



Project  
Leaders

# Westhills YW/YMCA Langford Aquatic Centre

## Options Assessment

CITY OF  
**Langford**

**Date: November 4, 2024**

Prepared by: Colliers Project Leaders

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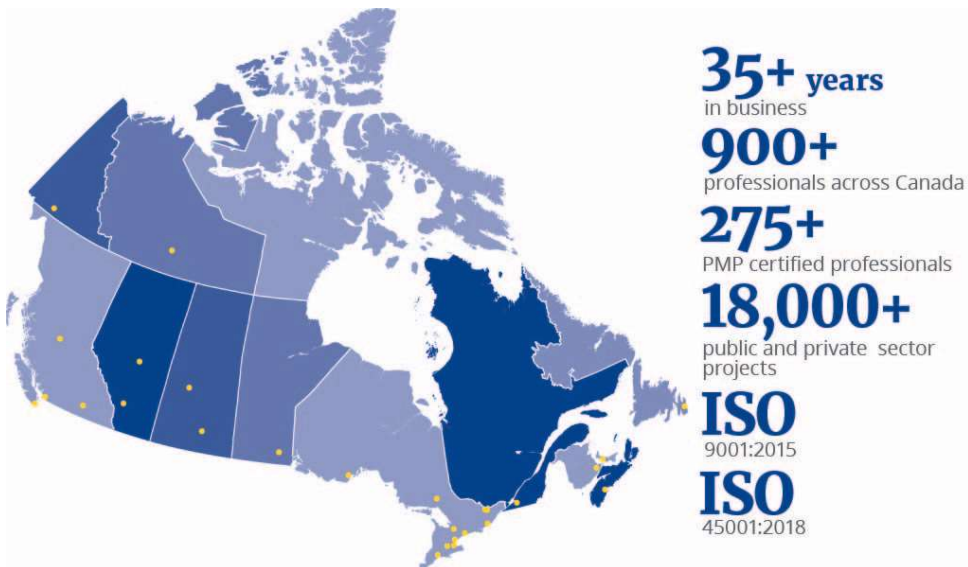
CITY OF  
**Langford**



# Agenda

- 01 Introduction
- 02 Background
- 03 Summary of Work to Date
- 04 Colliers' Findings
- 05 Next Steps
- 06 How to Provide Your Input

## Section 1 – Introduction (Colliers Project Leaders)



Project Sponsor,  
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Project Lead,  
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Project Analyst,  
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B.Comm

## Section 1 – Introduction (Today’s Presentation)



The City of Langford is evaluating the potential purchase of the building containing the Westhills YW/YMCA Langford Aquatic Centre and nearby parking lot.



The contents of this presentation provides an overview of the City’s assessment to understand the implications of the decision to purchase or not.



This is not about the YW/YMCA as a Service Provider or the operations of the Recreation Facility.

## Section 1 – Introduction (Today’s Presentation)

**2023**



City Staff begin due diligence activities to understand implications of a potential purchase, and engaging a number of consultants.

**March 2024**



Colliers’ engaged to perform both commercial review and financial analysis.

**Today**



Presentation to Council leveraging the work to date by City Staff, Other Consultants, and Colliers.

## Section 1 – Introduction (Objective)

*To provide a **comprehensive summary** of the work to date and future opportunities for public input.*

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## Section 2 – Background (Overview)



**Historical Context of the Westhills  
YW/YMCA Langford Aquatic  
Centre**

## Section 2 – Background (Historical Context)



### Westhills YW/YMCA Langford Aquatic Centre

- Serving the Community since 2016
- Located at 1319 Westhills Drive
- Amenities include:
  - The YW/YMCA
  - The Greater Victoria Public Library
  - The Victoria Conservatory of Music
  - Paradigm Orthodontics



## Section 2 – Background (Historical Context)

### The Plan

#### Pre 2013 – 2013

- The City of Langford, the YW/YMCA , and Westhills Land Corp (Westhills) created a plan to develop a one-of-a-kind aquatic centre.

#### 2013 – 2016

- The plan called for Westhills to fund and build the facility, which would be purpose built for the YW/YMCA and the City.

#### 2016 – 2041

- The plan also called for the YW/YMCA to lease the facility for 25 years, and for the City to purchase recreation services from the YW/YMCA, also for 25 years.



### Timeline



## Section 2 – Background (Historical Context)

### What did the Plan mean for the City?

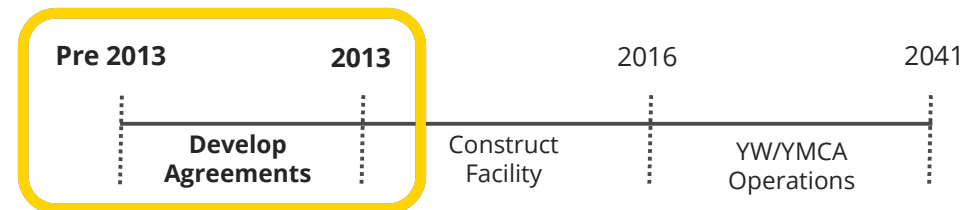
- The Plan offered a **cost-effective approach** for the City.
- The City was able to secure a much-needed recreation benefit **without having to pay for the construction of the facility upfront.**
- Rather, the City would provide **comparably smaller annual subsidies** to support the operations of the YW/YMCA through the Service Agreement.
- This in turn would **secure a one-of-a-kind recreation facility** for the next 25 years.
- To support the Plan, **multiple agreements were needed** between the Parties.

## Section 2 – Background (Historical Context)

### The Resulting Agreements



The purpose of the Tripartite agreement was to provide certainty to Westhills that the lease payments for the Recreation Centre would continue to be paid for the full 25 years.

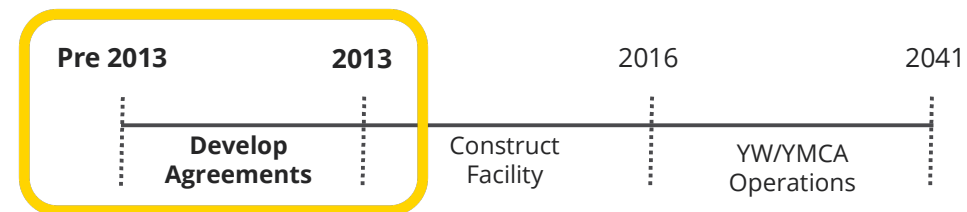


## Section 2 – Background (Historical Context)

### What does this mean for the City?

In summary:

- The City is obligated to purchase recreation services from the YW/YMCA annually, up to \$950,000 per year, through the **Service Agreement**.
- The YW/YMCA must use the City funding and their revenues from operations to meet their current and future financial obligations of the **Lease Agreement**.
  - Financial obligations such as base and additional rents, lifecycle costs, etc.
- Should the YW/YMCA default on their lease, the **Tripartite Agreement** requires the City to assume all costs associated with the Lease Agreement – Ensures certainty of the lease payments for the full 25 years.



## Section 2 – Background (Historical Context)

### Significant Events (2016 to Date) Impacting the Plan:

#### 2016 - 2023

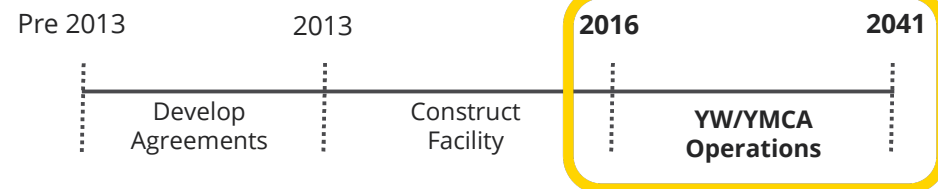
- YW/YMCA has lost \$10M+ operating their programs in the facility.
- Rent deferrals were given by Westhills at YW/YMCA request.

#### 2023

- YW/YMCA requests additional \$950,000 per year from the City, **or they would initiate facility closure.**
- To maintain recreational services, the City approved the request.

#### Now

- YW/YMCA likely cannot meet future obligations of Lease Agreement (e.g., \$14.8M lifecycle costs – further context in presentation)
- **YW/YMCA default** means the **City is contractually obligated** to pay all costs associated with the Lease.

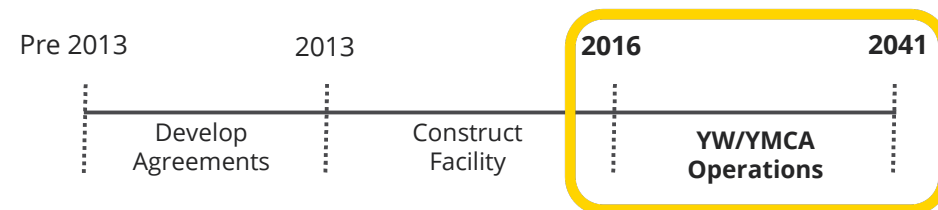


## Section 2 – Background (Historical Context)

Looking at the past 8 years we understand:

- The **YW/YMCA has lost \$10M+** in operating their program since 2016.
- The **YW/YMCA could have initiated facility closure** if the City did not double annual funding to \$1.9M in 2023.
- The YW/YMCA has indicated that **they have not budgeted for any of the anticipated \$14.8M lifecycle costs** – to be further discussed later in the presentation.

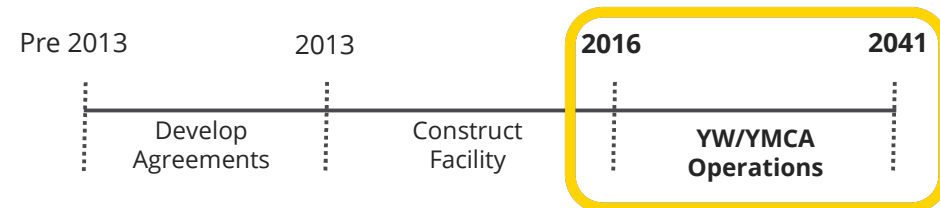
In Summary – **Pools don't make money.** Recreational services generally cost more than the revenues they produce – the benefit is for the community.



