



# Staff Report to Council

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**DATE: Monday, December 2, 2024**

**DEPARTMENT: Administration**

**SUBJECT: Westhills YW/YMCA Langford Aquatic Centre**

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## EXECUTIVE SUMMARY:

Further to the Staff Report to Council dated November 18, 2024, this report responds to many of the questions raised by the public since Colliers Project Leaders (Colliers) presentations on November 4, 2024 and November 18, 2024.

Staff have made available through LetsChatLangford.ca the relevant reports received during the due diligence period of February 2023 to current to support the context of this report.

Staff recommend that Council use the December 2, 2024, meeting to receive input from the public and deliberate the decision to purchase the facility or not. Should a decision not be made on December 2, 2024, Council can continue to deliberate the decision on December 16, 2024.

## BACKGROUND:

At the meeting held November 4, 2024, Council received a presentation from Colliers detailing the summary of work to date regarding the potential decision to purchase the Westhills YW/YMCA Langford Aquatic Centre. The scope of this presentation included a detailed walkthrough of the City's due diligence in anticipation of Westhills Land Corp's (Westhills) offer to sell the building and 186 parking stalls of the adjacent parking lot – See Appendix 1 for Colliers' presentation on November 4, 2024.

On November 18, 2024, Council received a presentation from Colliers detailing responses to public feedback relating to the scope of Colliers' work – See Appendix 2 for Colliers' presentation on November 18, 2024. Also on November 18, 2024, staff provided a report that responded to questions from the public that were not included within Colliers' scope of work.

In addition to Colliers' presentations on November 4, 2024, and November 18, 2024, the City has implemented the following strategies to inform the public about the decision before Council regarding the Westhills YW/YMCA Langford Aquatic Centre:

- Created a project page on Let's Chat Langford (the City's public engagement platform).
- Issued an email newsletter to all subscribers of Let's Chat Langford.

- Posted information on City social media accounts (Facebook and Instagram).
- Posted digital advertisements on digital billboards across the City.
- Placed print advertisements in the Goldstream Gazette.
- Placed poster board displays with detailed information at the Westhills YW/YMCA, the Greater Victoria Public Library - Langford Heritage Branch, the Victoria Conservatory of Music, Council Chambers, Langford City Hall, and at West Shore Parks and Recreation.
- Created a feature box on the City's website homepage which links to Let's Chat Langford.
- Issued a media release which garnered significant media interest and subsequent coverage by TV, digital, and print media.

In addition to the proactive communication efforts undertaken by the City, residents have been encouraged to submit their feedback via email at [LetsChat@Langford.ca](mailto:LetsChat@Langford.ca). As of November 25, 2024, 110 emails have been received, with some containing questions and others expressing opinions on whether the City should purchase the facility.

This report addresses most questions (that have not already been answered) received from the public to since November 13, 2024. Any questions received subsequent to this report will be addressed to the best of the City's ability at the Council meeting on December 16, 2024.

#### **COMMENTARY:**

##### **Summary of Questions Received and City Responses:**

*"Why does the Consultant's comparison focus on the Status Quo - Default Scenario and exclude a scenario where the YW/YMCA contributes to lifecycle costs with improved financial performance?"*

The Consultant's analysis emphasizes the Status Quo – Default Scenario because it is the City's understanding of how the current arrangement is most likely to evolve if the City does not purchase the building. This scenario is informed by the YW/YMCA's historical financial performance and their inability to meet current financial obligations, including covering lifecycle costs. While it is possible to speculate on scenarios in which the YW/YMCA achieves improved financial and operational results, these are considered highly uncertain based on available data. The Status Quo – Default Scenario represents the City assuming 100% of the YW/YMCA's financial lease obligations while the YW/YMCA continues to operate the facility, reflecting the likely financial pressures and outcomes given historical trends and contractual obligations.

##### **Key Facts:**

1. **Public Aquatic Facility Subsidies:** Public aquatic facilities typically require local government subsidies and do not operate at a profit. This is consistent with the YW/YMCA's financial performance since 2016.
2. **Documented Service Agreement:** The YW/YMCA originally agreed to a subsidy of \$750,000–\$950,000 per year for 25 years, but operational losses have far exceeded this range. In 2023, the

YW/YMCA requested a subsidy that is approximately equivalent to their annual rent obligations (\$1.9M) to avoid ceasing operations.

3. **Historical Losses:** The YW/YMCA has accumulated approximately \$10M in operational losses since 2016, indicating revenue shortfalls significant enough to impact their ability to cover lease obligations and lifecycle costs.
4. **Lifecycle Costs and Rent Increases:** The YW/YMCA has not budgeted for \$14.8M in estimated lifecycle costs, which the City expects to cover. Additionally, Westhills has the ability to increase rent under the lease agreement, further escalating the YW/YMCA's financial burden.
5. **City as Financial Guarantor:** The City is the financial guarantor for the YW/YMCA's lease obligations. If the YW/YMCA cannot meet these obligations, the City must step in, particularly if operational deficits continue.
6. **Future Risk Assumptions:** Based on past financial trends and anticipated increases in rent and lifecycle costs, it is likely that the City will be required to subsidize 100% of the YW/YMCA's lease obligations under the Status Quo – Default Scenario. This scenario assumes that without such subsidies, the YW/YMCA will cease operations.
7. **Focus on Likely Outcomes:** While the possibility of improved financial performance by the YW/YMCA exists, the Consultant's focus on the Status Quo – Default Scenario is based on the most likely trajectory given the historical data and current agreements.

*“What section(s) of the agreements signed in 2013 validate the statements that were made at the November 18, 2024, Council meeting which have led the public to believe that the City is liable for all the lifecycle costs of the Westhills YW/YMCA Langford Aquatic Facility, regardless of the whether or not the City purchases the facility?”*

Under the 2013 Tripartite Agreement, the City's obligations depend on whether it purchases the facility or continues under the current lease arrangement. If the City does not purchase the facility, the status quo would remain, and the City would continue to provide an annual subsidy to the YW/YMCA. As outlined in Schedule A, Item M of the agreement, this subsidy is meant to support the YW/YMCA's operating costs, being the annual rent obligations, including base and additional rents. As outlined in Section 3.2 of the agreement, should the YW/YMCA cease operations, the City could be required to take over the lease and its associated obligations. This obligation is also noted by Westhills, who, in the attached letter write, “Westhills ultimately decided to take on the risk of constructing and owning the building using some of its own funds and a significant construction (and later mortgage) loan. We were willing and able to do this only because of the important commitments made by the other parties, [including] the City of Langford agreeing to guarantee the obligations of the YMCA under the lease in the event they became unable to fulfill them.”

In either scenario, the YW/YMCA has stated that they have not budgeted for lifecycle costs, estimated at \$14.8M, which are included in operating costs defined under additional rent of the lease agreement. For further insight, Appendix 1 of Colliers' Phase 1 Report provides a detailed breakdown of the key terms associated with YW/YMCA's lease obligations and key definitions – See Appendix 3 for Colliers' Phase 1 Report – Commercial Review of the Lease Agreement.

**Key Facts:**

1. **Contractual Obligation:** Under the 2013 Tripartite Agreement, the City must either continue providing subsidies for the YW/YMCA's rent obligations or take over the lease if the YW/YMCA ceases operations (Section 3.2).
2. **Lifecycle Costs:** The YW/YMCA's rent obligations include base and additional rent, which covers lifecycle costs estimated at \$14.8M, as defined in the agreements and clarified in Colliers' Phase 1 Report.
3. **Current Expectations:** Whether the facility is purchased or not, the City expects to pay for the lifecycle costs as they relate to the YW/YMCA's lease obligations, as the operator has not budgeted for lifecycle costs or proven they can meet their financial obligations associated with the lease.

*"Why is the decision timeline to accept the offer to sell so quick, and who is imposing it? Are there multiple offers driving this urgency?"*

The timeline for deciding on the offer to sell is influenced primarily by the length of discussions/ negotiations between the City and Westhills from spring of 2023 to present. Westhills has extended its preferred timelines for the offer to sell multiple times to allow the City to complete its due diligence and provide opportunities for public input.

In the letter attached, Westhills writes: "normally an offer such as this would be open for 2 - 3 weeks however discussions with City staff indicated that leaving it open for a longer period of time would allow the City to provide its due diligence information to the public and Council and receive feedback prior to making a decision. As a result, the offer was left open to December 17<sup>th</sup>... We have been patient to date however we are looking forward to the City soon deciding whether it will purchase the recreation centre or not. If the City decides not to purchase or is unable to make a decision prior to the offer expiration date we will need to explore other options for the facility. This may not necessarily preclude discussions with the City at a later date, but we would not be able to guarantee that the price and other terms contained in the current offer would remain the same in the future."

While the City understands that other parties have expressed interest in the property, it is not privy to specific details about these inquiries.

**Key Facts:**

1. **Timeline set by Westhills:** The decision timeline has been extended multiple times, with extensions previously being granted for due diligence and public input.
2. **Potential Interest from Other Entities:** The City understands that other parties have expressed interest in the property, but details are not known to the City.

*“Is there a path by which West Shore Parks and Recreation Society (WSPR) could be hired to operate the aquatic centre?”*

While the five West Shore municipalities (City of Langford, City of Colwood, Town of View Royal, District of Highlands, District of Metchosin) currently collaborate on some recreation services through the West Shore Parks and Recreation Society (WSPR), there has not been a precedent for collaborative planning of new recreation facilities. However, recent discussions among the West Shore communities suggest a shared interest in planning future recreation facilities collaboratively to ensure sufficient and well-placed amenities while avoiding duplication (see November 18, 2024, staff report for further information).

The City acknowledges the importance of ongoing discussions regarding the operator and operations of the aquatic facility. However, any considerations or potential decisions in this regard will be addressed at a later date, following the completion of the current purchase decision process. The City remains committed to carefully reviewing all options and will ensure that any decisions made will be in the best interest of the community and its long-term recreational needs.

**Key Facts:**

1. **Current Collaboration:** West Shore municipalities collaborate on recreation services through WSPR but have not historically planned new facilities collaboratively.
2. **Growing Consensus for Collaboration:** Recent discussions indicate consensus on the need for collaborative planning to ensure adequate, strategically located recreation facilities and to avoid duplication. WSPR has issued an RFP for a West Shore Recreation Master Plan – See the WSPR update from October 28, 2024 here: [West Shore Parks & Recreation Society Seeks Consultant for Recreation Master Plan | West Shore Parks & Recreation](#). The City anticipates that this work will set the necessary foundation for future conversations about appropriate cost share and/or ownership arrangements of facilities within the West Shore.
3. **Subsequent Operational Review:** Operational considerations for the aquatic centre, including potential involvement of WSPR, may be reviewed after the purchase decision is made.

*“Why doesn’t Langford start by enforcing the provisions of the contract with the YMCA?”*

This question was addressed in the City Staff Report to Council on November 18<sup>th</sup>, 2024. Please refer to the question, *“Given the City has had to increase its financial support to the YW/YMCA, does the City have any recourse?”*

*“What due diligence did the City do before guaranteeing the YW/YMCA’s obligations to Westhills? What was Council’s vision for entering into what would appear to be a lopsided agreement?”*

The City entered into the agreement to facilitate the development of the aquatic facility without incurring the significant upfront costs of construction. By entering these agreements, the City secured access to valuable recreational services for the community for 25 years, with Westhills financing and

constructing the facility. This approach allowed the City to spread costs over time through a nominal annual subsidy to the YW/YMCA.

The City cannot definitively speak to the due diligence process leading to the approval of this deal in 2013. Due to many contributing factors, the YW/YMCA currently requires subsidies approximating their annual lease obligations. These increased requirements have outgrown the City's original subsidy expectations, creating the perception of a lopsided agreement. Today, the City's focus remains on addressing the realities of the agreement and balancing the City's financial obligations with the need to provide these critical services.

**Key Facts:**

1. **Agreement Purpose:** The agreements provided the City the opportunity to avoid upfront costs of construction, while securing long-term recreational benefits for the community.
2. **Financial Commitment:** The City agreed to provide an annual subsidy to the YW/YMCA, initially expected to be less than the annual rent, to secure 25 years of recreational services.
3. **Current Challenge & Focus:** The YW/YMCA now requires a subsidy approximately equal to their annual rent obligations, and the City is focused on managing these fiscal challenges while continuing to provide services.

*“What was the City’s plan if or when the current situation occurred?”*

The City recognizes that questions have arisen regarding the decisions and considerations when the agreements were entered into in 2013. The City's focus is to address the current situation and manage the obligations in place to ensure continued service to the community.

*“If the City purchases the facility, will Langford residents get a reduced rate?”*

Langford residents receive a 10% discount on the monthly memberships and a 20% reduction on drop-in fees through the YW/YMCA. The City expects discounts to remain available to Langford residents.

*“If the City purchases the facility, is there an official commitment from the City of Langford that this location will not be sold to meet needs that do not serve public interest?”*

Local governments, by their very nature, exist to serve the public interest. Therefore, any related or future decisions regarding this facility and associated parking will be made to maximize public interest, as determined at the time of that decision.

*“If the City purchases the facility, what impact does this have on the average annual household taxes? How are they calculated?”*

In 2024, a representative house in Langford paid \$2,406 in general municipal property taxes (note this is just the City's portion of the tax bill). Applying the 1.75%, this amount increases to \$2,448, which results in a \$42 net increase.

*“If the City purchases the facility, will free parking still be available for those accessing the public dock on Langford Lake near the YW/YMCA?”*

As part of the City’s due diligence, the City commissioned a parking study by WATT consulting which assessed a variety of competing current and future parking needs of the parking lot. This study determined that all parking needs can be met by the City receiving 186 parking stalls as part of the transaction. As such, the City is not contemplating charging for parking.

*“Why has the YW/YMCA not regained the level of membership they had pre-covid?”*

The City understands the concern regarding membership levels at the aquatic facility and recognizes the impact of this issue. However, as outlined in the service agreement with the YW/YMCA, they have sole authority to operate the facility in alignment with their charitable mission. All policy and governance matters related to the operation of the facility are the responsibility of the YW/YMCA. While the City can offer speculation on factors that may be affecting membership levels, these issues would need to be thoroughly examined as part of an operational review. The City remains committed to working with the YW/YMCA to ensure the continued success of the facility for the community.

**Key Facts:**

1. **Operational Responsibility:** The YW/YMCA has sole authority to manage the aquatic facility in alignment with its charitable mission, as per the service agreement.
2. **Governance Responsibility:** Policy and governance decisions for the facility are the responsibility of the YW/YMCA under the service agreement.
3. **Current Focus:** While the City can speculate on potential reasons, current performance would be part of the planned operational review.

*“Is there an opportunity for the City of Langford to take any cost-cutting measures or operational changes to mitigate further operating losses?”*

The City acknowledges the importance of ongoing discussions regarding the operator and operations of the aquatic facility. For clarity, the current operator will remain in place. Any considerations or potential decisions regarding the operator and operations will be addressed at a later date, following the completion of the current purchase decision process. The City remains committed to determining how best to review operational concerns and will ensure that any decisions made will be in the best interest of the community and its long-term recreational needs.

*“If the City purchases the building, what will be the nature of the agreement with the YMCA (or any other operator) be?”*

The current agreements will remain in place.

*“Are there any other ongoing annual payments from the City to the YW/YMCA?”*

No, the City only provides the annual subsidy. This is currently \$1.9M.

*“What obligations is the City taking on through this purchase?”*

The City’s purchase of the aquatic facility does not alter the original agreements in place. The City will be named in place of Westhills on all tenancy agreements, assuming the associated responsibilities. For more detailed information regarding the responsibilities of the landlord and/or tenant, particularly in relation to the YW/YMCA, please see Appendix 3 for the Colliers Phase 1 Report – Commercial Review of the Lease Agreement.

*“Is Langford on the hook for the operating losses?”*

The City is not responsible for past operating losses of the YW/YMCA. However, under the 2013 Tripartite Agreement, the City is financially backstopping the YW/YMCA’s lease obligations under Status Quo – Default Scenario, as outlined elsewhere in this report and supporting documentation.

*“What year does the 2013 Tripartite Agreement Expire?”*

As per schedule A of the Tripartite Agreement, Item V: “the term means 25 years, commencing on the day that is two months after the completion date and expiring on the 25<sup>th</sup> anniversary of that date unless this agreement is earlier terminated in accordance with the provisions of this agreement”. The City understands that if the agreement is not earlier terminated in accordance with the provisions of this agreement, the expiration year of this agreement is 2041.

*“Why would Langford entertain losing so much money over the next 42 years. Is there a point in which Langford could withdraw from the Agreements?”*

The three agreements expire together, 25 years after the commencement of the lease and service agreement. While there may be certain provisions for earlier termination, the City cannot effectively withdraw from the Agreements until 2041.

*How did the City contractually double its subsidy to the YW/YMCA in 2023? Did the City amend the Service Agreement with the YW/YMCA?*

The City has not amended the Service Agreement with the YW/YMCA as it relates to the increase in subsidy. Rather, following Council’s direction in 2023 to increase the subsidy, the City, YW/YMCA and Westhills collectively agreed that the City’s increased subsidy would be paid directly to Westhills as a payment towards the lease/rent owing.



**FINANCIAL IMPLICATIONS:**

The Financial Implications of the options available have been outlined in the presentation by Colliers and outlined in the previously provided reports.

**LEGAL IMPLICATIONS:**

External legal counsel is engaged to ensure all aspects of the proposed purchase meet the requirements of provincial legislation as it relates to local governments.

**OPTIONS:**

**Option 1**

Whereas, local governments provide recreational services to the public, either directly or through a third party;

Whereas the City of Langford entered into a long-term tripartite agreement with Westhills Land Corporation and the YW/YMCA to provide public funding in support of the operation of the Langford Aquatic Centre;

Whereas Westhills Land Corp., owner of the Langford Aquatic Centre, wishes to transfer ownership of the Langford Aquatic Centre and the City wishes to ensure the continued public access to this important recreational asset; and

Whereas the City has fully explored the risks, benefits and long-term rewards, and has provided significant public input opportunities;

NOW THEREFORE, it is hereby resolved that Council approve the purchase of the Langford Aquatic Centre and the adjacent parking lands for a purchase price not to exceed \$35,000,000 and authorize the Mayor and Chief Administrative Officer or Corporate Officer to execute all documents necessary to complete the purchase.

**OR Option 2**

THAT Council does not proceed with the acquisition of the Westhills YW/WYMCA Aquatic Centre and adjacent parking lands.

**OR Option 3**

THAT Council defers a decision on this matter until December 16, 2024.

**SUBMITTED BY: Braden Hutchins, Deputy Chief Administrative Officer**

**Concurrence:** Melisa Miles, Manager of Legislative Services

**Concurrence:** Donna Petrie, Senior Manager of Business Development and Events

**Concurrence:** Yari Nielsen, Director of Parks, Recreation and Facilities

**Concurrence:** Marie Watmough, Director of Legislative & Protective Services

**Concurrence:** Darren Kiedyk, Chief Administrative Officer

Attachments:

1. Colliers Presentation - November 4, 2024;
2. Colliers Presentation - November 18, 2024;
3. Colliers Phase 1 Report - Commercial Review of the Lease Agreement.
4. Letter from Westhills "Re: Potential Purchase of the Westhills YMCA" dated November 27, 2024