



Staff Report to Council

DATE: Monday, November 18, 2024

DEPARTMENT: Administration

SUBJECT: Westhills YW/YMCA Langford Aquatic Centre

EXECUTIVE SUMMARY:

This report responds to many of the questions raised by the public since the Colliers presentation on November 4, 2024, which are not included within Colliers Project Leaders (Colliers) scope of work.

This report is also further to a subsequent presentation that Colliers will provide on November 18, 2024, which will review questions raised by the public that are related to Colliers scope of work and will further contextualize key considerations of the purchase decision.

Staff have attached the relevant reports received during the due diligence period of February 2023 to current to support the context of this report and the presentations.

Staff recommend that Council use the November 18th, 2024 meeting to receive input from the public and ask clarifying questions of Colliers and Staff, as necessary, and that deliberations be reserved until December 2, 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.

Further to the November 4, 2024 presentation, 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 Pattison billboards across the City.

- Placed print advertisements in the Goldstream Gazette.
- Placed a digital advertisement on Island Social Trends.
- 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, and Langford City Hall.
- Created a feature box on the City 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. As of November 13, 2024, 66 emails have been received, with some containing questions and others expressing opinions on whether the City should purchase the facility.

As noted above, this report addresses input received from the public to date that is not included within Colliers scope of work. Any questions not substantially answered that relate to the decision to purchase, along with questions received subsequent to this report, will be addressed to the best of the City's ability at the Council meeting on December 2, 2024. A summary of input received will also be provided at the December 2, 2024 meeting.

COMMENTARY:

Summary of Questions and Online Discussion - Responses:

"Why didn't the City or the YW/YMCA buy the Aquatic Center in 2022?"

The City did not proceed with the purchase of the Westhills YW/YMCA Langford Aquatic Centre in 2022 because no directive was issued by City Council to initiate the transaction. A purchase by the YW/YMCA would have had to be a decision by the YW/YMCA's board with the agreement of Westhills. Each of these entities is an independent corporate body with the autonomy to make their own decisions. The City is unable to impose any agreements on the independent parties of Westhills and the YW/YMCA. The facility remains independent of City ownership as the parties involved operate autonomously from City jurisdiction.

Key Facts:

1. **Council's Role:** No directive or authorization was provided by City Council to purchase the Facility in 2022.
2. **Independence of Parties:** The City cannot compel independent parties into any arrangement, this would be contrary to their autonomy in decision-making.
3. **Decision Criteria:** Without Council's directive and given the City's respect for the independence of involved parties, the acquisition was not pursued.

"Why is this the first time this has come forward?"

This is not the first time the City has considered this issue. Discussions around additional subsidies and the financial analysis of a buy-versus-lease option began during the 2023 budget discussions. Given the

complexity of the transaction, the City prioritized thorough due diligence, including comprehensive legal, maintenance, and financial reviews. With these reviews now complete, the City is confident in the preliminary findings and are releasing the reports to the public for review and feedback prior to a final decision scheduled for December.

Key Facts:

1. **Previous Discussions:** The City began considering additional subsidies and exploring buy-versus-lease options during the 2023 budget discussions.
2. **Due Diligence:** The City prioritized a thorough review process, recognizing the legal, financial, and maintenance complexities and risks involved in a purchase.
3. **Public Review Process:** Now that due diligence is complete, reports are being shared with the public for input ahead of a final decision in December.

“Is the Sale Price of \$35,000,000 a Fair Deal to the City?”

The City considers the \$35,000,000 sale price for the facility to be fair based on comprehensive negotiations and careful review of multiple valuation factors. Since the beginning of discussions, various purchase price points have been analyzed to ensure a balanced agreement. The building’s insured replacement value, provided by Westhills, is \$44,888,700 which supports the fairness of the sale price. Additionally, the 2024 Assessment provided by BC Assessment has valued the property (excluding the 186 stall parking lot) at \$35,146,000, aligning with the sale price and further affirming its market appropriateness.

Key Facts:

1. **Negotiated Terms:** The City has actively negotiated with the owner to reach terms it believes are fair and favorable.
2. **Replacement and Assessed Value:** The owner’s stated that the insured 2024 replacement value of the building is \$44,888,700, and the 2024 BC Assessment assessed value is \$35,146,000 (both numbers exclude the 186 stall parking lot).
3. **Price Review:** The City has reviewed multiple price points throughout negotiations, confirming the appropriateness of the current \$35,000,000 offer.

“Why is Council Not Considering a Referendum or an Alternative Approval Process?”

During the 2023 budget process, Council approved the short-term loan approach for the facility purchase due to the benefits associated with this model. Specifically, a short-term loan is projected to save the City approximately \$7,500,000 in interest costs compared to a 20-year loan, offering substantial financial savings. Further, a short-term loan allows the City to build financial capacity for asset management once the short-term loan is paid off; this approach is expected to result in approximately \$7,600,000 in available capacity for asset management initiatives after 2029. In addition to these financial considerations, if the City does not consider the offer to purchase by December 17th, there is no certainty that the terms will remain the same in the future.

Key Facts:

1. **Loan Option Approved:** Council approved the short-term loan option in 2023 as a fiscally responsible approach to fund the facility purchase.
2. **Interest Savings:** A short-term loan is anticipated to save approximately \$7,500,000 in interest when compared to a longer-term, 20-year loan.

3. **Tax and Asset Management Benefits:** The short-term loan approach will allow the City to plan for asset management, amounting to about \$7,600,000 annually after 2029, without additional taxes.

“Have Other Community Centre Operators Been Comparatively Reviewed?”

The City has considered the operational costs of alternative aquatic facility models, under both lease and purchase scenarios, as detailed in the attached Phase 2 report by Colliers - See Appendix 2. However, given that the City is contractually obligated to guarantee the financial obligations of the lease regardless of the service operator, questions related to operations of the facility will be considered at a later date.

Key Facts:

1. **Alternative Operator Costs Reviewed:** The City analyzed costs of a different operator under both leasing and buying arrangements, as documented in the Phase 2 report by Colliers.
2. **Primary Focus:** The current operator remains, regardless of the decision to purchase or not.
3. **Simplification of Process:** Deferring the consideration of alternative operator scenarios allows for a streamlined purchase decision, with discussions of an operational nature planned for a later date.

“Can the City Cost Share this Facility with Local Municipalities?”

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 certain recreation services through the West Shore Parks and Recreation (WSPR) Society, there has not been a history of collaborative planning for new recreation facilities within the region. However, recent discussions among the West Shore communities indicate a broad consensus that future recreation facilities should be planned collaboratively to ensure that the West Shore has adequate and appropriately located facilities, avoiding unnecessary duplication. To this end, 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.

Key Facts:

1. **Current Collaboration:** The five West Shore municipalities currently share some recreation services through the WSPR but have not collaborated on other new recreation facility planning to date.
2. **Growing Consensus for Collaboration:** Recent discussions among West Shore communities have led to agreement on the need for a collaborative approach to new recreation facility planning, to ensure adequate and efficiently located facilities.
3. **Unified Service Area:** West Shore residents often use facilities across municipal boundaries, reinforcing the need for region-wide planning.
4. **Proposed Plan:** WSPR has initiated a Recreation Master Plan process, which will guide future facility development and service delivery discussions, and set the foundation for discussions related to cost share and/or ownership arrangements.

“Does the YW/YMCA Pay Property Taxes?”

The YW/YMCA does not pay municipal tax via a tax exemption.

“The YW/YMCA has funds—why are we subsidizing them?”

The City’s subsidy to the YW/YMCA is essential to maintain public access to the aquatics facility, as any similar facility in the City would require ongoing subsidies to operate. Subsidies for the YW/YMCA were always expected and formed a core term of the original 2016 agreement. While the YW/YMCA has reserve funds, the City understands that these are primarily earmarked for regional projects throughout Greater Victoria, rather than for this facility. The YW/YMCA has had to draw significantly from these reserves to cover substantial operating losses in Langford. Without the City’s additional subsidy, the YW/YMCA may have been forced to cease operations, which would leave the City with lease obligations but without a recreation provider to serve the community.

Key Facts:

1. **Subsidy Necessity:** Operating public aquatics centers generally requires subsidies, and any similar facility would likely need comparable or higher financial support.
2. **YW/YMCA’s Reserves Purpose:** The YW/YMCA’s reserve funds are intended for reinvestment in other initiatives, not for sustaining this facility’s operations.
3. **Risk of Ceased Operations:** In the absence of additional City subsidies, the operator may have had to cease operations, leaving the City with lease responsibilities but without a community recreation provider.

“Given the City has had to increase its financial support to the YW/YMCA, does the City have any recourse?”