## Section 2 – Background (Historical Context)

Looking ahead at the next 17 years, what is the impact to the City if the YW/YMCA can't meet its lease obligations?

In the event the YW/YMCA defaults, the **City is contractually obligated** as per the original agreement of 2013 to cover all associated costs resulting from default – the financial obligations of the lease remain with the City if default occurs.



## Section 2 – Background (Overview)



**Offer to Sell**



## Section 2 – Background (Offer to Sell)

City Staff Worked with Westhills to Develop the Following Terms for the Offer to Sell:

- The offer includes the entire **building**, and **186 spaces in the parking lot** situated across the street.
- The sale price is **\$35,000,000 dollars**.
- The facility will include the Westhills name for 10 years.
- Offer to sell expires **December 17<sup>th</sup>, 2024**, and if accepted, the purchase is **finalized April 1, 2025**.
- The **City will be named in place of Westhills** in the relevant agreements.



## Section 2 – Background (Offer to Sell)

What is the Motivation to Sell?

### Not in the Business Model – Westhills

- Westhills is a **developer, not a landlord** for recreational centres.
- Intent of the original plan structured the agreements to transfer a significant level of financial risk to the YW/YMCA via the Lease Agreement, and ultimately the City via the Tripartite Agreement.

### In the Business Model – Local Government

- The **provision of recreation facilities** are generally **offered through local governments**.
- The offer to sell presents a potential solution to both the City and Westhills, and value to the community.

## Section 2 – Background (Offer to Sell)

### Why Consider the Potential Purchase?

#### Cost Control

Given the **significant variation** in annual financial obligations and expected future liabilities relating to this facility, the **purchase of this building can lead to cost certainty** and control over these costs (e.g., timing of maintenance).

#### Potential Savings

Although the decision to purchase the facility requires an upfront investment of \$35M, the **elimination of annual subsidies** can potentially result in significant long-term savings for the City (to be discussed later in the presentation).

#### Acquire an Asset

Rather than paying annual subsidies and lifecycle costs each year with **zero ownership after 17 years**, purchasing the facility would ensure that the **City's investment retains value** through owning the building and parking lot – both have land value.

#### Certainty of Services

If there was ever uncertainty surrounding continuity of these recreational services after 2041 (e.g., Westhills not renewing the YW/YMCA lease), **purchasing the building will ensure long-term access**.

**Main benefit is the difference between securing recreational programming for 17 years and 42+ years.**

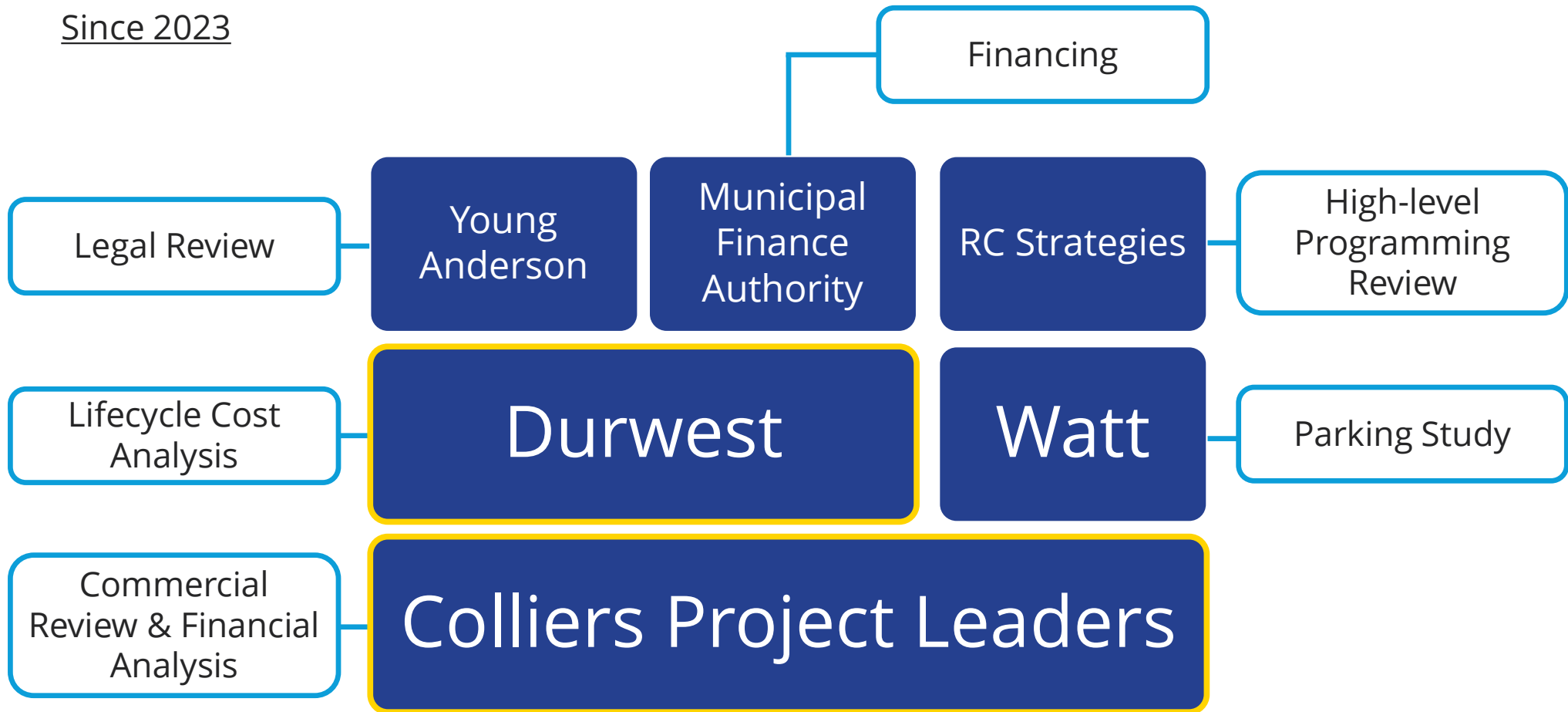
## Section 3 – Summary of Work to Date (Overview)



