order to fund this capital investment, the Society is proposing an agreement with the SCRd. This long-term contractual agreement between the Society and the SCRd would include the following considerations:

- **Construction of addition and upgrades:** The Society would be responsible to design, finance, and construct the building addition and upgrades, as well as assume all risks during construction.

- **Revenue generation opportunity:** In order to pay back their private investors, the Society is proposing that the SCRD permit them to sell all advertising in the four SCRD recreation buildings as well as transit bus shelters. The Society would provide a portion of the revenues from sales (20%) back to the SCRD with all other profits used to pay back the private investors.
- **Length of Agreement:** The Society is requesting a 20-year agreement.
- **Ownership and Ongoing Operations of the addition and upgrades:** As mentioned previously, once constructed, ownership of the addition and upgrades would be transferred to the SCRD, for the short term (with ultimate ownership transferring to the ToG pursuant to the existing agreement with the ToG). The Society is proposing that the SCRD be responsible for the ongoing operation and capital renewal of the additional space.
- **Other considerations:** The Society is proposing that in return for constructing the addition, that the Company (or Jr B Team) be provided the following through a separate agreement between the SCRD and the Company:
 - exclusive and free use of the constructed changerooms and other ancillary spaces (not including the viewing area or press box) for 20 years;
 - guaranteed priority ice allocations for games/competitions;
 - be classified as either Adult or Youth (and not Commercial) for the purposes of fees and charges rates.

Of Note:

The Society is developing a Business Plan to submit to the SCRD by the end of June. They have yet to submit a contingency plan in the event that the construction of the addition to the GACC is not completed in time for the 2023/24 season. Finally, the Society has not yet engaged the professional services of an architect.

The Company

The Sunshine Coast Hockey Group (the Company) is a for profit company established to secure the rights for the Junior B Hockey franchise and the ongoing operations of the team. The Society is a share-holder in the Company. The Company and SCRD would enter into separate agreements with each other that would provide the following:

- Annual ice allocation permits for practices and competition ice times
- Annual Special Event permits for game day considerations including, but not limited to:
 - The Company manages all ticket sales (no commission paid to the SCRD)
 - Rental of ancillary spaces to support concessions and liquor sales
- Include a provision to be classified as either an Adult or Youth (and not Commercial) for the purposes of fees and charges rates
- Be guaranteed priority ice allocations
- Long-term Agreement (20 years) for exclusive use of the change rooms and ancillary spaces constructed by the Society (proposed by the Society to be free of charge in return for constructing the space)

The Company has also requested that the SCRD explore the required licensing to permit the sale of liquor throughout the arena during competitions.

The Town of Gibsons

The Town of Gibsons and SCRD Lease and License Agreement requires the following approvals by the ToG in order for this Junior B Hockey franchise proposal to be possible:

- Approve the use of Town land for the addition to the building, which may have implications to Dempster Field
- Approve any addition or upgrades to the building
- Enter into an Amended Agreement with the SCRD which includes the additional land and building addition/upgrades, and an extension to the term in order to enable the SCRD to enter into a 20 year agreements with the Society and Company

It is anticipated that the ToG will have processes that need to be followed for the provision of land for the addition to the building. As well, the ToG is the body responsible for issuing the appropriate permits and permissions to the Society for the construction project.

The Sunshine Coast Regional District

The SCRD is being asked to consider the following:

- Enter into an Agreement with the Society
- Enter into an Agreement as well as annual Facility Use Permits (ice allocations) with the Company
- Approve the addition and upgrades as designed by the Society
- Permit the Society to control the construction project
- Assume operating and financial responsibility for the addition and upgrades once completed
- Relinquish the sale of advertising in SCRD recreation facilities and transit bus shelters to the Society

Staff Comments

Although a Junior B Hockey franchise on the Sunshine Coast does have some benefits (as noted at the beginning of the report), staff note that the proposed addition to the GACC has little benefit to the community or taxpayers. This addition is not required for the operations of the current arena and further, is being proposed primarily for exclusive use by the Company. Staff acknowledge that some of the upgrades (e.g. viewing area, lighting) may benefit all user groups, although again, they are not required for current operations.

Staff also note that a 20-year agreement with the Society and Company would extend beyond the current term of the agreement between the SCRD and ToG for the GACC. Staff note that the existing Agreement would need to be amended to align with any agreements required as a result of this proposal.

Further, the timelines being presented by the Society and Company are extremely aggressive and may not be achievable. The proposed agreements will require due diligence in their development and staff suggest a phased approach with milestone dates & required decision points be developed and agreed upon by all parties.

Finally, staff recommend that the following conditions be attached to support in principle the proposal of the Society and Company:

- Submission of a robust Business Plan outlining the financial sustainability of the Society as well as risk consideration and contingencies
- The Society engage the services of an architect with demonstrated experience in designing arenas and/or recreational facilities
- So as not to prejudice any future expansion of the GACC, prior to approval of the design for the addition, a conceptual design be completed by the Society's architect (and approved by the SCR D) that demonstrates how the proposed addition would fit into a future expansion of the facility, which may include the twinning of the arena and/or addition of a pool
- Actively involve 'owners representatives' appointed by the SCR D in the addition design and on the construction project planning and oversight team
- Through a legally binding agreement and posting of security, put in place guarantees that ensure the completion of the addition and upgrades to the SCR D's satisfaction and at no cost or liability to the SCR D
- The agreements between the SCR D and Society and the SCR D and Company will stipulate that the SCR D will not be liable for any financial commitment made by the Society and/or Company

Analysis

At today's meeting, the Society and Company are asking that the Board provide support-in-principle for their proposal for a Junior B Hockey franchise, including the various considerations outlined in the above sections of this report. To help guide the discussions, staff have provided a breakdown of these considerations in Attachment A so that the Board can consider each item separately.

Organizational and Intergovernmental Implications

Staff have confirmed that the Society presented to the ToG in an in-camera meeting last week. The ToG has confirmed a willingness to enter into discussions with the SCR D regarding any implications that they might need to consider including the provision of land and approval of the building addition and upgrades. Support of the Junior B Hockey franchise proposal will require an amendment to the current agreement between the ToG and the SCR D. Other implications to the ToG and SCR D are noted in previous sections of this report.

Financial Implications

Unless directed differently by the Board, it is assumed that the SCR D will cover the costs it incurs related to the review of the agreements. This is a new expense that was not anticipated in the annual operating budget and may require a future financial plan amendment.

Staff is also assuming that the Society and Company will present draft agreements for review by the SCRD and ToG, and that such agreements will reflect the considerations that the Board supports in principle. It is further assumed that all parties will cover their own related costs (e.g. legal) as they work through the development of any agreements required.

Other financial implications to the SCRD related to the above-mentioned considerations are as follows:

- Service interruption to the building and user groups during construction which will reduce rental revenue during that time frame
- Ongoing operating and capital renewal expenses for the addition and upgrades
- Additional revenue for the sale of additional ice time and facility room rentals to the Company will be realized
- Some increased expenses related to the additional ice and facility use that will be partially recovered through the rental fees
- Possibly realize a net revenue increase from the % paid to the SCRD by the Society for advertising sales
- Staff time dedicated to the project (Community Services, Recreation, Facilities, Finance, Risk Management)
- Per prior Board direction, the Community Recreation Facilities Capital Plan update will be provided to a subsequent Committee of the Whole meeting in July 28, 2022, outlining the current state of funding shortfalls and possible financing strategies for the Boards consideration. There are considerable investments required for capital renewal to maintain existing infrastructure for the GACC.

The anticipated value of the financial impacts is unknown at this point. Staff will explore what an order of magnitude of cost these items may be for the SCRD. This information would be provided at a subsequent meeting.

Timeline for next steps

The Society and Company are requesting that the SCRD Board provide support-in-principle for their proposal for a Junior B Hockey franchise to be based out of the GACC, and that staff be directed to continue to engage in conversations that may ultimately lead to the development of various agreements between the various parties as outlined in previous sections of this report.

This support in principle is requested today, as a resolution from this report, so that the Society and Company may share this commitment as part of their proposal to the PJHL on June 25, 2022.

If the Board directs staff to continue working with the Society and Company, and meet the timelines outlined above, it is anticipated that a significant amount of time over the next 6-8 weeks will be required to further the development of the legal documentation required to outline the roles and responsibilities of each party. Time spent on this project will delay other priorities identified in annual service plans.

Next steps would include coming back to the Board with draft agreements.

If the Board delays their support beyond the proposed timelines, the Society and Company have suggested that other groups may 'catch up' and submit franchise proposals to the PJHL that would then compete with their proposal.

STRATEGIC PLAN AND RELATED POLICIES

Opportunities that increase participation and use of a community recreation facility is aligned with the Parks and Recreation Master Plan.

CONCLUSION

Staff have met with representatives from both the Society and Company over the past week in an effort to provide enough information in this report to help the Board make an informed decision. Considerations for the Boards ‘support-in-principle’ are provided in Attachment A to guide the discussions by the Board for further direction on how staff should proceed.

Attachment A: Considerations for Direction

Reviewed by:			
Manager		CFO/Finance	X -T. Perreault
GM		Legislative	
CAO	X – D. McKinley	Risk Management	

Attachment A: Junior B Hockey Franchise Proposal Considerations

The following are excerpts from the information contained in the report outlining the considerations that have implications to the SCR D. The Board is being asked to provide their support-in-principle for these considerations.

Proposed Consideration	Benefits	Challenges	Board Support (Y/N)
Enter into negotiations with the Society regarding the design, financing and construction of the addition and upgrades to the GACC	<ul style="list-style-type: none"> increased value of community recreational asset addition and upgrades to building have no capital cost to the SCR D 	<ul style="list-style-type: none"> space not required for operation of the facility additional operating and capital renewal expense to the SCR D considerations that are being requested by the Society have financial implications to the SCR D requires approval by ToG 	
Require that the Society engage an architect with demonstrated experience in designing arenas and recreational facilities	<ul style="list-style-type: none"> ensures addition design incorporates public recreational facility considerations 	<ul style="list-style-type: none"> may have financial implications to Society 	
Require that a conceptual design be completed prior to approval of the addition, that demonstrates how the addition would be compatible with a future expansion of the facility	<ul style="list-style-type: none"> protects future expansion opportunities 	<ul style="list-style-type: none"> extra expense for the Society 	
Support the SCR D assuming ongoing operating and capital renewal costs for the addition and upgrades	<ul style="list-style-type: none"> SCR D maintains operations in alignment with the rest of the facility 	<ul style="list-style-type: none"> Additional ongoing expense 	
Enter into negotiations that would support the Company's exclusive use of building addition (changes rooms and other ancillary spaces)	<ul style="list-style-type: none"> Supports the franchise proposal and is consistent with common model for Jr B teams elsewhere 	<ul style="list-style-type: none"> community is unable to use the space (or at the discretion of the Company) expense incurred by SCR D associated with facilities that are not available to the public 	

Support the Company's exclusive use of the addition at no cost	<ul style="list-style-type: none"> contributes to the sustainability of the Club 	<ul style="list-style-type: none"> no revenue to offset ongoing expenses 	
Enter into negotiations for a long-term agreement to provide the Society the rights to sell advertising at the SCRD's recreational facilities and bus shelters	<ul style="list-style-type: none"> if Society needs to remit to the SCRD a % of revenues realized, this revenue could be used to offset the additional expenses being incurred by the SCRD Provides a revenue stream for the Society to pay back their investors 	<ul style="list-style-type: none"> 20 years extends beyond the current SCRD/ToG Agreement The value of the revenue that can be generated is speculative 	
Support priority ice allocations to the Company for Jr. B team practice and competitions.	<ul style="list-style-type: none"> Additional revenue realized through ice rentals can be used to offset extra expenses being incurred 	<ul style="list-style-type: none"> may displace some ice groups (move to Sechelt Community Arena, different ice time) 	
SCRD explore permitting requirements for Liquor Sales during competitions	<ul style="list-style-type: none"> Sale of alcohol will provide a revenue stream for the Company 	<ul style="list-style-type: none"> may subject the SCRD to additional requirements and expenses 	
Enter into discussions with the ToG regarding the implications to the current Agreement with the SCRD	<ul style="list-style-type: none"> full disclosure to ToG involve from the onset 	<ul style="list-style-type: none"> n/a 	