



**ADDENDUM AGENDA**  
**Wasaga Beach Special Council**  
**Meeting**

**Monday, July 29, 2024, 10:00 a.m.**  
**Council Chambers**

For information pertaining to this agenda or to arrange for any additional accessibility needs please contact the Clerk's Division at [deputyclerk@wasagabeach.com](mailto:deputyclerk@wasagabeach.com).

Pages

**6. DEPUTATIONS**

- \*6.1 Resident Sylvia Bray - Delegation Pertaining to Item 7.3 Sign By-law and AMPS By-law Amendment**

**7. STAFF REPORTS**

- \*7.1 425 River Road West Facility Review and Highest and Best Use Proposal - 20240711-01**

**2**

Recommended Motion:

1. **THAT** the report titled: 425 River Road West Facility - Highest and Best Use Proposal to Council be received; and
2. **THAT** Council deem the 425 River Road West property surplus; and
3. **THAT** Council direct the CAO to place the property for sale at the appropriate time as per discussions in the attached business case.

- \*7.3 Beachfront Development - Town Capital Works - Financial Plan - 20240729-10**

**31**

Recommended Motion:

1. **THAT** the report titled: Beachfront Development-Town Capital Works – Financial Plan, to the Special Council meeting of July 29, 2024, be received; and
2. **THAT** Council approve the Financial recommendations outlined in this report to advance the Beachfront Development consisting of;
  - a. Selling the property at 425 RRW promptly and allocating \$5.5M of proceeds to the funding gap, to be invested in short-term GICs and drawn as required;
  - b. Selling properties the Town has identified as surplus to address the remaining \$9.2M funding gap, on a multi-year approach aligned with the cashflow needs.



**DATE:** 7/11/2024

**SUBJECT:** 425 River Road West Facility - Highest and Best Use Proposal

**CONTACT:** Chris Roos, Director of Recreation & Facilities  
Jocelyn Lee, CFO and Treasurer

**REPORT NUMBER:** 2024/07/11-01

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**RECOMMENDATION:**

1. **THAT** the report titled: 425 River Road West Facility - Highest and Best Use Proposal to Council be received; and
2. **THAT** Council deem the 425 River Road West property surplus; and
3. **THAT** Council direct the CAO to place the property for sale at the appropriate time as per discussions in the attached business case.

**EXECUTIVE SUMMARY:**

- Following a report to Council in June 2023 staff were unsuccessful in securing a consultant proposal to complete a single overarching study to inform Council on the highest and best use alternatives for the old arena property.
- In order to expedite the gathering of required information recreation and facility staff internally reviewed recreational programming gaps, an operating pro-forma to maintain the old Wasaga Stars Arena as a fieldhouse, Building Condition Assessment and alternative programming solutions should the entire property be deemed surplus.
- Ten year fieldhouse business plan recovers \$1.2M in capital improvement requirements over about nine years. Operating expense break even point is 75% of total projected revenues over first five years and just 50% of projected revenues over next five years.
- A financial review was also done to understand the implications on the Town's cash flow as it relates to the highest and best use of the old arena property as well as evaluating potential real-estate revenues.
- Recommendation for highest and best use of the property is to sell the lands and use the proceeds to fund the 10-Year Capital Forecast – financial gap, to advance the Beachfront Development.

**BACKGROUND:**

On June 8<sup>th</sup> 2023 Council approved staff to develop and publish a Request for Proposals (RFP) to engage a consultant to complete the following for the Old Wasaga Stars Arena facility and property:

- Indoor Recreational Needs Assessment,
- Building Condition Assessment and costing,
- Business Case, including cost benefit analysis to inform a highest and best of the property
- Land Appraisal

On March 8, 2024, RFP # R&F-2024-01 was issued and subsequently closed April 3, 2024. There were seventeen (17) plan takers; however, only one proposal was received. The proposal was evaluated by a team of staff including the General Manager of Community Services, Facilities Manager, Supervisor of Recreation Services and the Director of Recreation and Facilities. The single proposal was rejected as technical bid scoring fell below the required minimum scoring threshold and the proposal did not satisfy the overall terms of reference. It is believed that the lone submission was due to the broad scope range requiring recreation knowledge, engineering/condition assessment expertise, finance and development/real estate expertise.

In early May, a staff working group comprised of the CAO, Deputy CAO, GM of Community Services, the Treasurer and the Director of Recreation and Facilities met internally to see how best to move the subject report forward such that Council can make an informed decision related to the former arena facility and property at 425 River Road West. It was acknowledged that this working group could prepare a detailed report for Council's consideration in lieu of going back to the market with another scoped/refined RFP.

### **DISCUSSION:**

Staff have considered three options: to repurpose the former arena as field house recreation facilities; sell the property outright to address the significant funding gap; or develop the property through a public private partnership for affordable housing. The attached business case document titled 425 River Road West Facility – Highest and Best Use includes extensive analysis to support a Council decision on the future of the Town asset.

### **CORPORATE IMPLICATIONS:**

#### Financial Implications:

The financial implications for the option recommended will resolve a significant cash flow funding problem which if not addressed would cause the Beachfront Development project to halt.

The option to repurpose the former arena as a fieldhouse recreation facility would require a capital investment of approximately \$1.2M over the next five years. Revenue projections reflect the investment would be covered within a nine year period. An additional \$1M capital investment may also be required, however a revised facilities condition assessment would be necessary to confirm.

The third option for a public private partnership was not assessed financially as details were not provided, and the above two options were of higher priority to the Town.

Term of Council Priorities (TOCP):

In concert with the Improve Community Parks & Recreation section of Council priorities this report supports 27: Feasibility study to determine highest and best use of the former arena.

In addition, the report supports TOCP Complete Communities – Redevelop the Beachfront and Rebuild Beach Drive.

In line with the pillar Diversify the Economy – Maximize Value Creation – Undertake a review of Town surplus lands.

Finally, the report supports the Well Run pillar under Financial Sustainability – Build the Town reserves back up.

**CONCLUSION:**

Staff have developed a cost neutral projection of how the facility could be maintained for recreational purposes for a ten-year period, with an additional cost of \$1M to be reconfirmed by a new facility condition assessment.

Staff have considered Council's priorities including the Beachfront Development and the corporate financial position in relation to those priorities.

Staff have gathered the required elements, where necessary, to inform Council with information surrounding the highest and best use of the former arena property and buildings and are recommending Option 2, the sale of the property 425 RRW and allocation of about \$5.5 of the proceeds towards the funding gap to advance the Beachfront Development.

Authored by:

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Director of Recreation & Facilities

Jocelyn Lee  
CFO and Treasurer



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**Business Case for  
425 River Road West Facility – Highest and Best Use  
July 29, 2024**

**Prepared by: Working Group consisting of:  
CAO; Deputy CAO; GM of Community Services; CFO & Treasurer; Director of Recreation  
& Facilities**

**Town of Wasaga Beach**

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## EXECUTIVE SUMMARY

The old Wasaga Stars Arena property (425 RRW) is closed at this time as the new twin-pad arena has opened. In this business case three options are evaluated with the purpose of determining the highest and best use of the property and its buildings for the Town. Caveats around the evaluations are Council's priorities and corporate financial forecasting.

The three options evaluated are;

Option 1: Maintain the building and repurpose it as a recreational fieldhouse.

Option 2: Sell the property, invest cash, and use the funding to support the funding gap related to the Town's reconstruction works required for the Beachfront Development.

Option 3: Consider external proposals for use of the property.

To evaluate the options, the following factors were considered;

Option 1:

- Age of buildings and required capital investment to maintain and reconfigure the facility for a new purpose
- Market demand and needs analysis for indoor recreational facilities
- Uses and Benefits of an indoor fieldhouse
- Operating costs forecast, including assumptions, for the indoor fieldhouse facility
- Alternative planning for recreational needs if property is sold

Option 2:

- Reviewing the current financial forecast shortfalls in relation to the capital projects that are considered necessary in the upcoming ten (10) years, with specific focus on the next five (5) years.
- Assessing the high risk associated with a cashflow problem spanning the next four (4) years as a result of the intense capital projects in recent years combined with forward looking capital projects, and the current downturn in the development market, which is adding pressure to the financial challenges.
- Focusing on how to deliver Council's priority to develop the Beachfront properties.
- Identifying projects that are in que and those that have been pushed to future periods to accommodate the financial pinch.
- Highlighting the need for a commitment to a financial plan to demonstrate fiscal prudence and management.



### Option 3:

- Consideration of a recent high level proposal for housing on the site as a possible use of the property
- Acquiring estimates from multiple real estate professionals to obtain a general sense of the property value. Third party confirmation through an appraisal would be required, however, the preliminary information is useful as a guide.

Detailed analysis was prepared for Options 1 and 2 which identified opportunities, threats, and risks.

The results of the evaluations show that Option 1 addresses a good market demand for more indoor recreational sports facilities, and the benefits of such services are well noted. There is a high capital investment (minimum \$1.2M, and possibly over \$2M) required to utilize this property. There are ongoing operating costs that are projected to be covered by revenues. The operational results project a small gradual increasing surplus that would make a contribution to the capital investments required. Some of the risk associated with Option 1 include; the age of the building (near end-of-life-cycle) and forecast assumption accuracy.

Option 2 demonstrates a strong and serious financial need that is significantly reduced when this option is selected. The financial need must be addressed in order to deliver on Council's priority to develop the Beachfront. There are limited avenues available to address the financial challenge, and because this option involves a new revenue stream without any ongoing operating costs, such as interest, it is a highly desirable solution. The financial challenge is summarized as a \$13M funding gap, possibly closer to \$15M. Current economic conditions are impacting the financial position as less development charge revenue is being collected, due to a slowdown in the market for new housing. The risks associated with this option is the impact on the available sports courts that are in high demand, and the resulting need to address a long-term recreational plan. The most significant risk for this option is the financial impact if this option is not selected.

The last option, Option 3, was included because a proposal had been presented previously and it warranted consideration. However, limited details were provided to the Town, and there was consensus from the working group that the other two options had far stronger justifications than this option would be able to merit. Hence, little analysis was performed. Some of the risks accompanying this option would include, timing of the proposal, expectations of the proponents with respect to the price of the land, and the complexities associated with a partnership proposal.

After considering the benefits, needs, and merits of each option, staff have concluded Option 2 provides the most relevant outcome to delivering on Council's priorities and addressing critical financial needs.

## SITUATIONAL ASSESSMENT – BACKGROUND AND CURRENT STATE

### INTRODUCTION

The Town has built a new twin-pad arena which results in the old arena no longer being required to function as an arena. The purpose of this report is to explore what should be done with the building and property at 425 River Road West (RRW) for the Town's highest and best use, recognizing Council's priorities and corporate financial forecasting.

### BACKGROUND

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In early May, a staff working group comprised of the CAO, Deputy CAO, GM of Community Services, the Treasurer and the Director of Recreation and Facilities met internally to see how best to move the subject report forward such that Council can make an informed decision related to the former arena facility and property at 425 River Road West. It was acknowledged that this working group could prepare a detailed report for Council's consideration in lieu of going back to the market with another refined RFP.

## CURRENT STATE – OLD ARENA BUILDING

A Facilities Condition Assessment was conducted in 2022/2023 on several of the Town’s buildings, and the report included information about the old arena facility.

The old arena building was closed in January 2024 once the arena recreational program was moved to the new twin-pad arena.

Staff reviewed a past 2013 and the 2022/2023 condition assessment reports completed for the old arena building to both scope and estimate costs of required retrofits to maintain the facility for public use over the medium term (ten years). There is sufficient historical costing and information available from the reports to project ten years of capital costs that would be needed to maintain the former recreation facility. Known major elements like HVAC replacements, a new concrete floor and AODA washroom upgrades are necessary, should the facility be re-opened to the public.

Approximately two million dollars (\$2,000,000) may be needed to address such deficiencies and upgrades over the next decade, the majority of which is slated within the next five (5) years. Details of the upgrades are further explained below.

## CONSIDERATION OF OPTIONS

### APPROACH TO EVALUATION

To evaluate the building and the property and how it might be used, staff considered the age of the building, the current state of the building and what would be required to maintain it in a “state of good repair” for whatever purpose was selected. Staff also considered other options for the property if the Town did not continue to own it. Three options were selected for evaluation.

### OPTIONS CONSIDERED

- Option 1      Maintain the building and repurpose it as a recreational fieldhouse
- Option 2      Sell the property, invest cash, and use the funding to support the funding gap related to the Beachfront Development – Town Capital Works (includes Beach Drive, 3<sup>rd</sup> Street, Spruce Street and Main St./Mosley St. roundabout reconstruction).
- Option 3      Consider external proposals for use of the property

## OPTION 1 – MAINTAIN THE BUILDING AND REPURPOSE IT AS A RECREATIONAL FIELDHOUSE

### CONSIDERATIONS

To evaluate this option, the following elements were addressed:

1. Recreational needs/gap Analysis
2. Uses and Benefits of an indoor fieldhouse
3. Fieldhouse renovations and capital investments
4. Operating costs and Financial Analysis/Forecasts
5. Alternative Planning - Should the lands at 425 RRW be sold

### RECREATIONAL NEEDS/GAP ANALYSIS

Staff considered long-term indoor recreational needs relevant to how the old arena could be used. With the forecasted growth projected for Wasaga Beach in the coming 30 years, a high level environmental scan of other communities (population 25,000 to 50,000) plus local gaps have helped identify trends and opportunities to consider. Although no recreational needs assessment has been completed since the 2012 Wasaga Beach Parks, Facilities and Recreation Master Plan, it is noted that field houses are common in the larger southern Simcoe County municipalities of Bradford (Pop 42,900), New Tecumseh (Pop 43,950) and Barrie (Pop 148,000).

Pouring a concrete floor within the existing oval of the former ice pad allows the Town to permit the old arena facility for a variety of indoor sports and trade show or special event uses. Initial quotes collected are approximately \$150,000 for the new floor. Seasonality should be a consideration as the old arena space may be somewhat cold during the peak of winter and warm through the summer months. Staff have modelled sports like ball hockey, lacrosse, tennis/badminton, mat bowling, roller skating, equestrian and dog events, skateboard and bmx biking, indoor racing, annual festivals, Home and Garden and certainly winter sport training of all kinds including the beginnings of proper indoor soccer leagues and play.

Indoor soccer or “Futsal” has a strong following in many Canadian cities and this is an offering that doesn’t currently exist north of Alliston, Barrie and Bradford. Not unlike the local high-school commentary, recreation participants including young developing athletes from Wasaga Beach often travel significant distances to participate at higher levels in their sports. This is a major barrier to accessible recreation, which is a well-known leveller of socio-economic factors. Giving young and old, a healthy third space

or activity to participate in other than home, school or work is proven to strengthen the social fabric of a community.

Ongoing discussions with key stakeholder groups may also confirm more opportunities to utilize the old arena site. The local Mat Bowling group has currently purchased two additional mats and runs two mats in the Oakview room and another two mats in the Primetime Club but due to storage and space concerns neither multi-purpose room (MPR) can easily accommodate sessions with four mats worth of participants.

The local Woodworkers Club has flourished in recent years and now boasts upwards of 60 members. For more than a decade the woodworkers have leased for a nominal fee one of the camp cabins and they are in need of a location to house their extensive shop of tools should the camp cabin portion of the property be deemed surplus.

Consideration has also been given to other indoor options such as the new Twin Pad Arena Library and Sunnidale Trails Elementary School (shared gymnasium). Of note, the purpose built double gymnasium with a sprung hardwood floor is expected to house gym sports like basketball and volleyball predominantly and although the new facility does accommodate three pickleball courts. The gymnasium; however, will only be available evenings and weekend through the school year. It goes without saying that allowing older adults to participate weekdays through the school year frees up facilities for students and working adults on evenings and weekend.

Currently Town run programs are already renting space outside of the Town's primary facilities. The children's theatre program that used to rehearse upstairs in the old arena will run at Worsley elementary school this coming fall and Line Dancing, as well as, "Souper" Community luncheons that have been growing in popularity are capped and often renting the Lion's Hall with potential to bump pickleball from the larger RecPlex Hall 1A in the fall.