**The Need for Due Diligence**

## Section 3 – Summary of Work to Date (Analysis to Date)

Since 2023



## Section 3 – Summary of Work to Date (Lifecycle Costs)

### What are Lifecycle Costs?

**Definition:** Lifecycle costs refer to the total cost of owning, operating, maintaining, and eventually replacing or decommissioning a facility at the end of its useful life.

What was Reviewed by Durwest?	<b>Building Structure</b>	Upkeep of the structure, such as roof, windows, walls, and flooring.
	<b>Mechanical Systems</b>	Maintenance and replacement of HVAC, boilers, and plumbing systems.
	<b>Electrical Systems</b>	Upkeep of wiring, lighting, and power systems.
	<b>Pool &amp; Aquatic Facilities</b>	Pool resurfacing, pump and filtration system maintenance, and water treatment.

## Section 3 – Summary of Work to Date (Lifecycle Costs)

### Lifecycle Costs – How were these Costs Determined and What Role do they Play?

Durwest took the lead on the critical review of the key structural and mechanical systems of the Building, involving six other professional firms.

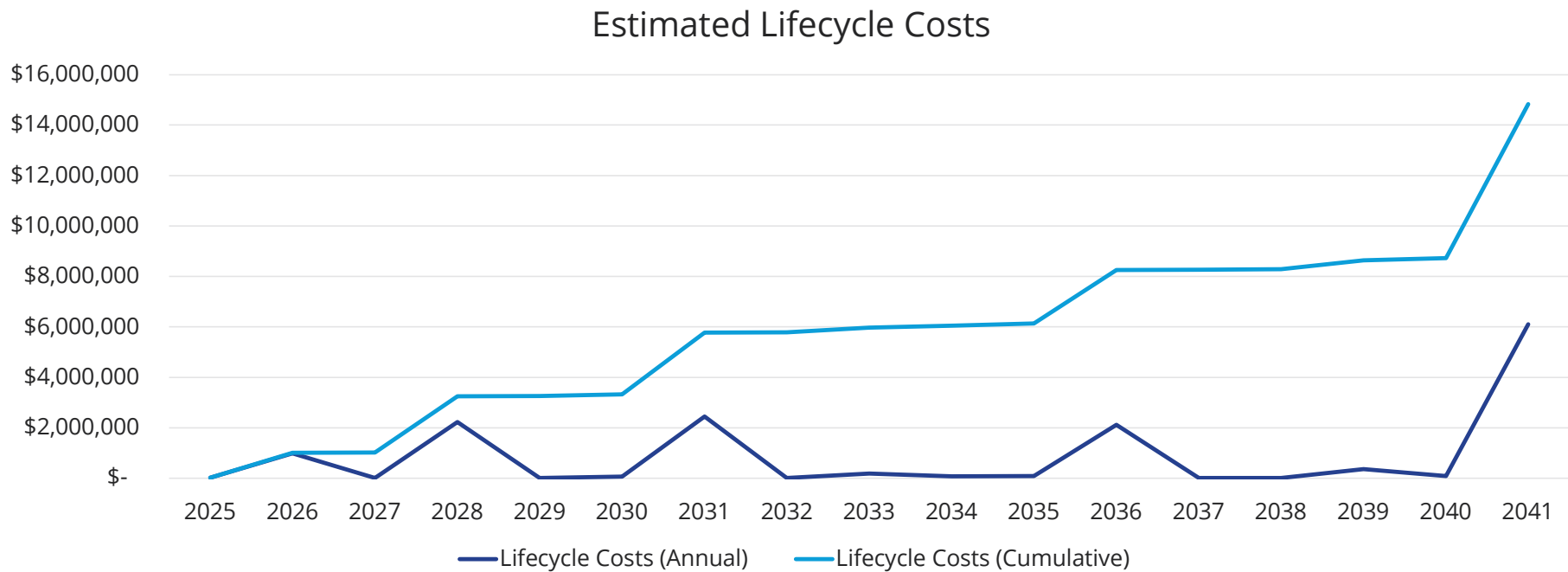
This work was then quantified by Avictus Professional Quantity Surveyors to determine the estimated repair and replacement costs over the remaining term of the lease (17 years).

