

COMMITTEE OF THE WHOLE – JUNE 23, 2009

GREENPARK GROUP OF COMPANIES AND EDGE SPORT MANAGEMENT PROPOSAL – AC MILAN VAUGHAN SPORTS CENTRE – WARD 1

Recommendation

The City Manager, Commissioner of Community Services, Directors of Building and Facilities, Parks Development, Parks Operations and Forestry, Recreation and Culture and Reserves and Investments, in consultation with the Directors of Legal and Purchasing Services recommend:

- 1) That appropriate staff be authorized to enter into formal discussions with the Greenpark Group of Companies, Edge Sport Management and all other relevant stakeholders in response to a partnership proposal on the AC Milan Vaughan Sports Centre;
- 2) That the discussions proceed to further explore the proponent's proposed Options 3 with a view to:
 - establish a partnership agreement respecting prepayment for subsidized community access for Vaughan minor sports groups at the AC Milan Vaughan Sports Centre;
 - identify the number of hours available for community access that would equate to the prepayment amount proposed;
 - determine the length of the agreement and timing of payments: and,
- 3) That a report on the details of the discussions be provided to a future meeting.

Contribution to Sustainability

None

Economic Impact

There is no economic impact related to this report.

Communications Plan

Council's decision on this matter will be relayed to the principles of the Greenpark Group of Companies, Edge Sport Management and all other relevant stakeholders.

Purpose

The purpose of this report is to obtain Council approval to enter into formal discussions with the Greenpark Group of Companies, Edge Sport Management and all other relevant stakeholders respecting prepayment for subsidized community access at the AC Milan Vaughan Sports Centre.

Background - Analysis and Options

The Greenpark Group of Companies has recently completed the construction of an indoor sports centre named the AC Milan Vaughan Sports Centre on 2 Balda Court in the Teston Road and Highway 400 area (refer to Attachment 1). The facility houses 6 indoor soccer fields and accommodates other sports and house sport amenities such as concessions and meeting rooms.

The Greenpark Group is the owner of the AC Milan Vaughan Sports Centre (ACMVSC) and has leased the facility to Edge Sport Management. Mr. Enrico Mazzone, who has been associated with City based soccer endeavours over the past several years, is the president and primary shareholder of the Edge Sport Management. The site development costs, cost of capital construction, maintenance and financing has been bourn by and is the full responsibility of the Greenpark Group of Companies.

Mr. Angelo Baldassarra, representing the Greenpark Group of Companies, submitted a proposal on December 5, 2008 seeking to form a partnership that would facilitate public access for Vaughan residents in exchange for a financial contribution. This committee report serves to provide Council with an overview of the proposal and options, along with information on ACMVSC, their business plan and the relationship to the Vaughan Ventures Policy and Active Together Master Plan. Staff have had preliminary discussions with the proponents and based on the information gathered to date, find merit in proceeding to the formal discussion stage.

Partnership Proposal / Options

Greenpark, on behalf of the management company, in its proposal submitted to the City Manager has proposed the following three options:

Option 1 – A One Time Grant of \$800,000

The City would grant a one time amount of \$800,000. The grant would be solely utilized for the leasehold improvements for the ACMVSC. The condition of the grant would be an agreement between the facility and the City for guaranteed community access at a predetermined rate structure.

Option 2* – Loan for \$800,000

The City would provide a loan of \$800,000 needed for leasehold improvements. The load would be interest free and could be paid back through profit sharing over the course of 10 years (or an agreed to timeframe).

Option 3* – Prepayment for Subsidized Community Access

The City would prepay \$800,000 to guarantee subsidized access to the facility for community groups. The agreement would specify the number of hours per week of community access during prime time and would outline the length of the agreement. City staff would determine how the time would be allocated.

* Note: In Options 2 and 3 above, the Commissioner of Community Services could become a member of the Board of Directors for the duration of the agreement.

In all three options, the Greenpark Group would remain the owner of the facility and the Board of Directors would hire and oversee the operator/manager of the facility. It is also anticipated that Greenpark would offer non prime time hours to the City at both the Astra Sportsplex (another indoor soccer centre owned by the Greenpark Group) and the ACMVSC for community access at a preferred rental rate consistent with the cost of utilities and hourly maintenance costs.

Comments from Legal and Financial Services

Legal staff have reviewed the proposal and associated options suggested by the Greenpark Group of Companies and are of the opinion that Options 1 & 2 are not available options to the City as this facility is not considered a Municipal Capital Facility as defined in the Municipal Act.

If Council approves staff's recommendation, Option 3 – Prepayment for Subsidized Community Access, staff will commence formal discussions with the proponent and identify the number of hours available for community access that would equate to the prepayment amount proposed, determine the length of the agreement, and determine the timing of payments. The proposed financial contribution by the City could be spread over a number of years (e.g. 10 years) and linked to securing hours suitable for resale to the community, thus recapturing a portion if not all of the fees paid by the City.

Should the City pursue this option, there would be no operating obligations associated with the centre. The prepayment for community access times in this facility could be from the operating budget with a potential to offset costs from revenues.

Vaughan Ventures Policy

The Vaughan Ventures Policy is the City's framework for the evaluation of unsolicited proposals.

The policy states that the City's goal for establishing partnerships is to provide municipal services or infrastructure in ways that encourage creativity and innovation, free up or allow more flexible use of capital and operating resources and encourage economic development within the municipality as permitted under the Municipal Act. The Vaughan Vision envisions private/public/non-profit partnerships as being among the strategies available to the City to provide tourism, recreational and leisure opportunities, to encourage economic development and to encourage private and public investment including the provision of municipal infrastructure and services.

Partnering should be pursued only if it results in less cost to the taxpayer, while ensuring efficiencies, quality and level of service acceptable to Council.

The policy outlines four basic means for locating potential partners:

- Sole source negotiations by the City with a targeted organization:
 - Appropriate where there is only one source for the desired product.
- Tender call process:
 - Used when seeking a well defined commodity and is not seeking to share risk. This process limits creativity on terms.
- Request for Proposal:
 - Appropriate when a need/opportunity is identified by the City but the means to achieve the need are not readily known.
- Unsolicited proposals:
 - Partnership propositions in the form of unsolicited proposals to the City are examples of where the detailed evaluation must be customized within the framework of the Ventures Process Model.
 - The venture must first successfully proceed through the assessment phase to ensure it complies with municipal goals and objectives.

The Purchasing Department has confirmed that although the four basic means for locating potential partners outlined above are extracted from the Vaughan Ventures Policy, the concepts are in keeping with the purchasing policies and procedures.

On the premise stated above that an unsolicited proposal is an approved means of establishing a partnership within the Vaughan Ventures Policy, the relevant criteria in the Level One Assessment Phase were assessed against the contents of this proposal and summarized below:

Policy Criteria	Relevant Information
Relevance to Goals and Objectives of Vaughan Vision	<p>The proposal supports many goals and objectives including:</p> <ul style="list-style-type: none"> ▪ service excellence, ▪ responding to demonstrated public need, ▪ enhance productivity, cost effectiveness and innovation, ▪ encouraging private investment in public infrastructure, ▪ stimulating and assisting the existing business community, and, ▪ supporting an established business style corporate philosophy.
Fit with Organization and Vaughan Corporate Culture	<p>The proponent, Greenpark Group, has successfully worked with the City on previous initiatives and demonstrated a commonality in corporate culture and philosophies.</p>
Need or Benefit to Municipality's Public Services	<p>The proposal supports the needs identified in the Active Together Master Plan and will expand service to local sports groups and community. Consultation with sports groups further validated the need for this level of service.</p>
Economic Impact or Spin offs within the Municipality	<p>Pending further discussion on the terms, option 3 could result in a low economic risk to the City through the recapturing of upfront fees through the sale of facility time to minor sports groups.</p> <p>The facility also provides local economic benefits through job opportunities with the community.</p>
Costs & Effectiveness of Proposal relative to the City implementing the service in house	<p>The centre will be available to the users at a lower cost and the City will not have to operate the centre.</p> <p>The overall effectiveness of the partnership results in increased service levels at a fraction of the cost.</p>
Value of Enhanced Service	<p>The facility is a state of the art facility elevating the level of service to users.</p> <p>The Active Together Master Plan validates the value of the service both in terms of trends and the high interest in Vaughan for indoor soccer.</p>
Financial and Other Obligations	<p>There will be no operating obligations assigned to the City. The financial contribution will be directly linked to securing community access which could result in recapturing any upfront fees. There would be no other obligations reinforcing the low risk of this possible venture.</p>

Operating / Technical Qualifications and Financial Ability of Partner	The partnership group has strong financial capacity and the management team extensive business background. They have demonstrated experience in soccer and other ventures and superior qualifications in the business of soccer.
Risk Analysis	Analysis of the business plan determined that its assumptions are reasonable and within acceptable industry standards. The partnership group will assume all financial and operating risks of the project whereas the City will receive community access.
Benefit Analysis	Community groups will benefit through having access to a state of the art facility. Vaughan's youth will have new sport skill development choices and an increase in recreational and complete opportunities.

The assessment of the AC Milan proposal against the criteria outlined in the Vaughan Ventures Policy supports moving forward. Enough of the criteria have been satisfied to warrant further exploration through formal discussions.

Should an agreement be reached, data will be gathered in the short term (4 - 6 years) to evaluate the current and future needs and make recommendations on whether the City should continue to provide this added level of service, and to what extent. The data gathered will be analyzed to determine, whether the needs can be met within the existing agreement or does the agreement need amending to include additional hours. This timeframe will also allow staff to explore other facilities that may have been built or alternatives that may meet the needs of the users.

With added information gathered during the term of the agreement and the possible addition of similar facilities, the City maybe in a position to issue a Request for Proposal process or to directly build and own an indoor turf facility.

Active Together Master Plan

The Active Together Master Plan, approved in principle in the fall of 2008, identifies the growing trend on indoor facility development due to increased demand for indoor facilities.

Although not a current level of service, indoor turf was reviewed as part of the development of the plan and within the planning context it was noted indoor soccer has increased in line with the growth of outdoor soccer in the 1990's. Presently, indoor soccer programs are being offered by many soccer clubs out of indoor facilities operated by the private sector and school and community centre gymnasiums.

Trends on Indoor Facility Development

Increased demand on indoor facilities is a trend observed by many public and private service providers. Recognizing lack of time was cited as the biggest barrier to participation, potential users are looking for **maximum convenience** when they find time to recreate, without the restriction of elements such as weather (hot, cold, windy, rainy etc) and facility maintenance conditions. The demand was articulated for soccer and expands beyond to tennis, rock climbing, cricket and bocce.

As the demand continues to rise municipalities are increasingly being pressed to provide indoor soccer facilities. Although traditionally this service has been borne by the private sector, research suggest that many municipalities in Ontario with a population of over 100,000 have invested in the development and/or operation of an indoor turf. Generally the most cost effective approach to facility development and operation has employed a public-private model.

More and more there are examples of municipalities who are solely responsible for the funding and operation of indoor turf centres. It has been found that, if a sound business planning process has been undertaken, municipal investment in indoor turf can be an Endeavour with a tolerable level of risk. **Municipalities that have recently started to provide this level of service include: Brampton, Mississauga and Oakville. Richmond Hill has been operating an indoor turf centre for many years.**

The plan suggests that the City could enter into a partnership agreement for the development of an indoor soccer facility after completing a feasibility study and business plan.

Assessment of Need and Planning Context

National trends suggest that after major growth in the 1990's, soccer still enjoys great popularity particularly amongst youth. The youth aged 5 -19 (the primary market for soccer) presently account for 21% of the City's population and the numbers will increase by 32% towards 2021. This sheer increase in numbers will create additional demands for soccer facilities. As youth soccer players of today become adults, it is expected that an even greater demand for adult soccer (both indoor and outdoor) will be seen.

Review of inventory data from several communities surveyed suggests that at a minimum, 50% of municipal soccer fields are full size. The review of Vaughan's inventory of fields found that 40% are full size, essentially a 10% deficit in comparison. In a City where a substantial proportion of soccer play is at the older youth and young adult levels, it appears as though **there are not enough large/senior fields to meet current needs.** Full size soccer fields can accommodate a greater range of users, as they can easily be divided into 2 or more mini fields if portable/movable goals are available; for this reason, as well as growing interest, many communities are moving away from mini field provision in favour of larger more flexible field templates.

Given the need for more full size soccer fields, the plan suggests the City should look for ways to develop larger fields in its future, including artificial turf fields. Artificial turf fields can be used more intensely, for longer periods and for a variety of sports.

Consultation Process - General

It is estimated that there were approximately 8,009 registered outdoor youth soccer players in the City as of 2007 representing 16% of the youth population.

As part of the consultation process to develop the Active Together Master Plan, statistically significant household telephone survey of Vaughan residents was conducted. The survey observed that 54% of respondents believed the City should be investing in new or improved indoor turf facilities and (4% rated this their top priority) rounding out the top ten list of facility demands. Furthermore 18% of the sample indicated that a member of their household had participated in indoor soccer or football. The ratio of indoor to outdoor soccer players is believed to be higher than average in Vaughan when compared to most other communities.

The demand for additional soccer fields was also expressed through the community input workshops held with representatives of local soccer organizations. Praise was provided for the permitting system, field location and maintenance and the Sportsplex thus confirming their need for indoor turf.

Consultation Process – Vaughan Minor Soccer Clubs

To further assess community interest for indoor artificial turf, staff consulted with the presidents of the four Vaughan-based, minor soccer clubs:

1. Glen Shields Minor Soccer Club
2. Kleinburg / Nobleton Minor Soccer Club
3. Vaughan Minor Soccer Club
4. Woodbridge Minor Soccer Club

Collectively the clubs serve over **8,000 players**.

The clubs expressed unanimous interest in artificial turf and gaining additional prime time access at more affordable rates. They commented on the difficulty in obtaining reasonable hours for the various needs and that they are frequently fielding complaints from parents about the high costs associated with indoor play.

The clubs operate various programs including recreational programs from October to April and, training programs for their rep teams.

The clubs presently have access to the indoor fields at the Ontario Soccer Centre for one weeknight each. The Vaughan Soccer Club also uses the Astra Sportsplex in Maple and the AC Milan in Woodbridge however the allocated hours do not meet their growing needs. Coaches do look outside of Vaughan, such as the Wild Water Kingdom and Hanger in Toronto and the Richmond Green in Richmond Hill.

The future outlook for indoor field sports indicates that indoor soccer will become more popular as more youth and adults pick up the game and conduct additional off season training. Increasing popularity of soccer (both indoor and outdoor) is certainly anticipated in Vaughan where there is a strong enthusiasm and interest in soccer, as well as a strong local and regional market for the sport (as evidenced by the presence of multiple organizations leading soccer advancement). Vaughan is also promoted as a soccer tournament destination and the City's location at the hub of major transportation infrastructure adds to its attractiveness and potential in the sport tourism market. Interest in other sports such as ultimate frisbee, lacrosse and football is also increasing, suggesting that there will be even greater demand for indoor turf venues overtime.

AC Milan Vaughan Sports Centre

Features and Amenities

The 93,000 square foot facility provides the following:

- 6 indoor artificial turf mini soccer fields (convertible)
- space for fitness testing/medical clinic
- meeting/party rooms
- 2,000 square foot concession area
- office, storage and support areas

Portable walls and curtains allow the fields and floor space to be divided into various sizes to accommodate different activities. The space can be converted to a non-standard size senior field.

The goal of the centre is to provide a centralized hub of the AC Milan Academy and to create an environment where student athletes can experience soccer in a fun, safe and learning environment. It will focus on amateur soccer and strive to become a prominent force in the soccer scene.

AC Milan Brand

Greenpark and ESM have created a close working relationship with the AC Milan Soccer Club – one of the strongest soccer brands in the world. Mr. Mazzone has secured all rights to the AC Milan name in Canada as well as a national license for AC Milan products and services.

Officially known as the Associazione Calcio Milan, the club is one of the top 20 football clubs in the domestic leagues worldwide.

Since 2006, AC Milan has granted Mr. Mazzone the right to associate its brand with The Soccer Academy of Champions of Vaughan. The positive impact of the brand recognition was in large part responsible for two very successful summer soccer camps that have been organized to the benefit of Vaughan residents. The extension of this relationship to the new soccer centre will ensure that the AC Milan expertise will be brought to bear instructional programs for children, youth, adults, schools, clinics and camps.

From a marketing perspective the brand should attract participants from all age groups. It is further hoped that talented youth will have the opportunity to train with AC Milan in Italy.

Edge Sport Management

Edge Sport Management (ESM) will lease and manage the new facility, undertake the lease hold improvements to the facility and be entirely responsible for its operations including:

- Developing a sound, achievable and measurable business plan that seeks to maximize revenues and streamline expenditures in the safe operation of the facility
- Developing an annual operating budget, completing budget control measures, cash management and ensuring budget targets are met
- Marketing and promoting the facility to ensure that it achieves or exceeds the annual rental targets
- Selling advertising and naming rights for the fields and advertising on signage to ensure a viable and strong alternative revenue stream
- Allocating and booking field time to the various user groups in order to maximize facility usage
- Overseeing the operations of the concessions and the café
- Ensuring that all legislative requirements are met at a minimum (Health and Safety, Fire Code Safety regulations, Workplace Hazardous Material Information Systems, local by-laws etc.
- Recruitment, selection, training, supervision and retention of all full and part time staff
- Overseeing the repairs and maintenance of the facility including preventative maintenance, cleaning, minor repairs to the equipment and equipment replacements,
- Creating leagues, soccer academies and training schools to support soccer development through the Soccer Academy of Champions
- Promoting alternate uses of the facility, birthday parties, tradeshow, golf, major events and other ancillary uses.

ACMVSC Business Plan

Principles of the AC Milan Vaughan Sports Centre developed a business plan based on assumptions and financial projections from the research of local market conditions as well as a general understanding of the soccer environment in Vaughan and the GTA.

Officials of Greenpark requested an independent analysis of the plan and hired the JF Group and Tucker-Reid & Associates to provide objective opinions regarding its viability. It should be noted that the named consultants were part of the consulting team who completed the Active Together Master Plan.

The consultants performed the following research and analysis to review the plan:

- Reviewed the City's Active Together Master Plan with a specific focus on the need for the indoor soccer facilities to serve the short and long term requirements of Vaughan residents;
- Assembled financial and operating information from several indoor soccer facilities in the GTA;
- Accessed competitive information associated with the Vaughan soccer environment;
- Developed operating, revenue and cost ratios that were applied to the related elements of the business plan; and,
- Documented the results of the preceding tasks.

Based on the foregoing, the JF Group provided the following opinion:

Demographic projection, soccer participation and facility provisions identified in the City's Active Together Master Plan would suggest that current demand would be sufficient to support an indoor soccer facility. The plan presents significant evidence supporting the need for the proposed facility to service Vaughan soccer enthusiasts and anticipated that the facility will be capable of capturing approximately 25% of soccer registrants in the York Market. This would seem reasonable based on the supply of indoor facilities to regional demands,

The revenue projections per indoor field are quite conservative and the model could be adjusted to include a higher proportion of league play which would increase the revenue and the hourly rates have been cautiously established. Therefore while the plans are reasonable, there could be opportunity to improve the amount of revenue income.

Most of the plan's operating metrics fall within acceptable ranges making the overall plan a viable business.

Summary and Rationale for Formal Discussions

Recognizing that:

- The Greenpark proposal for the ACMVSC satisfies the criteria within the Vaughan Ventures Policy and enhances the level of service to the community;
- Option 3, prepayment for subsidized community access, is a low risk option in that there is potential to recapture all or at minimum, a substantial portion of any financial contribution;

- As articulated in the Active Together Master Plan:
 - The trends for indoor facilities is rapidly increasing;
 - Vaughan's population will grow specifically in the age groups that will utilize indoor soccer and there is public support (54%) for more indoor soccer facilities;
 - Vaughan has a greater number of adult soccer participants than in many municipalities; and,
 - There is a need for additional outdoor soccer fields within the next 26 years; and,
- Formulating a partnership with an existing and qualified provider as compared to constructing a new building is cost effective.

There is a reasonable basis for staff to enter into formal discussions with the proponents with a view to establish terms and options to best meet the needs of Vaughan residents.

Staff will review the business plan in detail, consult with users and other stakeholders and report back to Council with the findings.

Relationship to Vaughan Vision 2020/Strategic Plan

In consideration of the strategic priorities related to Vaughan Vision 2020, the report will provide:

STRATEGIC GOAL:
Service Excellence - Providing service excellence to citizens.

STRATEGIC OBJECTIVES:
Enhance and Ensure Community Safety, Health & Wellness.

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

N/A

Conclusion

Given that the AC Milan Vaughan Sports Centre proposal submitted by the Greenpark Group of Companies has merit, meets the criteria of the Vaughan Ventures Policy and is supported by the Active Together Master Plan, it is recommended that Council authorize appropriate staff to enter into formal discussions with the Greenpark Group of Companies, Edge Sport Management and all other relevant stakeholders with a view to fully explore the proposal respecting prepayment for subsidized community access.

Community interest for artificial turf is strong and local clubs have expressed unanimous interest in gaining additional prime time access at more affordable rates. The formal discussions will explore the merits of establishing a partnership agreement that allow access for Vaughan minor sports groups at a subsidized rate and the potential for the city to recover costs from revenues.

The future outlook for indoor field sports indicates that indoor soccer will become more popular as more youth and adults pick up the game and conduct additional off season training. Increasing popularity of soccer (both indoor and outdoor) is certainly anticipated in Vaughan where there is a strong enthusiasm and interest in soccer, as well as a strong local and regional market for the

sport (as evidenced by the presence of multiple organizations leading soccer advancement). Vaughan is also promoted as a soccer tournament destination and the City's location at the hub of major transportation infrastructure adds to its attractiveness and potential in the sport tourism market. Interest in other sports such as ultimate frisbee, lacrosse and football is also increasing, suggesting that there will be even greater demand for indoor turf venues overtime.