Public pools generally require subsidies and are not expected to operate profitably. Since 2016, the YW/YMCA has incurred approximately \$10,000,000 in losses without the additional City subsidy, using its own funds to support community recreation in Langford. These losses were offset by funds originally intended for the YW/YMCA’s Greater Victoria community programs, as the YW/YMCA is not nationally funded and cannot draw on external financial resources. Any action by the City to recover costs or seek recourse would likely impact other community programs provided by the YW/YMCA, such as Camp Thunderbird, Young Moms Program and Pandora Youth Apartments, as well as childcare operations. Furthermore, multiple agreements were established to secure the facility’s long-term operation, including a 25-year service agreement and a tripartite agreement with Westhills. The tripartite agreement ensures continuity by requiring the City to rent the facility on a month-to-month basis if the service provider is unable to meet its obligations of the lease agreement. These arrangements were intended to provide operational stability, as detailed in the attached Phase 1 report by Colliers - See Appendix 3

Key Facts:

1. **Expected Subsidies:** Public aquatics facilities generally require local government subsidies to operate; profitability was not expected.
2. **Operator’s Financial Losses:** Since 2016, the YW/YMCA has incurred \$10,000,000 in losses for facility operations, without the additional subsidy from the City, by diverting funds intended for other Greater Victoria community programs.

3. **Non-profit Limitations:** The operator is not financially supported at the national level, and its community programs may be at risk if the City pursued recourse.
4. **Long-term Agreements:** The facility's operation is governed by a 25-year service agreement and a tripartite agreement that ensures continuity of service, requiring the City to cover costs if the service provider is not able to.

"Did The City Look at The Financials of the YW/YMCA?"

The City has reviewed the YW/YMCA's financial records for the facility dating back to the start of operations in 2016. Membership revenue has not yet returned to pre-pandemic levels, with 2023 revenue at \$2,617,969, which is 65% of the 2019 peak of \$4,013,267. Even in 2019, when no additional City subsidy was provided, the YW/YMCA incurred a loss of \$867,666, effectively subsidizing the facility for that amount. Since 2016, the YW/YMCA has covered a cumulative loss of approximately \$10,000,000, effectively offsetting costs for Langford residents and facility users. Mid-year financials from 2024 show a surplus of \$188,771, but additional City support remains necessary as membership levels have not fully rebounded. Any mid-year surplus may be absorbed by year-end operating costs. Further, lease terms could allow for an increase in rent under the lease agreement. Following a decision to purchase the facility or not, the City will review the service agreement with the YW/YMCA (and associated subsidies), as public feedback indicates the importance of potential service enhancements – See Appendix 4 for YW/YMCA 2016 – 2023 and 2024 Interim Consolidated Income Statements.

Key Facts:

1. **Comprehensive Financial Review:** The City has reviewed the YW/YMCA's financials for the facility since operations began in 2016.
2. **Membership Revenue Decline and Recovery:** Membership revenues have been steadily increasing post 2020, though they remain below 2019 levels; 2023 revenue reached 65% of pre-pandemic levels.
3. **Cumulative Financial Losses:** From 2016 to 2023, the YW/YMCA absorbed approximately \$10,000,000 in losses, effectively providing a subsidy for community recreational services.
4. **2024 Financial Status:** The first half of 2024 shows a profit of \$188,771, indicating a recovery path to pre-COVID levels, but the additional City subsidy remains necessary at this time.
5. **Future Surplus Considerations:** Any potential surplus not used to enhance services could be absorbed by rent increases allowable under the lease, as rent is currently below allowable rates.
6. **Operations Review:** The City will review operations / service levels at the facility, once a decision to purchase the facility or not has been made by Council.

FINANCIAL IMPLICATIONS:

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

LEGAL IMPLICATIONS:

The City has the ability to purchase lands pursuant to provincial legislation. Staff will ensure that external legal counsel is engaged to review all aspects of the proposed purchase.

Recommendation:

That Council receive this staff report for information.

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: Braden Hutchins, Director of Corporate Service

Concurrence: Darren Kiedyk, Chief Administrative Officer

Attachments:

- Appendix 1: November 4, 2024, presentation to Council: Westhill YW/YMCA Langford Aquatic Centre Options Assessment by Colliers Project Leaders
- Appendix 2: Colliers Project Leaders Phase 2 Report: YW/YMCA Options Assessment – Cash Flow Scenarios
- Appendix 3: Colliers Memo Update for Phase 2 Report
- Appendix 4: Colliers Project Leaders Phase 1 Report: Commercial Lease Review
- Appendix 5: YW/YMCA 2016 – 2023 and 2024 Interim Consolidated Income Statements
- Appendix 6: Advicas Professional Quantity Surveyors: Westhills Aquatic Centre Lifecycle Report