This analysis indicates the total lifecycle costs over the next 17 years are estimated to be \$14.8M.

Colliers leveraged these findings to support the determination of financial implications regarding the City's decision to purchase the building or not.

## Section 3 – Summary of Work to Date (Lifecycle Costs)

### Lifecycle Costs – Annual Requirements 2025 – 2041



Cumulative lifecycle costs mean the addition of all costs over time.



## Section 3 – Summary of Work to Date (Overview)



**Colliers Project Leaders' Role**



**A Critical Path Decision Framework**

## Section 3 – Summary of Work to Date (Colliers' Role)

### Notable Questions to Answer Throughout Tonight's Presentation

#### Status Quo:

What are the current financial implications if the City decides not to purchase the building?

The City currently provides the YW/YMCA with a \$1.9M annual subsidy and this is expected to be required for the next 17 years.

#### Status Quo – Default Scenario:

Given the City is financially backstopping the YW/YMCA, what happens if they default on their lease?

Should the YW/YMCA default on their lease obligations, the City can expect to fully subsidize the YW/YMCA's rent charged through the lease and the anticipated lifecycle costs over the next 17 years.

#### Given the Offer to Sell:

What are the financial implications if the City purchases the building?

Should the City purchase the Building, the \$1.9M YW/YMCA annual subsidy would no longer be required and the City would collect commercial rents to offset operating costs.

## Section 3 – Summary of Work to Date (Colliers' Role)

### Phase 1

#### Commercial Review of the Current Agreements

- **Deconstructed the terms of the lease** and agreements to understand the obligations of all parties.
- **Reviewed** the anticipated **lifecycle costs** to understand financial obligations.
- **Reviewed** the findings from Phase 1 with **Westhills** to confirm understanding.

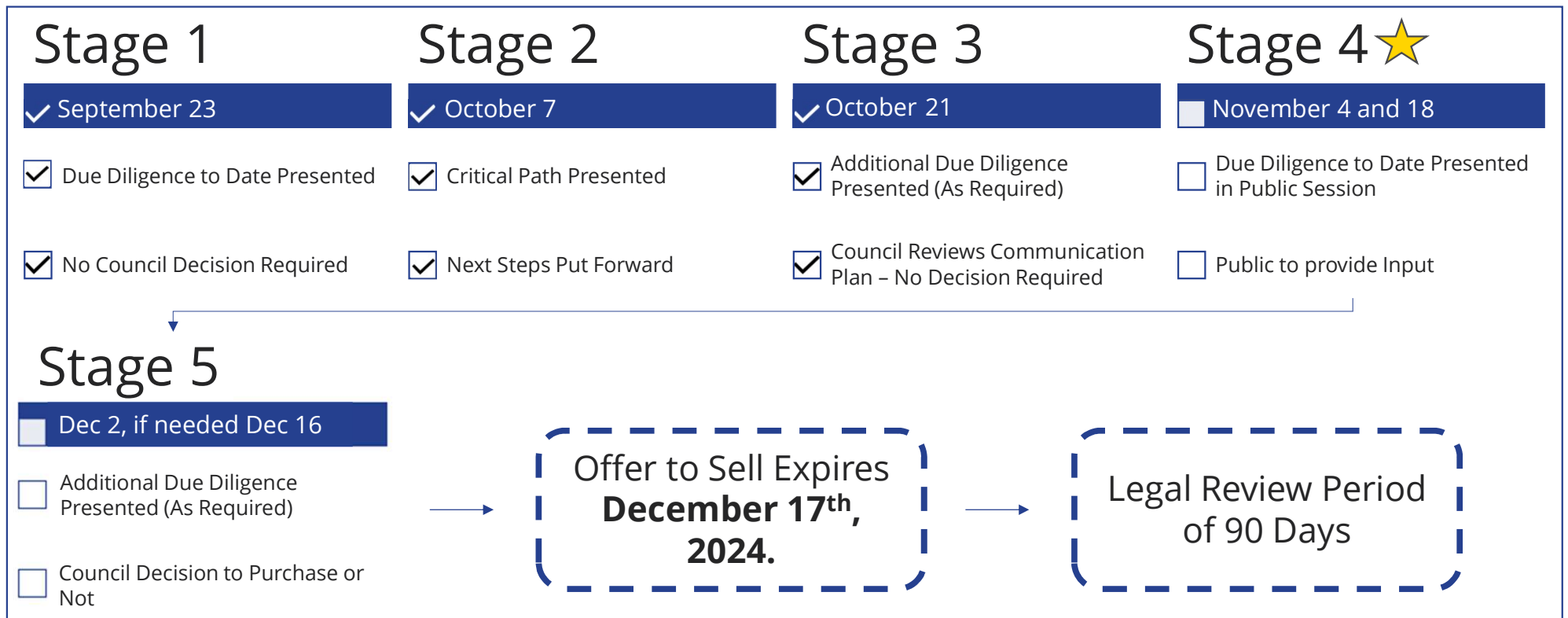
### Phase 2

#### Financial Analysis for Options Identified

- **Reviewed** and assessed the current **rents and operating expenditures** for Westhills YW/YMCA Langford Aquatic Centre.
- With **input from Westhills and the City**, Colliers determined financial implications for options:
  - Continue under current arrangement; or
  - Purchase the building and parking lot.
- **Reviewed** the findings from Phase 2 with **Westhills** to confirm understanding.

**Phase 3** – To support the City in Developing a Path Forward

## Section 3 – Summary of Work to Date (Critical Path Overview)



## Section 4 – Colliers' Findings (Overview)



**Commercial Review of Agreements**

## Section 4 – Colliers’ Findings (Review of Agreements)

### Phase 1 Findings – Status Quo

#### **Nature of the Lease**

Recall – The nature of the lease reflects the original intention of the plan to develop the facility:

- Westhills would fund and build the facility, recovering initial and future costs through the annual rents as determined by the Lease Agreement,
- The Lease Agreement passes on facility operating and lifecycle costs to the YW/YMCA as extra rent, on top of the annual base rent charged.
- For additional assurance, the Tripartite Agreement ensures that if the YW/YMCA defaults on any obligations under the lease, the City will step in to pay.



#### **Annual Obligations**

The YW/YMCA is responsible for 82.4% of all lifecycle costs associated with the facility, except for certain items.

The YW/YMCA rent is currently \$1.9M+ per annum, subject to possible future increases.

## Section 4 – Colliers’ Findings (Review of Agreements)

### Recall - Notable Questions to Answer

#### Status Quo:

What are the current financial implications if the City decides not to purchase the building?

The City will continue to pay the approved annual subsidy of \$1.9M until 2041.

**Total over 17 years = \$32.3M**

#### Status Quo – Default Scenario:

Given the City is financially backstopping the YW/YMCA, what happens if they default on their lease?

The City would have to pay at a minimum the annual rents and anticipated lifecycle costs until 2041.

**Total over 17 years = \$66.5M**

#### Given the Offer to Sell:

What are the financial implications if the City purchases the building?

Addressed in future slides.

## Section 4 – Colliers' Findings (Overview)



**Options Assessment & Financial  
Analysis**



## Section 4 – Colliers’ Findings (Options Assessment)

Phase 2 Considerations to Determine Financial Results:



## Section 4 – Colliers’ Findings (Options Assessment)

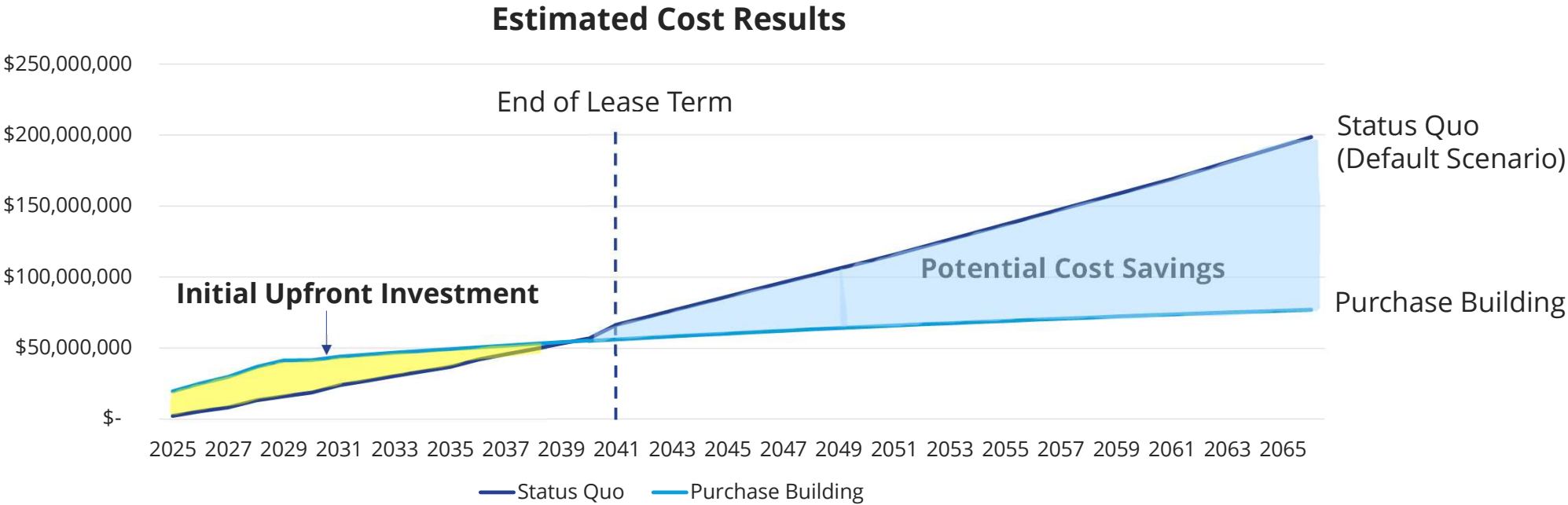
### Results

Option	17-Year Cumulative Cost	42-Year Cumulative Cost
Status Quo – Default Scenario	\$66,547,876	\$198,322,450
Purchase the Building	\$56,346,872	\$77,109,121

**YW/YMCA would continue to operate under both options – Operations could be reviewed in future.**

# Section 4 – Colliers’ Findings (Options Assessment)

## Results



## Section 4 – Colliers’ Findings (Options Assessment)

How much more will the City save in 17 years to Purchase the Building Rather than Continuing the Current Arrangement?

**Savings of Approximately  
\$10.2M Over 17 Years if the  
City Purchases the Building.**

Colliers’ analysis indicates the City would spend \$0.7M more over 17 years from a Net Present Value perspective (i.e., removing inflationary effects over time to understand the results in today’s dollars).

Building ✓

Parking Lot ✓

Recreation Benefit Secured Beyond 17 years ✓

## Section 4 – Colliers’ Findings (Options Assessment)

How much can the City expect to save over 42 years if the Building is Purchased Rather than Continuing the Current Arrangement?

**Savings of Approximately  
\$100M+ over 42 Years if the  
City Purchases the Building.**

Colliers’ analysis also indicates the City would save approximately \$40M over 42 years from a Net Present Value perspective (i.e., removing inflationary effects over time to understand the results in today’s dollars).

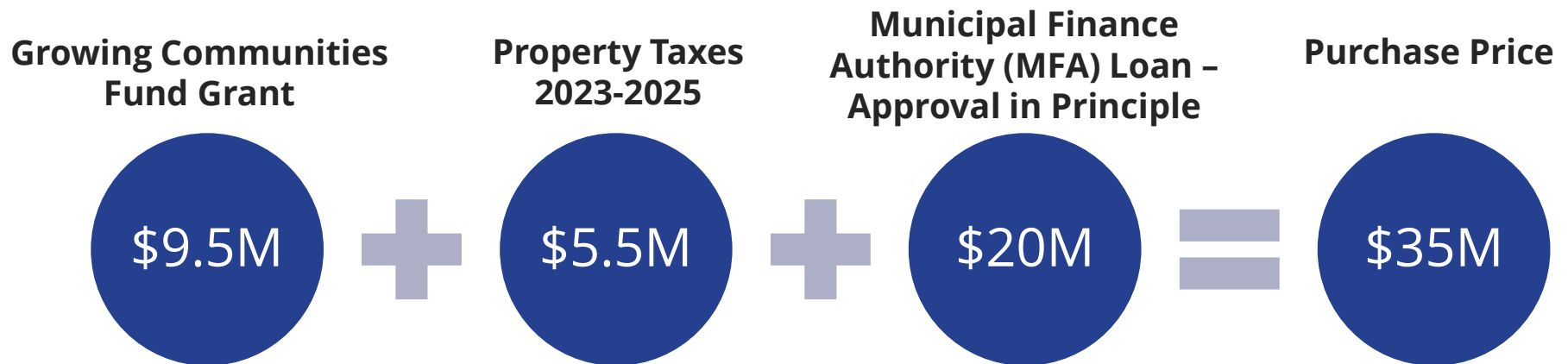
## Section 4 – Colliers' Findings (Overview)



**Purchase Implications**

## Section 4 – Colliers’ Findings (Purchase Implications)

How would the Purchase be Funded?

