

DECISION/DIRECTION NOTE

Title: Financial Support – Avalon Minor Hockey Association

Date Prepared: May 6, 2020

Report To: His Worship the Mayor & Members of Council

Councillor and Role: Councillor Dave Lane, Finance & Administration

Ward: N/A

Decision/Direction Required:

Whether to provide financial support to Avalon Minor Hockey Association in the acquisition of Feildian Gardens.

Discussion – Background and Current Status:

The Avalon Minor Hockey Association (AMHA) runs the Avalon Celtics minor hockey program in the City of St. John's, providing hockey to over 400 youth ages 5-18, with the support of close to 700 parents and coaches. Through its ties with other minor hockey associations, the AMHA plays a significant role in minor hockey on the Northeast Avalon.

Unlike other minor hockey associations, AMHA's home arena is privately owned. The table below highlights operating arrangements currently in place with other associations on the Northeast Avalon.

Minor Hockey Association	Rink ownership
Mount Pearl Blades	City of Mount Pearl
Paradise Warriors	Town of Paradise
CBS Renegades	Town of Conception Bay South
Northeast Eagles	Town of Torbay
St. John's Caps	Avalon Arena Association – non-profit group

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The current operating model for AMHA poses several challenges, including:

1. Ensuring there are enough ice hours at affordable rates to run their programs,
2. Increasing costs for things such as office space and storage of equipment,
3. Hampering the ability of the Association to plan long term.

AMHA has an opportunity to purchase a rink, namely Fieldian Gardens, and run the facility as a non-profit facility like other hockey associations. They are proposing a model similar to that being employed by the Avalon Arena Association in the running of Twin Rinks. In order to facilitate the purchase AMHA has requested from the City:

1. a capital grant of \$100K,
2. a direct loan to AMHA in the amount of \$400K, and
3. a loan guarantee in the amount of \$2.5M.

The first request has already been approved under the City's capital grant program.

The second two items are not governed by any existing policy and as such council direction is required. In consideration it is worthwhile to assess whether similar situations have occurred in the past. There are at least two of significance and they relate to King George V Soccer Field and Twin Rinks ice facility. In the case of King George V the City advanced the funds for repairs and upgrades to the field at a cost of approximately \$1.8M. The loan is being paid back over time. In the case of the Twin Rinks ice facility the City agreed to issue a mortgage for up to \$500K as the group running the facility sought to acquire another ice surface (was never executed). Clearly there is precedent for the current request.

Staff and AMHA have had numerous discussions regarding the opportunity. There are several strengths in the proposal which include:

1. AMHA is a well-established group with a proven track record.
2. Key personnel on the Board and at the staff level are well experienced in the running of a hockey association.
3. The proposal will see AMHA retain key rink operations staff thus retaining knowledge of the facility.
4. Due diligence has been completed to assess the long-term integrity of the structure and ice plant with no issues identified.
5. The model of ownership being sought is not unique as it is the same model being used for Twin Rinks.

6. The financial projections prepared by AMHA are reasonable, conservative from a revenue aspect, and allow the association to meet their future operating requirements.
7. AMHA plans to leverage its long history to aid it in securing additional funds from private parties to aggressively reduce its debt as quickly as possible.
8. It significantly enhances the ability of AMHA to secure its long-term future as it has more control over its primary cost which is rent.
9. It reduces the need for the City's involvement in the construction of another ice surface by increasing the hours available for minor sporting groups. Surrounding municipalities have had to invest in constructing rink facilities at substantial cost. The proposal here allows the City to greatly support minor hockey at a minimal comparable cost.

Risks associated with this proposal include:

1. AMHA defaulting on their loan payments resulting in the City being required to make annual payments of \$175K which will increase operating expenses.
2. If a default occurs and another operator cannot be found the City may end up operating the facility which could prove to be expensive.
3. The loan of \$400K is only partially recovered.

Any form of agreement with AMHA would seek to mitigate such risks by having any agreement require:

1. The facility's major use be the provision of ice time availability for minor sport organizations unless a change in direction is approved by the City.
2. No sale or assignment of the rink / agreement can take place without the prior approval of the City.
3. If there is a default on any loan payments the City retains control over the future direction of the facility.

AMHA and their lender have agreed to all the above conditions.

Approval in principle was granted for this agreement in a private meeting of Council on February 3, 2020. This approval had to be done in private as there were potential implications for other levels of government funding that could not be compromised. In addition, approval in principle was required to permit staff time to finalize details on repayment terms of a loan. Council were advised at the time that final details would still be approved in a public meeting.

Since approval in principle AMHA has advised that other potential sources of government funding are not available. In addition, the City and AMHA have agreed on repayment terms for the \$400K loan. The loan is interest and payment free for the first five years. These conditions were required by AMHA's lender to see it as an equity investment by the City.

After the initial 5-year term total annual payments of \$25,000 will be required which will be taken fully as principal payments – the loan will not bear interest. Interest, even at a low rate of 5%, would be in the range of \$20K per year. This is a substantial amount of money for a small organization that is better served invested back into the organization's programming or applied against other interest-bearing debt.

Key Considerations/Implications:**1. Budget/Financial Implications:**

There are no budgetary requirements on the City for the loan guarantee unless there was a default on the loan guarantee of \$2.5M. Annual payments are in the vicinity of \$175K per year. The \$400K loan has been tentatively allocated under the City's capital out of revenue budget. The \$100K grant has been approved as part of the capital grants to community groups budget.

2. Partners or Other Stakeholders:

The proposal has implications for participants in minor hockey on the entire Northeast Avalon.

3. Alignment with Strategic Directions/Adopted Plans: A Connected City**4. Legal or Policy Implications:****5. Privacy Implications:****6. Engagement and Communications Considerations:****7. Human Resource Implications:****8. Procurement Implications:****9. Information Technology Implications:****10. Other Implications:****Recommendation:**

Council agree to a loan guarantee of \$2.5M and a direct loan to AMHA of \$400K.

Prepared by:

Approved by: