



Report to: General Committee

Meeting Date: June 13, 2016

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**SUBJECT:** Municipal Capital Facilities – Mount Joy Community Centre  
– Seasonal Soccer Dome

**PREPARED BY:** Shane Manson, Senior Manager, Revenue & Property Tax  
Ext. 7514

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**RECOMMENDATION:**

- 1) THAT the report entitled “Municipal Capital Facilities - Mount Joy Community Centre – Seasonal Dome” be received;
- 2) AND THAT subject to the City entering into a lease with Mount Joy Sports Dome Inc. for that part of the lands municipally known as 6140 16<sup>th</sup> Avenue, Markham, depicted in Appendix “A” (the “**Markham Sports Dome Lands**”) in a form and content satisfactory to the Commissioner of Community and Fire Services and the City Solicitor (the “**Mount Joy Lease**”), a by-law be passed pursuant to Section 110 of the *Municipal Act, 2001* in a form substantially similar to the draft by-law attached as Appendix “B” to:
  - a. authorize the City to enter into a Municipal Capital Facility Agreement with Mount Joy Sports Dome Inc. for the provision of municipal capital facilities at the Mount Joy Soccer Dome Lands; and
  - b. exempt the Mount Joy Soccer Dome Lands from taxation for municipal, regional and education purposes. Tax exemption is to be effective from the latter of the following dates: the commencement date of the lease; the date the Municipal Capital Facility Agreement is signed; or the date the tax exemption by-law is enacted;
- 3) AND THAT subject to the City and Mount Joy Sports Dome Inc entering into the Mount Joy Lease, Council declares that the Mount Joy Soccer Dome Lands are for the purposes of the municipality and are for public use;
- 4) AND THAT subject to the by-law described in Recommendation #2 being passed, the Clerk be directed to give written notice of the by-law to the Minister of Education, and also provide a written notice of the contents of the by-law to the Municipal Property Assessment Corporation, the Secretary of any affected school board(s) and the clerk of the Region of York;
- 5) AND THAT staff be authorized and directed to do all things necessary to give effect to these resolutions.

**PURPOSE:**

The purpose of this report is to seek authority from Council to enter into a Municipal Capital Facility Agreement (a “**MCF Agreement**”) with respect to the Markham Soccer Dome Lands and to exempt the property from all property taxes pursuant to section 110 (6) of the *Municipal Act, 2001* (the “**Act**”), subject to the execution of the Mount Joy Lease.

## **BACKGROUND:**

Section 110 of the Act authorizes a municipal council to pass a by-law authorizing the municipality to enter into an MCF Agreement with any person for the provision of municipal capital facilities and to exempt from property taxes land on which such municipal capital facilities are located. The authority is subject to compliance with the criteria set out in section 110 of the Act and Ontario Regulation 603/06 (the “**Regulation**”). One such criterion is that if the proposed municipal capital facility is for the purpose of recreation, the municipality is required to purchase the municipal capital facility at the end of any lease term. Another criterion is that Council must declare, by resolution, that the municipal capital facilities are for the purposes of the municipality and are for public use.

Upon the passing of the by-law, the City Clerk must give written notice of the by-law to the Municipal Property Assessment Corporation, the Secretary of any affected school board(s) and the clerk of any other municipality that would, but for the by-law, have authority to levy taxes on the lands being exempted, in this case, the Region of York.

## **OPTIONS/ DISCUSSION:**

Council has authorized a lease of the Mount Joy Soccer Dome Lands to a company to be incorporated by Ed Skrobal, Mount Joy Sports Dome Inc., for the installation and operation of a seasonal soccer dome at the Mount Joy Soccer Dome Lands. The previous Council report titled “Installation and Operation of a Dome at Mount Joy Artificial Turf Field, dated March 22<sup>nd</sup>, 2016 is attached as Appendix “C”.

Staff recommend that the City enter into an MCF Agreement with Mount Joy Sports Dome Inc. and exempt the Mount Joy Soccer Dome Lands from property tax. Staff have reviewed the criteria for exempting land from property tax set out in Section 110 of the Act and the Regulation and in order for the City to exempt the Markham Soccer Dome Lands from property tax, the following criteria must be met:

1. The Mount Joy Soccer Dome Lands are leased by Mount Joy Sports Dome Inc. which has entered into a MCF Agreement with the City
2. The Mount Joy Soccer Dome Lands will be used entirely by Mount Joy Sports Dome Inc. to provide services that may be provided by the City

3. The municipal capital facility being provided by Mount Joy Sports Dome Inc., for recreational purposes, falls within one of the classes of permitted municipal capital facilities listed in Section 2 of the Regulation.
4. If the municipal capital facility being provided is for “recreational purposes” then:
  - (i) the City must own or agree to purchase the municipal capital facility at the end of the lease term; and (ii) Council must declare by resolution “that the municipal capital facilities are for the purposes of the municipality and are for public use.”

It is clear that the criteria in #1 through #3 will be met in the proposed arrangement if the City enters into the Mount Joy Lease and the MCF Agreement with Markham Sports Dome Inc. Markham Sports Dome Inc. has agreed to provide an indoor soccer facility, which is a recreational service that the City had planned to provide at its own cost. When the City invested \$600,000 converting the existing field at Mount Joy Community Centre to an artificial field in 2012, Council had supported additional funding of \$130,000 to add a grade beam to the field for support of a sports dome when inflated. It was anticipated that the City would install a dome structure on the site in the future.

Since the proposed indoor soccer dome is for “recreational purposes”, to satisfy criteria #4 above staff have negotiated terms with Mount Joy Sports Dome Inc. for the purchase of the dome upon termination of the Mount Joy Lease.

Staff also recommend that Council declare that the Mount Joy Soccer Dome Lands are for the purposes of the municipality and are for public use. Since Mount Joy Sports Dome Inc. has agreed to make the proposed dome available to Markham Soccer Club at rates similar to the City’s, the soccer dome can be considered a municipal capital facility for the purpose of the municipality. Mount Joy Sports Dome Inc. has essentially agreed to provide a service that the City would otherwise provide. In addition, the City will receive specified hours of usage of the dome at no cost, the dome will be available for use by the public subject to the payment of rental fees, and the dome will be used primarily by Markham Soccer Club for providing soccer programs to the public.

Staff recommend that the City enter into a MCF Agreement with Mount Joy Sports Dome Inc. and that Council exempt the Mount Joy Soccer Dome Lands from taxation for municipal, regional and educational purposes. This recommendation is conditional on Mount Joy Sports Dome Inc. entering into the Mount Joy Lease with the City which will include the City’s agreement to acquire the dome upon termination of the lease and include obligations by Mount Joy Sports Dome Inc. to make the dome available for use by Markham Soccer Club and to the City as described above.

## **FINANCIAL CONSIDERATIONS**

As set out in the previous Council Report and under the proposed arrangement with Mount Joy Sports Dome Inc., the City will receive lease payments of \$35,000 annually from Mount Joy Sports Dome Inc. with a 2% annual increase for the term of the agreement.

This will result in the City receiving approximately \$740,000 over the 20 year term of the agreement.

**HUMAN RESOURCES CONSIDERATIONS**

N/A

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

N/A

**BUSINESS UNITS CONSULTED AND AFFECTED:**

Legal Department  
Recreation Department

**RECOMMENDED BY:**

X

Joel Lustig  
Treasurer

X

Trinela Cane  
Commissioner, Corporate Services

X

Brenda Gorecz  
Community and Fire Services

**ATTACHMENTS:**

Appendix A - Subject Lands Description and Map

Appendix B – Draft Municipal Capital Facilities By-law

Appendix C – Council report titled “Installation and Operation of a Dome at Mount Joy Artificial Turf Field, Council meeting held on March 22, 2016

**Appendix A - Subject Lands Description and Map / Sketch**  
6140 16<sup>th</sup> Avenue, Markham



MOUNT JOY SPORT DOME



13.05.2016  
NTS  
BTI-1287



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**Appendix B – Draft Municipal Capital Facilities By-law****BY-LAW NO. 2016-  
CITY OF MARKHAM**

A by-law of the City of Markham to designate certain lands as a municipal capital facility.

WHEREAS Section 110 of the *Municipal Act, 2001*, S.O., c.25, as amended (the “**Municipal Act, 2001**”) permits a municipality to enter into agreements for the provision of municipal capital facilities;

AND WHEREAS Section 110 of the *Municipal Act, 2001* permits a Council of a municipality to designate lands within the classes of lands described in Ontario Regulation 603/06 as a municipal capital facility and exempt the facilities from taxation for municipal and school purposes;

AND WHEREAS the City and Mount Joy Sports Dome Inc. have entered into a Lease dated \_\_\_, 2016 (the “**Lease**”) whereby the City has leased to Mount Joy Sports Dome Inc. a portion of the City-owned lands municipally known as 6140 16th Avenue, Markham, depicted in Schedule “A” of this by-law (the “**Lands**”) for the installation and operation of a seasonal indoor soccer dome;

AND WHEREAS the Lands and the indoor soccer dome to be installed by Mount Joy Sports Dome Inc. on the Lands are municipal capital facilities used for recreational purposes;

AND WHEREAS the Lands are owned by the City and the City has agreed to purchase the indoor soccer dome to be erected on the Lands upon termination of the Lease;

AND WHEREAS Council has declared by resolution on June \_\_\_, 2016 that the indoor soccer dome to be located at Lands are for the purposes of the City and are for public use;

AND WHEREAS Council for the City of Markham, on June \_\_\_, 2016 approved the passing of a by-law authorizing the City to enter into a Municipal Capital Facilities Agreement (the “**MCF Agreement**”) with Mount Joy Sports Dome for the provision of municipal capital facilities by Mount Joy Sports Dome Inc. on the Lands;

AND WHEREAS the MCF Agreement also provides for the exemption of the Lands from taxes for municipal and school purposes and specifies that the municipal capital facilities to be provided by Mount Joy Sports Dome Inc. on the Lands will be (a) used for recreational purposes; (b) are for the purposes of the City; and (c) are for public use.

AND WHEREAS Council for the City of Markham, on June 14, 2016 approved

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the passing of a by-law to exempt the Lands from taxes for municipal and school purposes to be effective from the latter of the following dates: (a) the commencement date of the Lease; and (b) the date the MCA Agreement is signed; and (c) the date the by-law exempting the Lands from taxes is enacted;

THEREFORE the Council of the City of Markham enacts as follows:

1. The Council hereby designates the Lands and the indoor soccer dome to be located thereon, together with all ancillary improvements, as municipal capital facilities for recreational purposes.
2. The Lands and the indoor soccer dome, together with ancillary improvements, to be erected on the Lands are for the purposes of the City and for public use.
3. The Mayor and Clerk are hereby authorized to execute the MCF Agreement with Mount Joy Sports Dome Inc. for the provision of municipal capital facilities on the Lands, provided that the form and content of the MCF Agreement are satisfactory to the City Solicitor and the Director of Recreation Services.
4. The Lands and the indoor soccer dome, together with ancillary improvements, to be located on the Lands are hereby exempted from taxation for municipal and school purposes to be effective on the latter of the following dates: (a) the commencement date of the Lease; and (b) the date the MCA Agreement is signed; and (c) the date this by-law is enacted.

ENACTED AND PASSED this day of \_\_\_\_\_, 2016.