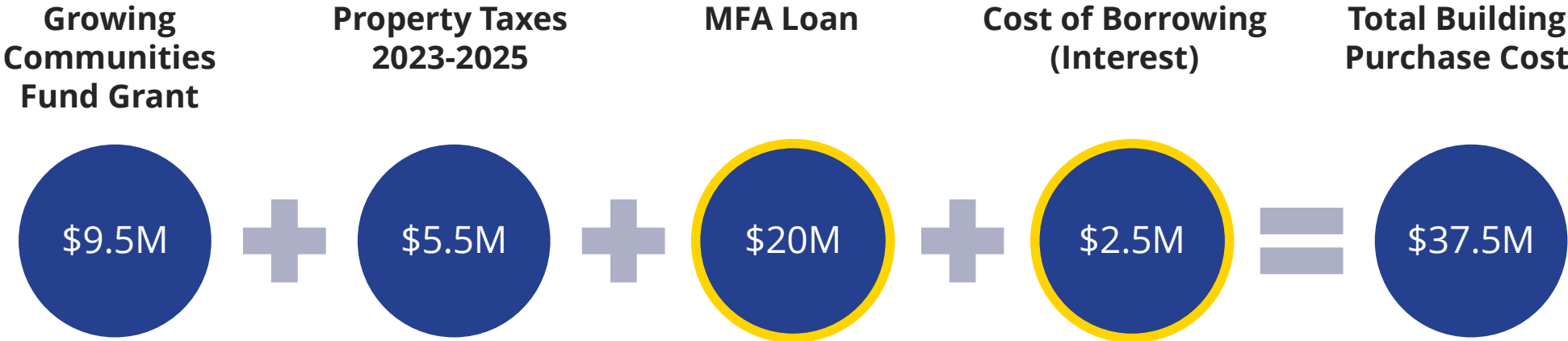


The MFA loan would need to be paid back in 5 years (2030) with approximately \$2.5M in interest.



# Section 4 – Colliers’ Findings (Purchase Implications)

How would the Purchase be Funded?



This portion of the purchase price needs to be repaid through future municipal property taxes.



## Section 4 – Colliers’ Findings (Purchase Implications)

What Does this Mean to a Langford Taxpayer over the next 5 years?

### Total Estimated Acquisition and Operating Costs

Particular	Dollars
Facility and Parking Purchase Price	\$35,000,000
Interest on MFA Loan	2,500,000
Net Facility Operating Costs (2025 – 2029)	3,734,000
<b>Total</b>	<b>\$41,234,000</b>

### Total Funding Sources

Particular	Dollars
Municipal Property Taxes (2023 – 2029)	\$31,734,000
GCF Fund	9,500,000
<b>Total</b>	<b>\$41,234,000</b>

## Section 4 – Colliers’ Findings (Purchase Implications)

### Estimated Municipal Tax Increase Required

In order to fund the purchase of the property and not modify the existing financial plan, **a new increase of 1.75% for 2028 is required.**

\*Note: Includes \$1.9M subsidy no longer payable to the YW/YMCA.

Year	Dollars	Tax Increase
2023	\$384,818	1%
2024	\$1,171,523	1.75%
2025	\$4,009,523*	1.75%
2026	\$5,066,787*	1.75%
2027	\$6,241,690*	1.75%
2028	\$7,567,572*	1.75%
2029	\$7,292,087*	
<b>Total</b>	<b>\$31,734,000</b>	

Existing within the 2024 – 2028 Financial Plan

Not Currently Factored within 2024 – 2028 Financial Plan

## Section 4 – Colliers’ Findings (Purchase Implications)

### Recall - Notable Questions to Answer

#### Status Quo:

What are the current financial implications if the City decides not to purchase the building?

#### Status Quo – Default Scenario:

Given the City is financially backstopping the YMCA – YWCA, what happens if they default on their lease?

#### Given the Offer to Sell:

What are the financial implications if the City purchases the building?

Municipal tax increase required  
2023 – 2028.

\$7.6M available annually for asset  
management beyond 2029.

## Section 4 – Colliers' Findings (Overview)



**Key Takeaways**


## Section 4 – Colliers’ Findings (Recap)

1. Regardless of the decision to purchase the Building or not, the City anticipates a likely financial obligation of \$14.8M in lifecycle costs over the next 17 years.
2. The City has conducted meaningful due diligence to understand the implications of the options available.
3. Council has not / will not contemplate the decision to purchase until after the community has provided input.
4. Regardless of the decision to purchase the Building or not, a future review of the service agreement with the YW/YMCA can happen to ensure operations meet the needs of a growing community.

## Section 4 – Colliers’ Findings (Recap)

Particular	Status Quo (Default Scenario)	Purchase Building
Acquisition Cost	No	\$37.5M
Annual Subsidy	\$1.9M+ Annually	No
Lifecycle Costs	\$14.8M+	\$14.8M+
Recreation Benefit Term	17 Years	42 Years+
Asset Gained	No	Yes
Potential Cost Savings	No	Yes

## Section 5 – Next Steps (Timelines)



Meeting Type	Information Shared	Meeting Date
Council Meeting	Colliers presentation of due diligence.	Nov 4, 2024
Council Meeting	Public input and clarification questions from Council. No deliberation.	Nov 18, 2024
Council Meeting	Continued public input, Council deliberation, and possible Council decision.	Dec 2, 2024
Special Council Meeting	(If necessary) - Final date for public input, Council deliberation and decision to purchase the facility or not.	Dec 16, 2024

## Section 6 – How to Provide Your Input (Have your Voice Heard)

### Future Council Meeting Dates for Discussion and Deliberation

Monday November 18, 7pm  
Monday December 2, 7pm  
Monday December 16, 7pm

Visit:  
[Langford.ca/meetings](http://Langford.ca/meetings)

For Detailed Information Visit:  
[LetsChatLangford.ca/YMCA](http://LetsChatLangford.ca/YMCA)

Provide Written Submission to:  
[LetsChat@Langford.ca](mailto:LetsChat@Langford.ca)







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Thank you