Weekday daytime pickleball at the RecPlex gym has also run very close to capacity with eighteen 75-minute timeslots weekly with eighteen participants registered in every timeslot through the winter/spring session in 2024.

## USES AND BENEFITS OF A FIELDHOUSE

Converting the old Wasaga Stars Arena into a recreational indoor fieldhouse can enhance community life, promote health and fitness, stimulate the local economy, and repurpose existing infrastructure sustainably.

1. Community Recreation: It provides a year-round indoor space for various recreational activities such as indoor pickleball, tennis, soccer, basketball,

volleyball, and other sports. This promotes physical activity and health benefits for community members of all ages.

2. **Multi-functionality:** Unlike a single-purpose arena, a fieldhouse can accommodate a wider range of sports and activities. This versatility makes it more attractive to different user groups and maximizes its use throughout the year.
3. **Youth Engagement:** It offers a safe and supervised environment for youth to participate in organized sports and activities, reducing the likelihood of engaging in less constructive behaviors.
4. **Event Hosting:** A fieldhouse can host tournaments, leagues, and community events, which can generate revenue for the local economy.
5. **Year-round Use:** Unlike seasonal outdoor fields, an indoor fieldhouse allows for activities year-round, regardless of weather conditions, which is particularly beneficial in this area, as limited facilities of this nature exist.
6. **Health and Well-being:** Encourages physical fitness and social interaction, which contributes to improved mental health and overall well-being of community members.
7. **Economic Impact:** It can attract visitors from outside the community for tournaments and events, benefiting local businesses such as accommodations, restaurants, and retail shops.
8. **Rejuvenation of Space:** Repurposing an old arena into a vibrant fieldhouse can breathe new life into a community space, revitalizing the area and potentially increasing property values nearby.
9. **Environmental Considerations:** Retrofitting an existing structure rather than building new has the potential to be more environmentally friendly by reducing construction waste and energy consumption associated with new construction.

## FIELDHOUSE RENOVATIONS AND CAPITAL INVESTMENTS

There are a series of capital upgrades required to extend the life of the aging facility another decade.

Aging infrastructure is a key factor to be considered when reviewing all of the information. The building's overall aesthetic is not ideal. Some of the items for Capital replacement to bring the Arena up to an operable Field House standard would be the following: four rooftop heating and cooling units, flat roof replacement, concrete slab floor over the existing sand floor of the ice pad, main floor accessible washrooms and additional items listed with cost estimates in the following paragraphs.

There are different ways to approach the Field House renovations as they relate to replacement value costs. To realistically manage the recommendations in the Condition Assessment Report staff would need to phase the various improvements while the facility was operational. It appears certain that, to extend the life of the building more than a decade, upwards of two million dollars (\$2,000,000) may be needed, not including estimates for contingency or escalation costs.

Although, facility staff have reviewed the recent assessment report completed in 2022 and propose roughly one million dollars, with an appropriate contingency, would be sufficient to extend the life of the primary arena building for another decade. One very promising finding in the condition assessment was that the batten seam metal roofing, with a replacement cost of \$1,013,555, should not need to be replaced until 2049.

It is estimated that it will cost approximately \$150,000.00 to replace the sand floor of the former rink with a concrete floor appropriate for sports and events. In addition, it is estimated that it will cost approximately \$150,000.00 for main floor washroom renovations and upgrades. A section of flat roof replacement, upstairs exterior windows and a series of painting and cosmetic updates could see the building functional initially in year one for a total cost of approximately half a million dollars (\$500,000).

If sport and occasional trade show bookings are planned for the floor surface, staff recommend learning to maximize room temperatures using the existing gas radiant heaters in winter and relying on exhaust fans and the building's existing robust dehumidifier system to keep the well shaded interior of the building cool through the summer. This is traditional with many arenas used for ball hockey etc. in the summer. It is also recommended that domestic water to the east end of the building be decommissioned or at least winterized at the same time that the refrigeration plant is decommissioned. There is one additional furnace in the service end of the building that could be maintained to condition the smaller spaces toward the exterior of the building.

In order to maintain the normally heated and cooled front area of the building staff recommend phasing the replacement of the four primary air handling units in 2025 at a total cost not exceeding \$250,000. This number is generously estimated with roughly one third of the existing ductwork potentially needing to be replaced. Project management of the series of additional capital projects identified could proceed much like other recent facility specialty projects overseen by contract staff at the beachfront, TPL and former library.

The schedule for 2027 suggests \$169,000 for a number of minor upgrades and an elevator. The final period out to 2034 includes another \$179,000 for remaining life cycle elements identified by the condition assessment consultants related to emergency lights, fire panel, hot water heaters etc.

Below is a summary table of the capital investments in the next five (5) years.

<b>Capital Investments</b>	<b>\$</b>	<b>2025</b>
Concrete Slab Flooring	\$	150,000
Main Floor Accessible Washrooms		150,000
Windows/Painting/Cosmetic/Flat Roof Replacement		152,000
Total Capital Outlay for 2025 Year ->	\$	452,000
		<b>2026</b>
Four rooftop heating and cooling units	\$	232,000
		<b>2027</b>
Minor upgrades and hydraulic passenger elevator	\$	169,000
		<b>2028</b>
Emergency lights and fire panel	\$	46,000
		<b>2029</b>
Public address system, hot water heaters, and other life cycle items	\$	132,000
Total of Capital Outlay Years 2025 - 2029 ->	\$	1,031,000
Add 20% for contingency and escalation (2022 cost estimates)	\$	206,200
Total Estimate for 5 Year Capital Investment ->	\$	1,237,200

Lastly, staff have separated out remaining elements that would require replacement should the facility be maintained for a longer term (beyond 2034). A sizeable cost, likely over one million dollars (\$1,000,000), considering inflation, which includes potential replacement of water and sanitary pipes, branch wiring and distribution electrical switches and panels. Although consideration of the remaining elements may or may not be warranted long term, with a reasonable contingency between ten and 20 percent on the first one million dollars of essential capital upgrades it is proposed the facility could be maintained for ten years.

It is plausible that the second million dollars worth of upgrades may be prolonged for longer than 2034, however, updated condition assessment(s) would be required as we approach end of life. Staff have conservatively scheduled an additional almost \$500k more for building maintenance over the decade that would be fully recovered by fee for service programing in the old arena building.



## OPERATING COSTS AND FINANCIAL ANALYSIS/FORECASTS

A second component of staff's review was to understand and project both revenues and expenses surrounding proposed activities in the former arena facility. Staff have developed a pro-forma model in order to project annual operating expenses/surpluses based on various assumptions needed to maintain the former arena and understand what additional burden ongoing capital and operating expenses, including staffing needs, the facilities would require should this facility be maintained for indoor recreation.

Pickleball makes up the lion's share of revenue in the fieldhouse projection modelling. Roughly two thirds of all revenues modelled are attributed to per head fees for pickleball participants. In winter and spring of 2024, the Town collected just over \$21,000 for eighteen sessions of eighteen players in the RecPlex gym charging approximately four dollars per player on three courts. Projection numbers start at five dollars per player per hour in a larger facility on the old ice pad's new concrete floor that could comfortably house six courts. Local indoor (private) court facilities have comparable fees in the range of twenty dollars per hour per player on purpose built courts. Staff project to collect five dollars for 36 players hourly eleven times a week in year one.

Recent outdoor pickleball statistics during the local Club's deputation referenced 49 hours of weekly outdoor play and their numbers are bursting at the seams with just four courts. Gross annual indoor revenues are projected conservatively to increase from \$100k in year one up thirteen percent annually due to a 5% fee increase and a 10% usage increase growing to an annual total over \$550k in gross revenue in the tenth year of the repurposed old arena.

With an ever increasing demand for year round court availability, creating six indoor courts at 425 RRW can give a home base for a club that still is in search of a proper home base. With a modest growth prediction of approximately 10-15% annually pickleball hours could grow from a starting point of 600 hours in 2025 to 2000 hours in ten-year growth plan.