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CITY CLERK

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MAYOR



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**Appendix C** – March 22, 2016, Council report entitled “Installation and Operation of a Dome at Mount Joy Artificial Turf Field



Report to: General Committee

Date Report Authored: January 25, 2016

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<b>SUBJECT:</b>	Installation and Operation of a Dome at Mount Joy Artificial Turf Field
<b>PREPARED BY:</b>	Mary Creighton - Recreation Services Jay Pak – Financial Services

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**RECOMMENDATION:**

- 1) That the Installation and Operation of a Dome at Mount Joy Artificial Turf Field be received; and
- 2) That Council approve the execution of a lease agreement with Ed Skrobal – NewCo. over a 20 year period from October 2016 to April 2035 to acquire, install, operate and maintain a dome at Mount Joy Artificial Turf field annually for 7 months October 1<sup>st</sup> to April 30<sup>th</sup>; and
- 3) That the funding for the installation of the services, to a maximum amount of \$195,000 be up fronted by the City from the Life Cycle Replacement and Capital Reserve fund to be repaid by NewCo. through the annual lease payment; and
- 4) That NewCo. to pay the City an annual land lease payment of \$35,000 indexed by 2% annually for the term of the lease agreement with NewCo; and
- 5) That Council authorize the Mayor and Clerk to execute an agreement with NewCo. in a form satisfactory to the City Solicitor and the Chief Administrative Officer for the acquisition, installation, operation, and maintenance of the dome at Mount Joy Artificial Turf Field; and,
- 6) That this report be brought forward to Council on Tuesday, March 1<sup>st</sup>, 2016 for approval; and
- 7) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of the report is 1) to provide Council with information on the options regarding the acquisition, installation, operation and maintenance of a dome at Mt. Joy artificial turf field and 2) to obtain Council approval on the recommendation to execute

an agreement with Ed Skrobal – NewCo. to acquire, install, operate, and maintain the dome at Mt. Joy artificial turf field

**BACKGROUND:**

At the Budget Committee meeting of December 7, 2015, the following Budget Committee resolutions were approved:

“That Council proceed towards the construction of a soccer dome in 2016 at the Mount Joy artificial field; and

That staff continue to negotiate with FSTM for the construction and operation of the dome; and

The staff continue its investigation of the City constructing and operating the dome; and

That staff report back on the matter by the end of January 2016, at which point a decision will be made with respect to the construction of the dome.”

**DISCUSSION:**

Staff have been meeting with Ed Skrobal – FSTM to negotiate an agreement for a dome at Mt. Joy artificial turf field which NewCo. would install and operate. Mr. Skrobal for the purpose of this business deal has notified us that he will form a new company, as he will be the sole owner/operator. For the purposes of this report we will refer to this company as NewCo.

Operating Options

Staff have completed a comprehensive analysis of both options: 1. City owned and operated or 2. Privately owned and operated.

Below is a summary of each of the options with a brief discussion on the advantages of each.

1. City Owned and Operated:

At the budget meeting on December 7, 2015 staff presented the financial details of the cost to install and operate the dome, outlining a number of options for the recovery of the capital outlay required to support the construction of a new dome as shown in the table below.

	New Dome
Purchase Cost	\$445,000
Modifications	
Vehicle Air Lock	\$38,230
Site Services	<u>\$195,000</u>
<b>Sub total</b>	<b>\$678,630</b>
Project contingency	<u>\$67,863</u>
<b>Total Project Cost</b>	<b>\$746,493</b>

A financial analysis was conducted using data obtained from the past year's operations at St. Roberts soccer dome including the rate and cost structure indexed at 2% per year to determine the payback of the dome. Utilities costs were indexed at a rate reflective of current market conditions. Under the first option (1a) using current rates and volumes at St. Roberts soccer dome, the analysis indicated that an average annual operating surplus of \$24,988 could be used to pay back the project cost of \$746,493 over a period of 29.9 years. This option was not considered, as the pay back would be longer than the life cycle of the dome at 20 years.

Therefore, a second option (1b) to increase user fees by 25% from the current rates was analyzed and under this rate structure, it was forecasted to generate an average annual operating surplus of \$73,526 which could be used to pay back the project cost of \$746,493 over a period of 10.2 years. The comparison of the two options is shown in Appendix 1.

## 2. Privately Owned and Operated – Ed Skrobal, NewCo.

Staff from Recreation and Finance met with Ed Skrobal to negotiate a deal which is agreeable to both parties. Based on the financial analysis that has been completed, staff are confident that an agreement has been reached that meets both parties needs, and provides access to an indoor soccer space to the Markham Soccer Club (MSC), a primary user, at a reasonable rate. Throughout the negotiations Ed Skrobal has been meeting with representatives from Markham Soccer Club to ensure that the business model that has been developed, including permit fees is workable for MSC.

### Summary of Negotiations

Below outlines a summary of the proposed agreement between the City and NewCo.. Full details will be included in the agreement in a form satisfactory to the City Solicitor and the Chief Administrative Officer:

- Edward Skrobal will open a newly created incorporated entity (NewCo) and will be responsible for the capital as listed below, along with the day-to-day management of the single field indoor domed facility at Mount Joy. Full details will be included in the agreement.

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- Facility target opening date is October 2016. Contract length will be 20 years (October 2016 to April 2035).
  - Capital Investment – NewCo. will be responsible for the purchase of a new dome, event decking, grooming equipment, and any facility equipment as required (goals, nets, and seating) for the location. NewCo. will also be responsible for field painting and snow blowing along the perimeter of the structure.
  - The City of Markham will be responsible for the installation of site services, to a maximum amount of \$195,000 to be repaid by NewCo. through the payment schedule described below
  - Annual Lease Payment - NewCo. will pay the City of Markham \$35,000 annually with a 2% annual increase for the term of the agreement, in consideration for the repayment of site servicing, use of one-third of the turf field for seven months of the year and a land lease. Payments will be made annually in seven monthly installments beginning on the opening day of the facility.
  - Operating Season - Target for start of the season would be approximately October 1 and the end of any season would be approximately April 30. There would be additionally one week required before the start of the season and after the end of the season for dome takedown and dome put up.
  - Operating Costs – NewCo. would be responsible for general day-to-day management of the facility. This would include items such as utilities, staffing, general marketing, maintenance, repairs, and dome put up and take down. NewCo. will request use of current garbage facilities at the Mount Joy location at no cost to NewCo.. NewCo. will not be installing a clubhouse or any washroom facilities. Rather, the current washroom facilities at the Mount Joy location will be used and NewCo will work with the Markham Soccer Club regarding office requirements.
  - Project Start Up Costs - NewCo would be responsible for all costs relating to the project, including City of Markham permit fees, architectural costs, designs, drawings, and general landscape planning.
  - General Items - Markham Soccer Club will be the primary tenant. There are scheduled hours that have been requested by MSC, and NewCo. will work to ensure these hours will be provided to MSC.
  - Early termination – in the case of early termination instigated by NewCo., the City will have the option to purchase the dome under the following terms:
    - Year 1 – 5 the City would pay 50% of cost
    - Year 6 – 15 the City would pay 25% of cost

Staff recommend the City to develop and execute an agreement with Ed Skrobal – NewCo. for the acquisition, installation, operation, and maintenance of a dome at Mount

Joy Artificial Field from October 1 – April 30th on an annual basis for a term of 20 years. By allowing NewCo. to acquire, install, operate, and maintain the soccer dome, the City would effectively transfer the risk associated with generating the necessary operating margin needed to recover the cost of capital and the day-to-day operations and maintenance of the dome. Furthermore, the lease payments of \$35,000 with a 2% increase annually from NewCo. allows the City to maintain a comparable revenue stream to the one projected under the City owned and operated option.

#### Background on Ed Skrobal

The following provides information on Ed Skrobal

- Fifteen years experience as General Manager of a stand-alone division of Maritime-Ontario Freightworks (a transport company) that specialized in RFP contract logistics work. Responsible for a staff of over 500. *Winner of Supplier of the Year and Award of Excellence* 14 of 15 years in this same logistics business.
- Current owner of JCE Logistics Inc., a local trucking company that has been doing contract work with Canada Post Corporation for over ten (10) years.
- Current 50% partner of the Eglinton Flats Winter Tennis Club (owned and operated by First Service Tennis Management (FSTM)), an indoor tennis facility on a lease agreement with the City of Toronto. This operation is now in its' eleventh year of operation, with five (5) more years remaining on the agreement. Total of six (6) tennis courts and over 1,000 members, this facility is virtually sold out on an annual basis.
- Current 50% partner of the Markham Sports Dome (MSD), a full size (320' X 220') domed indoor multi-sport facility on a twenty-one (21) year, less one day, lease agreement with the York Catholic District School Board. The MSD facility opened October, 2105, at the Father Michael McGivney Catholic Academy facility to rave reviews and is successfully serving the local indoor multi-sport needs.

#### **FINANCIAL CONSIDERATIONS:**

Staff recommend the City to develop and execute an agreement with Ed Skrobal – NewCo., to acquire, install, operate, and maintain the dome at Mt. Joy artificial turf field. The City will upfront the site servicing costs of \$195,000 to be repaid by NewCo as part of the annual land lease payments. The site servicing costs will be funded from the Life Cycle Replacement and Capital Reserve fund. NewCo. will provide annual land lease payments of \$35,000, to be indexed at 2% annually, to be paid in 7 installments each year

The proposal between the City and NewCo. will provide:

1. Use of 1/3 of the turf field for 7/12 of the year (October to April) by NewCo.
2. Repayment of the Site Servicing costs by NewCo.

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3. Transfer of risk associated with operating the soccer dome in order to achieve the desired revenue as well as the administration and maintenance necessary to operate the dome each year

Staff have estimated that the total net cash flow over the 20 year term will be approximately \$740,000. This figure is comparable to the net cash flow projection of the City owned and operated option (1b) with a 25% increase in rates.

#### **HUMAN RESOURCES CONSIDERATIONS**

No Human Resources implications are to be considered in this report.

#### **ALIGNMENT WITH STRATEGIC PRIORITIES:**

Not applicable.

#### **BUSINESS UNITS CONSULTED AND AFFECTED:**

Recreation Services and Financial Services

#### **RECOMMENDED**

**BY:**

\_\_\_\_\_  
Trinela Cane  
Commissioner, Corporate  
Services

\_\_\_\_\_  
Brenda Librecz  
Commissioner, Community  
and Fire Services

**APPENDIX 1 – Mount Joy Soccer Dome**  
**City Owned and Operated Financial Performance Projection 2016-2035**  
**Current Fees vs. 25% Fee Increase**

<b>OPTION 1a: CURRENT PERMIT FEE</b>	
<b>Revenue</b>	<b>Avg/Year(2016-2035)</b>
Prime Time	194,214
Non-Prime Time	7,897
<b>Total Revenue</b>	<b>202,111</b>
<b>Expenses</b>	
Personnel	35,938
Non-Personnel	141,185
<b>Total Expenses</b>	<b>177,123</b>
<b>Net Surplus/(Deficit)</b>	<b>24,988</b>
<b>Capital Expenditures</b>	<b>746,493</b>
<b>ESTIMATED</b>	
<b>PAYBACK PERIOD</b>	<b>29.9 Years</b>

<b>OPTION 1b: INCREASED PERMIT FEE</b>	
<b>Revenue</b>	<b>Avg/Year (2016-2035)</b>
Prime Time	242,753
Non-Prime Time	7,897
<b>Total Revenue</b>	<b>250,649</b>
<b>Expenses</b>	
Personnel	35,938
Non-Personnel	141,185
<b>Total Expenses</b>	<b>177,123</b>
<b>Net Surplus/(Deficit)*</b>	<b>73,526</b>
<b>Capital Expenditures</b>	<b>746,493</b>
<b>ESTIMATED</b>	
<b>PAYBACK PERIOD</b>	<b>10.2 Years</b>