Attachments

1. Location Map - AC Milan Vaughan Sports Centre

Report Prepared By

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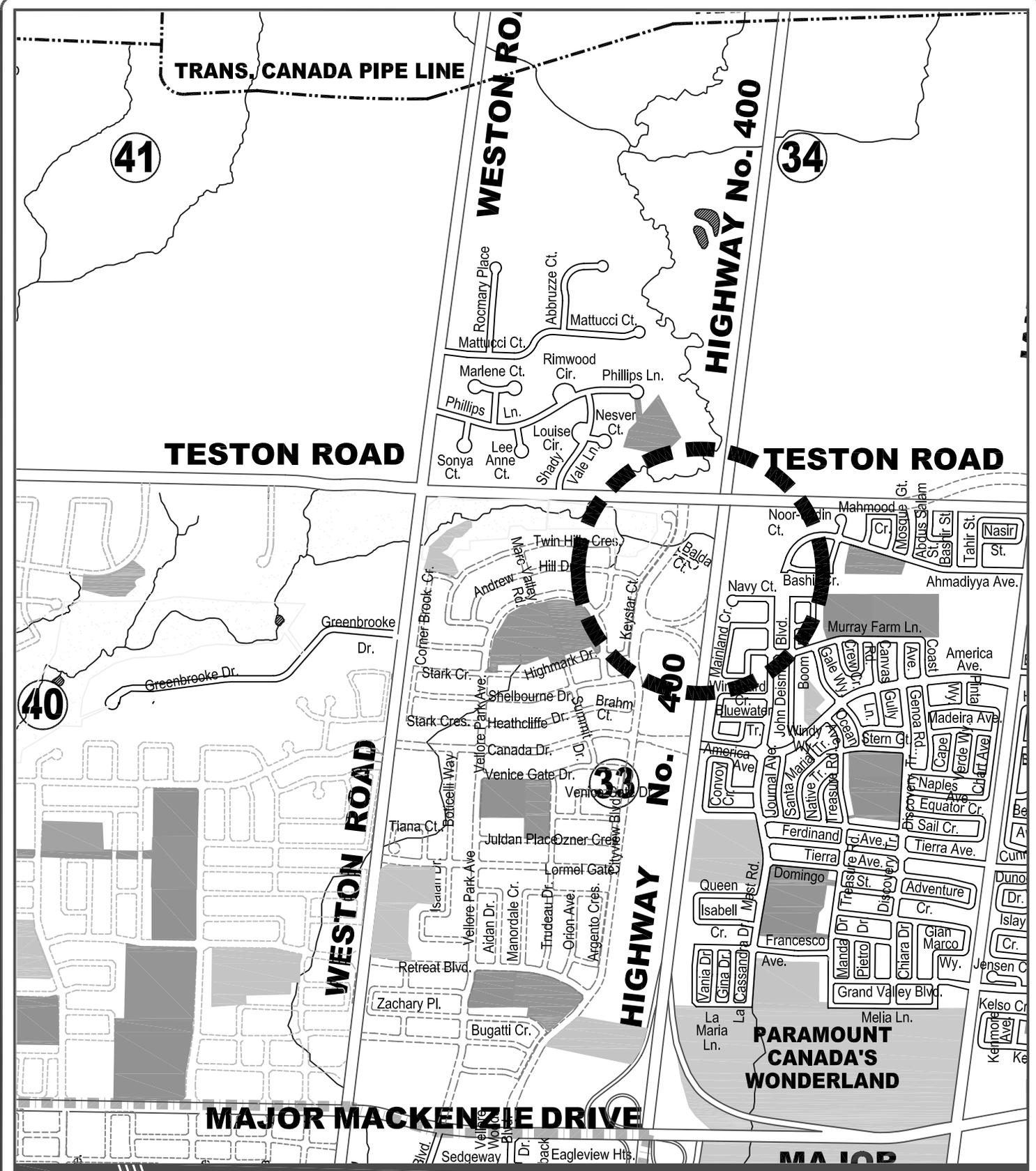
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Respectfully submitted,

Marlon Kallideen
Commissioner of Community Services



City of Vaughan
The City Above Toronto

Attachment: A
AC Milan Vaughan Sports Centre



DRAWN: M.K. APPROVED: -
SCALE: N.A. DATE: 02/04/09

Parks Development Division
 —DEPARTMENT OF PARKS—

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