It is also possible that if pickleball alone can grow in keeping with initial projections that the local Club could eventually become an operating partner for the Town much like many curling clubs across the country. Understanding the complexity of curling club equipment and operations indicates the likely efficiencies the Town may seize by facilitating such a progressive and trend setting partnership.

Currently pickleball is the fastest growing sport in all of North America. Being a community with a higher ratio of older adults presents an outstanding opportunity for the

Town of Wasaga Beach to activate not only local recreation but utilize expected population growth expectations to absorb increasing upkeep costs and suspend the surplus of a valuable facility asset that cannot easily be replaced. It is likely that a comparable facility built from scratch today would be well over \$10M.

Considering room rental revenue previously collected at 425 River Road West facilities capacity implications at the RecPlex and new Twin Pad Arena and Library (TPL) also need to be considered.

Recently it was understood that the Fernbrook Hall at the sports park earned under \$2000 annually, but Council has a lease agreement with an emerging Legion stakeholder partner. As of the end of May 2024 hours booked at the RecPlex are up just under 10% since the beginning of 2024 when the TPL opened.

The TPL with two multi-purpose rooms (MPRs) has the exact square footage of the old arena's two MPRs (upstairs Auditorium and Rec hall beside the camp cabins). By the end of May 2024, TPL bookings totalled 1448 versus the entire 2023 rental hours at the old facilities totalled 1156. Staff estimate room rental hours at the TPL will be comfortably above a 250% increase in 2024. The pro-forma exercise assumes one two hour rental at the old arena every three days bringing in roughly \$75 with a 9% increase year over year for the decade modelled.

There are many community uses available to 425 RRW. We have focused on a few of them with the understanding that demands and interests will change over time. However, the certain growth in Wasaga will put increasing pressures on the requests for such programming and services. Staff have created a list of interests that could be offered with the revitalization of the old Wasaga Stars Arena.

Integrating the revenue generated from pickleball with a variety of other user groups suited to concrete pad bookings would include Ball Hockey, Lacrosse, Mat Bowling, Roller rink, badminton and tennis just to name a few. Other future uses of a multi purpose concrete indoor pad could include Home and Garden Shows, Annual Seasonal festivals, Art Shows, off-season sports training rentals. These uses could be in a Town recreation program format or a simple facility booking to existing community user groups. These uses would complement and fill the booking calendars generating an additional \$78,179 annually in year one and growing to over \$200,000 in additional revenue in staff projection by the end of ten year growth period. Similar to ice fees staff have modelled prime and non-prime pad rental at \$100 and \$75 dollars per hour respectively, with price increasing by 5%, and usage increasing in a range of 6.7% to

8.6% annually over the ten year period modelled. The net annual increase in concrete pad revenues is 12% to 14% over the full period.

The operating costs for such a facility would not be as extensive as the arena has been in the past where managing an ice surface facility required consistent skilled staff presence and higher maintenance and utility costs related to ice making and management.

Staffing costs have been modelled to directly correlate with increased facility booking numbers starting as low as 32 hours weekly for program and cleaning staff in year one when weekly booking hours are projected at 27 hours a week. By year ten the proforma projects roughly 70 hours of weekly programming with 67 hours of dedicated staff time. Staff have conservatively escalated other fixed costs annually like utilities, building maintenance and insurance at roughly ten percent annually.

Operating Proforma - Summary	2025	2026	2027	2028	2029	Total
Revenues	205,609	237,446	275,168	319,848	372,878	1,410,949
Expenditures	185,348	195,454	210,155	229,617	251,020	1,071,594
Net Revenues ->	\$ 20,261	\$ 41,992	\$ 65,013	\$ 90,231	\$ 121,858	\$ 339,355
Capital Investments	452,000	232,000	169,000	46,000	132,000	1,031,000
Contingency at 20%	90,400	46,400	33,800	9,200	26,400	206,200
Total Capital Investment for 5 years	\$ 542,400	\$ 278,400	\$ 202,800	\$ 55,200	\$ 158,400	\$1,237,200

See Appendix 1 for Detailed Proforma for ten year period

## ALTERNATIVE PLANNING – SHOULD THE LANDS AT 425 RRW BE SOLD

Should the property at 425 River Road West be deemed surplus and sold, capital costs of replacing existing recreational assets like the outdoor pickleball facilities and possible indoor field house in response to long-term community growth could exceed revenues recouped from property sale.

The Klondike Sports Park has been considered as a possible long-term solution for a new pickleball hub – should the property (and related amenities) at 425 River Road West be sold. Adequate parking, washroom facilities and sufficient land exists at the Sports Park; however, additional planning, functional servicing review and budget considerations should be planned for 10-12 outdoor courts long term. Such facilities should be constructed prior to their decommissioning at 425 River Road West (possibly through land proceeds), to accommodate the significant growth in the sport, leading to a heightened interest and need for expanded pickleball facilities.

There is potential for the Town to partner with the new SMCSB (K-12) school adjacent to the new Wasaga Stars Arena and Library and re-invest in a plan that supports a future fieldhouse by accommodating a purpose built turf playing field that could be permitted by the Town. Through preliminary discussions with suppliers it is safe to assume a full package including foundation, clubhouse structure with change rooms and heating/fan inflation systems would range from \$1.5M for a small with sixteen pickleball courts up to a large \$6-\$7M dollar unit that would cover a regulation football field. A turf facility would also require additional flooring infrastructure and portable nets to accommodate pickleball. Terms of the Joint Use Agreement with the SMCSB would need to be discussed, as weekday usage throughout the school year may be a challenge to accommodate.

Alternatively, the Town could consider severing the courts from the land sale and maintain status quo until a long-term plan can be developed and financed.

Should the old arena remain as a fieldhouse, staff have considered relocating the Wood Workers and Kinettes into new spaces (possibly old changerooms) in the old arena building to free up land where the camp buildings currently sit. Otherwise, it may be necessary to consider another portable with adequate hydro connection for the woodworkers out at the Sports Park but it's likely only a portable washroom could be accommodated at this time.

If a phased approach becomes a consideration and the entire parcel could be sold in sections, staff would rank the existing recreational facilities on the property in the following priority:

1. Outdoor Pickleball Courts
2. Old Arena Building / Fieldhouse
3. Camp Cabins and land to north-west end of the property

Alternatively, consideration might be given to include specific conditions in the agreement of purchase and sale to enable public use and maximize the life of these recreational assets on the lands until such time as the property is slated for redevelopment by the new owner(s). Particular details and opportunities would be further vetted, should this be considered.

## CRITICAL ASSUMPTIONS

There have been several assumptions made to establish the Operating and Capital Forecasts. Some of the critical assumptions include;

1. The Town's population will grow to about 50,000 (by 2051) and the interest in pickleball will grow as a result too.
2. The year of capital outlay expenditure required as per the forecast will not be required sooner than the year's projected.
3. The new elementary Sunnidale School will have three pickleball courts available for evenings and week-ends through school year. This additional capacity has not been considered in the forecasting included in this report.
4. Forecasted revenue is over above current revenues being generated by the existing capacity. The assumption is by forecasting for additional revenues at 425 RRW, it will not decrease capacity at another existing Town facility.
5. Pickleball revenues are projected at \$5.00 for 36 players per hour, 11 times a week for 52 weeks, with first year revenues of (\$102,780), using 571 hours per year for each player.
6. Pickleball hours are projected to grow from 571 hours per player in 2025 to 2000 hours per player by 2034.
7. Pickleball Club's recent deputation reflected 49 hours of weekly outdoor play on four courts, or about 1,274 hours per ½ year of outdoor court usage. This does not include the winter/spring sessions of indoor court play.
8. Winter/Spring 2024 indoor play included 18 sessions of 18 players on 3 courts at \$4.00 per player. This is approximately 54 hours of play for a one hour session, or 972 hours for 18 sessions.
9. Gross annual pickleball indoor registration revenues are projected from \$100k in year one, up 20% annually due to 5% fee increase and 15% usage increase growing annually to a total over \$550k by year 10.
10. Concrete pad rental revenues for users other than pickleball include Ball Hockey; Lacrosse; Mat Bowling; Roller Rink; and other potential users. In the first year these users will generate \$78,179, growing to over \$200,000 by end of ten year period modelled, using 840 hours per year at the start, with annual hours of 1,643 by the year 2034.
11. Concrete pad rental revenue is increased annually by 12% - 14% over 10 years.
12. Roller skate rentals are based on 250 prime time hours with 50 skate rentals per hour totalling \$12,500 in first year. Revenues are increased by 10% each year, arriving at \$29,474 in skate rental revenue by 2034.
13. Room rental revenues are based on 1 two hour rental every 3 days (increasing 11% year over year) generating \$12,125 in revenue for year one growing to \$31,297 per year by 2034.
14. Advertising revenue is projected at \$4,000 per year in 2034. Advertising revenues begin at \$1,550 in 2025 and grow by 11% each year.

15. Staffing costs are correlated with increased facility booking numbers. Starting with 32 hours/weekly program and cleaning staff in year one with approximately 27 hours of bookings.
16. By year 10, booking hours are about 70 hours/week with 67 hours of dedicated staff time.
17. Other fixed costs like utilities, building maintenance and insurance increase at about 10% per year. Disclaimer: Insurance costs in the forecast were estimated and may not be sufficient for both building and liability insurance costs.

## **OPTION 2 - SELL THE PROPERTY, INVEST CASH, AND USE THE FUNDING TO SUPPORT THE FUNDING GAP RELATED TO THE BEACHFRONT – RECONSTRUCTION OF BEACH DRIVE**

### **CONSIDERATIONS**

To evaluate this option the following Council Priorities were considered:

1. Beachfront Development - Town Capital Works (includes 3<sup>rd</sup> St, Beach Drive, Spruce St and Main/Mosley roundabout reconstruction) and the existing funding gap in the financial plan for Beach Development - Town Capital Works and other capital projects.
2. The timing of need for funds for the Beach Development – Town Capital Works.
3. The seriousness of the financial cashflow position of the Town given the numerous major dollar projects undertaken over the past three (3) years and plans for the upcoming five (5) years.
4. The interest to be earned on investing the proceeds.

### **THE EXISTING FUNDING GAP IN THE FINANCIAL PLAN FOR THE BEACHFRONT DEVELOPMENT**

The Beachfront Development project has been deemed a top priority project for this Council. The project has been challenging financially because of the major infrastructure upgrades which fall to the responsibility of the Town in combination with other ongoing capital works projects.

The current forecast which includes the Beach Drive reconstruction project and other ongoing capital projects such as River Road West and Mosley Street works, requires a draw on the DC reserves in 2025 of \$6.7M.

At the end of 2024 the projection of the DC reserve balance is \$2.3M – down \$10.8M from the end of 2023. The lowest these reserves have been in over ten years. As a result, the Town would need to realize an annual projection of \$5.4M in new DCs in 2024 to cover the \$6.7M require for the DC draws in 2025. The 2024 DC reserve

balance shortfall presents a worrying trend for 2025 when one considers that less than half of the 2024 forecasted DC collections will be realized by year's end, a course that may recur in 2025 given the current building and development market.

The cost of the Beach Drive reconstruction work is estimated at \$19.8M with \$18M of that cost falling between 2025 to 2027. Although a portion of the infrastructure costs are Development Charge recoverable (50%) ~ \$9M, the balance of costs must be accounted for by other means: \$3.5M (OCIF and FGT) and approximately \$6.5M related to the funding Gap, although DC reserve balances may increase the gap.

The funding gap issue begins in 2025 with a projected \$2M funding gap. The gap indicates that there are not enough revenues overall to cover the capital expenditures required for the year. This present forecast is operating under the precarious assumption that 2025 DCs hit projected targets and do not continue the downward trend of 2024. If the downward trend continues, it adds pressure to the DC Reserves, which can result in the balance of the DC Reserves not being sufficient to accommodate the full DC eligible portion of the capital projects. This will then transfer the pressure on to the general reserves that have to cover the portion that the DC Reserves can't cover.

The table below shows a projection of the general reserve balances, with additional 2024 expenditures pending against some of these reserves. The table helps to show the amount of those reserves that might be available for supporting needs above and beyond those included in the forecast.

General Reserves	2023	2024	2025	2026	2027	2028	2029	2030
Capital Replacement Reserves	7,580,017	7,276,602	7,047,527	7,066,917	4,242,746	4,118,186	4,576,629	4,902,279
Working Funds Reserve	2,371,538	1,947,438	1,797,938	1,797,938	1,797,938	1,297,938	1,297,938	1,297,938
Tax Rate Stabilization Reserve	2,642,398	2,540,398	2,540,398	2,540,398	2,540,398	2,040,398	2,040,398	2,040,398
Transit Reserve	422,797	422,797	422,797	422,797	422,797	422,797	422,797	422,797
Library Reserve	574,438	347,637	347,637	347,637	347,637	347,637	347,637	347,637
Water and Wastewater Reserves	18,148,028	13,626,593	12,276,144	12,918,146	14,761,395	15,743,699	15,110,103	20,524,358
Storm Maintenance Reserve	164,685	-471,832	-321,832	28,168	-96,321	-204,093	47,102	-652,430
Casino Reserve	1,339,899	1,369,899	2,269,899	3,069,899	3,869,899	4,669,899	5,469,899	6,269,899
Lot Grading & Road Occupancy Reserves	1,050,688	1,050,688	1,050,688	1,050,688	1,050,688	1,050,688	1,050,688	1,050,688
Beach Properties Borrowed Reserve	-3,226,178	-3,226,178	-3,226,178	-3,226,178	-3,226,178	-3,226,178	-3,226,178	-3,226,178
Internal Financing Borrowed Reserve	-4,857,178	-6,120,847	-6,120,847	-6,120,847	-6,120,847	-6,120,847	-6,120,847	-6,120,847
Other General Reserves	12,853,763	8,390,769	6,917,479	7,137,878	7,573,346	7,823,411	11,419,478	8,381,144
Total General Reserves Projected ->	39,064,895	27,153,964	25,001,650	27,033,441	27,163,498	27,963,535	32,435,644	35,237,683
Less Reserves not available to use ->	-23,985,960	-19,086,016	-17,621,030	-18,272,727	-18,703,890	-19,623,914	-19,219,540	-24,796,620
<b>Total Reserve projected available balance</b>	<b>15,078,936</b>	<b>8,067,948</b>	<b>7,380,621</b>	<b>8,760,715</b>	<b>8,459,608</b>	<b>8,339,621</b>	<b>13,216,105</b>	<b>10,441,064</b>

Reserves not available to use are specific to a purpose such as the Water and Wastewater reserves governed by legislation.

In 2025, the projected reserve balance is \$7.3M, with little to no capacity for general reserves to support the DC shortfall and funding gap described above. For example; if the DC shortfall was \$1M (which is realistic at this time) and the funding gap is \$2M, then the general reserves if used to bridge the DC shortfall and funding gap, would be only \$4.3M (\$7.3M - \$3M) at the end of 2025. This is a permanent reduction of the general reserves. At the \$7.3M level, the general reserves are lower than traditional levels which were closer to \$12M to \$15M. At \$4.3M there is the possibility that there would be insufficient reserve balances to support day-to-day operations.

In 2026 the forecast funding gap increases an additional \$3.4M. This additional gap funding if funded from general reserves could basically bring the general reserves balance to zero available funds. Moving on to 2027, the forecasted additional funding gap is another \$6.5M, and for 2028 another \$1.5M. In total over the four year period the funding gap is a minimum of \$13M and possibly closer to \$15M.

The problem is one of cash flow timing. There are significant costs to be incurred in the years 2025, 2026, 2027 and 2028, and the cashflow doesn't start to improve until 2029, assuming the Beachfront Development DCs start to be collected.

Over and above the Beach Drive project previously described there are other high priority projects in the next 3 years, or commitments that have been made. Some of the other projects/commitments that are included in the forecast are;

- a) \$2.3M for the capital contribution of the new Sunnidale public elementary school
- b) \$5.8M for phase 1 of the Elevated Water Tower and West End depot site works, including servicing and SWM
- c) \$8.3M of storm drainage projects over the next three years
- d) \$11M of water/sewer works in 2024, including financing three local improvement projects
- e) \$10M of other water/sewer works during 2025-2027
- f) \$10M of Parks Projects to be completed over the next three years
- g) \$17M to complete RRW during 2024/2025 (Veteran's to Blueberry Trails)
- h) \$0.5M for new theatre associated with new SMCDSEB elementary/high school hub
- i) \$1.3M for new fire truck for 2027 – order already placed

These amounts are after staff have pushed some of the capital works projects out to later years;

- a) \$10.9M - Mosley St Urbanization (45<sup>th</sup> Street to 57<sup>th</sup> Street)
- b) \$10.7M – Mosley Street Urbanization (57<sup>th</sup> to Beachwood Dr)
- c) \$16.4M – Mosley St (sewer upgrades and streetscaping) (Spruce to 3<sup>rd</sup>) & SPS4
- d) \$10.9M pushed beyond 2034/2035 – RRW-Zoo Park Rd-Bell's Park Rd Widening & Urbanization
- e) \$9.5M pushed beyond 2036/2037 – RRW-Blueberry Trail-Main Street

Additionally, previous capital investments in 2023 and 2024 have drawn heavily on DCs, including the RRW project, which draws on DCs as it is 87% eligible for that funding.

The new Beachfront Development project will not generate significant DC revenues for the town until closer to the end of 2027 or spring 2028, perhaps even later. The DCs and other revenues will be received slowly over a period of about ten years, and these revenue streams will not help with the immediate cash flow situation which is related to the capital program.

The result of these pressures, without considering the DC revenue shortage, is a funding gap of approximately **\$13M over the next four years (4)**, and with potential to



be higher. The funding gap results from not only the Beach Drive project, but other projects that are considered priority or may already be a work in progress, or a commitment has been made to a third-party.

## THE TIMING OF NEED FOR FUNDS FOR THE BEACH DRIVE PROJECT

It is important to understand that in order to proceed next spring with the tender for the Beach Drive reconstruction works, the Town must take action now to raise the funding necessary to pay for the commitment. Once the project is tendered, the Town is obligated to pay out the estimated \$19.8M project cost. If the reserves are not adequate and the development charge revenues are depleted, there will be a significant cashflow problem. The Town is obligated to raise funds through taxation for all obligations occurring in the current year for which it does not have adequate funding to cover. If a cashflow problem occurs, and alternative financing or funding sources are not in place, taxation must be used.

There are options being discussed on how to fund this significant gap. Some of the options are;

1. Borrow funds from the County on a short-term basis. There will be an interest cost and the interest cost must be funded through taxation. At this time the interest rate for these funds is not known as further dialog is required.
2. Borrow funds from Infrastructure Ontario (I/O) using a construction financing loan that could be paid back any time over a period of 5 years. Interest is charged on the amount drawn against the temporary loan. Currently the interest rate on this type of financing is 5.42%. The interest cost must be funded through taxation. For perspective on this option, currently we have \$17M in a temporary loan and the annual interest being paid is approximately \$900k funded through taxation. This equates to about 2.6% on the tax rate. Interest rates are coming down and the estimated interest rate at the end of 2025 is 3.75%, which is about \$563k in annual interest payment to be funded through taxation, which equates to about 1.5% on the tax rate. The actual amount to borrow would depend on the timing of projects and cash flow balances and would likely not be the full amount of the gap, so the interest cost would be less.
3. Sell surplus lands and use the proceeds to fund the Beach Drive works.
4. Sell the old arena lands and use the proceeds to fund the Beach Drive works.
5. Push more capital project works out to later years.
6. Ask the Province to come to the table financially to assist with the project.

## THE INTEREST TO BE EARNED ON INVESTING THE PROCEEDS

If the property at 425 River Road West is sold, preferably as soon as is reasonable to do so, and the proceeds are invested, there is potential to earn a reasonable interest return on the investment. Current investment rates are about 5.15% for 18 months.

Using a amount of \$5.5M (some of the proceeds will have to be used to replace existing pickleball courts, and land transaction costs), that amount would earn about \$464k. Likely a little less as the interest rate may fall by the time the investment can be made. At a 4% interest rate the investment earns \$360k over 18 months. Clearly from the above cashflow pressures identified, any amounts are helpful.

**THE SERIOUSNESS OF THE FINANCIAL CASHFLOW POSITION OF THE TOWN GIVEN THE NUMEROUS MAJOR DOLLAR PROJECTS UNDERTAKEN OVER THE PAST 3 YEARS AND PLANS FOR THE UPCOMING 5 YEARS.**

It must be stated that the cashflow challenge for the Town is significant, and it is the most significant the Town has had to deal with in its history. The capital activity that is planned is helping to drive the economic engine and growth of the Town, however, the investment from the Town has to be made first before that growth can occur. To be fiscally responsible, the Town must establish a viable financial plan before committing to the partnerships to develop the Beachfront properties.

With a desire to keep the taxation down, it will likely not be possible to meet obligations unless other financing methods are identified and committed to. In addition to finding substantial financing, the Town will need to curb its current spending level and reduce commitments going forward until such time as the financial picture rejuvenates.

The forecast is an ongoing work-in-progress as priorities change and new opportunities arise. At this stage in the forecast development the flow of funding associated with the beachfront development is still being established. However, based on known details incorporated at this time in the developers “Letter of Intent”, this forecast is realistic. The Beachfront Development funding streams will occur in later years after the Beach Drive project is completed, which means the Town will have to pay for Beach Drive before the revenue streams from the development begin.

**OPTION 3 - CONSIDER EXTERNAL PROPOSALS FOR USE OF THE PROPERTY**

The Town recently received a high level preliminary proposal to build an attainable housing community on the property at 425 River Rd West.

At its meeting on February 29, 2024, Council received a presentation from Zippan and Stephen Popovich, along with engineer Mark Palmer (Greenland Consulting Engineers) and developer Thom Vincent. The concept of a 139-unit development proposal was presented, which could include three-storey buildings and tiny homes suitable for rent or

ownership for working class individuals — particularly those in low-paying service industry positions.

While the proposal was appealing in many aspects, there were no specific details regarding pricing provided with the proposal. Staff believe the project owners would be looking for a “gift” of the land, or a very small payment for it.

It is noted that three (3) brokerages have been independently reviewing the old arena property located at 425 River Road West in Wasaga Beach. All three (3) brokerages had each concluded a fair market value for the full parcel at approximately \$7M (this would include the full 20.856 acres with a mixed-use of Institution and District Commercial, including two development envelopes).

This; however, will need to be confirmed by a third-party appraisal firm to complete an appraisal for the property in it’s entirety should Council wish to proceed and offer this property for sale on the open market.

## RISK ASSESSMENT

There are risks associated with each of the options and the following provides a high level summary of those risks.

Option 1: Maintain the building and repurpose it as a recreational fieldhouse:

The risks are inherent in the age of the building and whether or not the capital investment summary captures all that will be needed to maintain a building that is at the end of its life-cycle. Other risks are associated with the Operating Forecast assumptions and whether or not the uptake of the teams and clubs is sufficient to maintain existing capacity levels, while at the same time increase the uptake level necessary to reach the forecast figures. Consideration should be given to the risk of too much new capacity in a similar timeline being created. There will be sports court capacity coming online in the near future such as Sunnidale School, three indoor courts, and possibly the new high school will have capacity available.

Option 2: Sell the Property, invest cash, and use the funding to support the funding gap related to the Beachfront – reconstruction of beach drive:

The risk for this option is the impact it may have on the available sports courts for which demand already exists and the demand is growing. If the property is sold promptly, then the existing pickleball courts will have to be replaced as soon as possible. A long-term plan will be needed to address the recreational sports needs.

However, the most significant risk attached to this option, is addressing the financial problem with a sound fiscal plan if this option is not selected.

Option 3: Consider external proposals for use of the property:

The risk for this option includes timing of when a proposal would be implemented in relation to when the property would sell. As well, consideration of whether a third-party is prepared to pay the market value for the property, particularly if they are proposing a housing complex for low-income workers. There are more complexities to deal with in a transaction of this nature versus an outright sale to an interested buyer at market price.

## IMPLEMENTATION TIMELINE

The implementation timelines for the three options are;

Option 1 – Repurpose building as a fieldhouse – 2025 the first season for the indoor facility.

Option 2 – Sell the lands – as soon as possible – allow for 18 month window of invested funds. Consider Terms and Conditions that could see extended (public) use of existing recreational amenities by new owner, provided the condition doesn't deter buyers.

Option 3 – Undertake an RFP process to consider an external proposal for use of the lands – estimated one year out

## FINANCIAL IMPACTS FOR CONSIDERATION

In summary the financial impacts of the options are;

Option 1 – Fieldhouse – average annual operating net revenues (5 yrs) - \$67,871

Capital investment year 1	\$452,000
Capital investment year 2	\$232,000
Capital investment year 3	\$169,000
Capital investment year 4	\$ 46,000
Capital investment year 5	\$132,000
Contingency at 20%	<u>\$206,200</u>

Total 5 year investment	<u>\$1,237,200</u>
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2 <sup>nd</sup> level of investment	\$1,000,000 + contingency
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Option 2 – Sell Lands at market value \$7M+ and invest portion allocated to funding gap funding gap - \$5.5M

Interest earned on investment - \$360k to \$464k

Option 3 – External proposal

Land price paid \$ - market value \$7M+

Less: costs associated with proposal conditions

## OTHER CONSIDERATIONS

No other considerations were included in this review.

## CONCLUSIONS

The Town is financially unsettled as large capital projects have depleted strong development charge reserves and tapped into regular general reserves. The new development charge revenues generated so far in 2024 are well below normal projections due to development slowdown.

The Town is faced with competing priorities for use of Town funds and Town assets. Recreational programming provides an environment for a healthy living style and adds to the quality of life for participants.

Council has set the highest priority of this term to be the Beachfront Development project. There are significant financial challenges related to making the project viable from a cashflow perspective. Beach Drive reconstruction capital works about \$19M, a Town cost, must occur first before the beachfront development projects can move forward.

After considering the three options outlined in this report, staff are recommending proceeding with Option 2 - Sell lands and invest proceeds allocated to Beachfront Development gap.

## Appendix 1

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Revenue</b>										
Arena Facility Room Rentals	\$5,554.50	\$5,617.50	\$5,680.50	\$5,737.31	\$5,794.68	\$5,852.62	\$5,911.15	\$5,970.26	\$6,029.97	\$6,090.26
Advertising Revenue	\$1,000.00	\$1,020.00	\$1,040.40	\$1,061.21	\$1,082.43	\$1,104.08	\$1,126.16	\$1,148.69	\$1,171.66	\$1,195.09
Recreation Registration	\$102,795.90	\$124,064.01	\$149,732.43	\$180,711.55	\$218,100.15	\$263,224.32	\$317,684.52	\$383,412.35	\$462,739.04	\$558,478.16
Rec Hall & Cabin Rentals	\$5,579.00	\$5,635.00	\$5,719.00	\$5,776.19	\$5,833.95	\$5,892.29	\$5,951.21	\$6,010.73	\$6,070.83	\$6,131.54
Concrete pad rental revenue	\$78,179.15	\$87,359.01	\$97,870.22	\$109,923.79	\$123,765.22	\$139,680.15	\$158,001.03	\$179,114.86	\$203,472.13	\$231,597.38
Roller Skate Rentals	\$12,500.00	\$13,750.00	\$15,125.00	\$16,637.50	\$18,301.25	\$20,131.38	\$22,144.51	\$24,358.96	\$26,794.86	\$29,474.35
<b>Total Revenue</b>	<b>\$205,608.55</b>	<b>\$237,445.52</b>	<b>\$275,167.55</b>	<b>\$319,847.55</b>	<b>\$372,877.68</b>	<b>\$435,884.84</b>	<b>\$510,818.60</b>	<b>\$600,015.85</b>	<b>\$706,278.49</b>	<b>\$832,966.79</b>
			15%	16%	17%	17%	17%	17%	18%	18%
<b>Expenditures</b>										
Full-Time Wages	\$40,679.15	\$45,199.06	\$50,221.17	\$55,801.31	\$62,001.45	\$68,890.50	\$76,545.00	\$85,050.00	\$94,500.00	\$105,000.00
Full-Time O/T	\$1,937.10	\$2,152.34	\$2,391.48	\$2,657.21	\$2,952.45	\$3,280.50	\$3,645.00	\$4,050.00	\$4,500.00	\$5,000.00
New Employees										
Part-Time Wages	\$988.55	\$1,076.17	\$1,195.74	\$1,328.60	\$1,476.23	\$1,640.25	\$1,822.50	\$2,025.00	\$2,250.00	\$2,500.00
Part-Time O/T	\$193.71	\$215.23	\$239.15	\$265.72	\$295.25	\$328.05	\$364.50	\$405.00	\$450.00	\$500.00
Employee Benefits	\$9,685.51	\$10,761.68	\$11,957.42	\$13,286.03	\$14,762.25	\$16,402.50	\$18,225.00	\$20,250.00	\$22,500.00	\$25,000.00
Utilities (Furnace Oil, Gas, Etc)	\$15,496.82	\$17,218.69	\$19,131.88	\$21,257.84	\$23,619.60	\$26,244.00	\$29,160.00	\$32,400.00	\$36,000.00	\$40,000.00
Water and Wastewater	\$4,000.00	\$4,400.00	\$4,840.00	\$5,324.00	\$5,856.40	\$6,442.04	\$7,086.24	\$7,794.87	\$8,574.36	\$9,431.79
Hydro - Building	\$40,000.00	\$42,000.00	\$44,100.00	\$46,305.00	\$48,620.25	\$51,051.26	\$53,603.83	\$56,284.02	\$59,098.22	\$62,053.13
Cleaning and Maintenance Supplies	\$5,000.00	\$5,500.00	\$6,050.00	\$6,655.00	\$7,320.50	\$8,052.55	\$8,857.81	\$9,743.59	\$10,717.94	\$11,789.74
Other - Sports Equip	\$12,000.00	\$6,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
Miscellaneous										
Telephone/Internet										
Insurance	\$25,000.00	\$27,500.00	\$30,250.00	\$33,275.00	\$36,602.50	\$40,262.75	\$44,289.03	\$48,717.93	\$53,589.72	\$58,948.69
Building Maintenance	\$30,000.00	\$33,000.00	\$36,300.00	\$39,930.00	\$43,923.00	\$48,315.30	\$53,146.83	\$58,461.51	\$64,307.66	\$70,738.43
Grounds Maintenance	\$387.42	\$430.47	\$478.30	\$531.44	\$590.49	\$656.10	\$729.00	\$810.00	\$900.00	\$1,000.00
<b>Total Expenditures</b>	<b>\$185,348.27</b>	<b>\$195,453.63</b>	<b>\$210,155.15</b>	<b>\$229,616.94</b>	<b>\$251,020.36</b>	<b>\$274,565.80</b>	<b>\$300,474.73</b>	<b>\$328,991.91</b>	<b>\$360,387.90</b>	<b>\$394,961.78</b>
			5%	8%	9%	9%	9%	9%	10%	10%
Cost Inflation ->										
<b>Net Revenue (Expenditures)</b>	<b>\$20,260.28</b>	<b>\$41,991.89</b>	<b>\$65,012.40</b>	<b>\$90,230.61</b>	<b>\$121,857.32</b>	<b>\$161,319.03</b>	<b>\$210,343.87</b>	<b>\$271,023.94</b>	<b>\$345,890.59</b>	<b>\$438,005.01</b>



**CORPORATE REPORT**  
The Corporation of the Town of Wasaga Beach  
Meeting Date: [Click or tap to enter a date.](#)

**DATE:** 7/25/2024  
**SUBJECT:** Beachfront Development-Town Capital Works – Financial Plan  
**CONTACT:** Jocelyn Lee, Chief Financial Officer and Treasurer  
**REPORT NUMBER:** 2024/07/29-10

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**RECOMMENDATION:**

1. **THAT** the report titled: Beachfront Development-Town Capital Works – Financial Plan, to the Special Council meeting of July 29, 2024, be received; and
2. **THAT** Council approve the Financial recommendations outlined in this report to advance the Beachfront Development consisting of;
  - a. Selling the property at 425 RRW promptly and allocating \$5.5M of proceeds to the funding gap, to be invested in short-term GICs and drawn as required;
  - b. Selling properties the Town has identified as surplus to address the remaining \$9.2M funding gap, on a multi-year approach aligned with the cashflow needs.

**EXECUTIVE SUMMARY:**

- **The Beachfront Development is a top priority for this Term of Council**
- **There are capital works that the Town has to complete before the development can occur, and the capital works cost approximately \$19M.**
- **A funding gap has been identified in relation to the 10-Year Capital Forecast that needs to be resolved before the Beachfront Development commitments are made.**
- **A solution to the funding gap has been proposed which includes selling Town lands to offset the gap**
- **The financial sustainability of the Town is dependent on a viable financial plan to address the funding gap.**

**BACKGROUND:**

The Term of Council Priorities (TOCP) for this term of council identifies under Complete Communities, Beachfront Redevelopment. Within this category is item A3 – Redevelop the Beachfront and A6 Rebuild Beach Drive. The capital works identified for this TOCP project to move forward include reconstructing Beach Drive, 3<sup>rd</sup> Street, Spruce Street and Main St. / Mosley St. roundabout, collectively referred to as Phase 1.

Through several Beachfront Redevelopment reviews with various potential developers, the first step in moving the project forward is completion of Phase 1. Preliminary estimates based on expected design elements of this phase reflect a cost of approximately \$19M to complete the works, with about \$18M of the costs being incurred in the years 2025 to 2027.

Current timelines are projecting the works to begin in the Spring of 2025.

## DISCUSSION:

### Funding Gap:

As part of the regular budgeting process, each year the Town's ten (10) year capital forecast is updated to capture the planned expenditures for each of the years and identify the funding that will be required to complete the forecast – this is known as the 10-Year Capital Forecast.

Through several internal meetings and discussions, staff have reviewed the 10-Year Capital Forecast, specifically with the view of how to achieve funding the Phase 1 capital works priority project. The review has resulted in changes to the forecast that impact other capital projects that were originally placed earlier in the forecast, as some of the other projects have been pushed out to other years. However, before addressing the details on the other capital projects, a review of the DC deferred revenue reserve account is warranted.

In 2021, the Development Charge (DC) Deferred Revenue Reserves were at \$19.9M, and other obligatory reserves for Parkland and Provincial and Federal grants were at \$4.2M. At the end of 2023, the DC reserves were down to \$13.2M while the other obligatory reserves had increased to \$8.5M. The projection for these reserve accounts at the end of 2024 based on the current year's approved capital budget is that the DC reserves will be down to \$2.3M. This projection assumes the Town will receive new development charge revenues of \$5.4M, which is typically what the Town receives in new DCs each year during years when growth is running between 1.95% and 2.3%. However, as of the end of June, the DC collections to date are only at \$1.1M. This downward trend of the building industry is occurring in most areas of Ontario due to current economic conditions. It is highly probable that the targeted new DC collections for 2024 of \$5.4M will not be reached. A shortfall of about \$1M to \$2.5M can be expected.

Table 1 shows a summary of the capital reserve balances at multiple time periods, some actual amounts and other projected or forecasted amounts.

Table 1 – Capital Reserve Balances

Capital Reserve Balances	2021	2023	2024	2025
(\$ in millions)	Actual	Actual	Projected	Forecast
Development Charge Reserves	19.9	13.2	-0.2	-1.5
Other Capital Obligatory Reserves	4.2	8.5	7.8	2.9
<b>Total Reserves Available</b>	<b>24.1</b>	<b>21.7</b>	<b>7.6</b>	<b>1.4</b>

Clearly, the above reserve balances are concerning, particularly if the development market downturn is prolonged into 2025.



The current forecast for the Phase 1 project draws on DCs and other capital obligatory reserves, however, these funds do not provide sufficient funding resources to cover the full project. In addition, because a Mosley project had to be pushed out to future years to accommodate the Phase 1 works, some additional interim costs for Mosley Street had to be added. The project also will require several road allowance acquisitions. Together these three project related costs reflect a portion of the funding gap that is the main discussion of this report.

Table 2 provides a summary of the project related revenues and costs and the resulting funding gap associated with the project.

Table 2 – Project Related Funding Gap

Project Related - Funding Gap Portion	2025	2026	2027	2028	Totals
(\$ in millions)					
Development Charge Draws - Phase 1	1.5	3.5	2.7		7.7
Other Obligatory Reserves - Phase 1	1.5	2.0	1.0	1.0	5.5
Taxation		0.2			0.2
Total Funding drawn for Phase 1 ->	3.0	5.7	3.7	1.0	13.4
Total Phase 1 Required Funds	-3.0	-7.4	-7.6	-1.0	-19.0
Phase 1 Project Funding Gap ->	0.0	-1.7	-3.9	0.0	-5.6
Add: Gap for other associated project costs	-1.3		-2.5		-3.8
Total Funding Gap Project Related ->	-1.3	-1.7	-6.4	0.0	-9.4

There are other capital projects that do not have the required funding either, and this adds to the \$9.4M gap noted above, an additional \$5.3M. The total funding gap in the forecast for the years 2025 to 2028 is about \$14.7M. This does not include any shortfall for the 2024 DC target of new contributions.

#### Beachfront Development:

The Beachfront Development project includes negotiations with two developers and the Letter of Intent (LOI) agreement for the Beachfront Hotel will be discussed in closed session at the July 29, 2024 meeting. Both of the developer plans require that the Phase 1 capital works be completed by the Town before their development can proceed.

With the LOI being considered, the Town must finalize its financial plan with regards to the Phase 1 capital works. A commitment to how the funding gap will be managed is necessary.

The LOI's have been structured to maximize financial cashflows to the Town, however, those cashflows will follow in the years beyond the current financial gap period.

#### Financial Plan:

Closing the funding gap on the 10-Year Capital Forecast has been top of mind of the Senior Management Team for the past year. Staff have already moved specific capital projects out to later years to ensure the priority project can be completed in the years required for the development. Even with the re-phasing of capital projects, the gap as noted earlier in this report still exists.

To develop a viable financial plan other solutions had to be considered. Some of the other solutions considered included:

- Borrowing on a temporary basis from the County to bridge the years of the funding gap. This options would include an interest charge that would have to be funded through taxation. At the time of writing further discussions would be necessary with the County to determine what the interest rate would be. Interest costs could range upwards of \$500 to \$600k per year, depending on the amount borrowed and the interest rate charged.
- Borrowing from Infrastructure Ontario (I/O) using construction financing, which permits the temporary credit line/loan to exist for up to five years, at which point the balance must be either paid off or debentured. The current construction financing interest rate is 5.42%. The interest cost to carry the temporary loan would be paid through taxation and may cost \$500 to \$600k per year, depending on the amount borrowed and the interest rate at that time. The interest rate is variable and fluctuates based on the Bank of Canada rate.
- Sell surplus lands and use the proceeds to fund the gap.
- Sell the old arena lands (425 RRW) and use the proceeds to fund the gap.
- Push more capital project works out to later years.
- Ask the Province to come to the table financially to assist with the project.

After reviewing many scenarios, considering current economic conditions and the impact the slowdown in the market will have, which is over and above the gap identified, staff have determined the option that is most viable is the selling of lands. This option does not incur on-going costs or require more capital investment, and the timeline is within reason able to accommodate the funding gap situation.

The first and most effective solution is the selling of the old arena property as soon as is practical, which should be with in the next 60 to 90 days, or sooner if feasible. Once the property is sold, there will need to be some of the proceeds set aside to address the replacement of the sports courts on the property, which are currently in high demand. There is an expectation that \$5.5M of the proceeds would be available to fund the gap. These funds would be invested in GICs timed to mature in relation to cashflow requirements. Any interest earned would help to offset other possible additional costs that haven't yet been factored into the forecast, as the interest has also not been factored in.

The second requirement is to sell some of the other Town surplus lands. These are needed as well to cover the full \$14.7M gap.

In the interim, staff can still approach the Province to partner with the Town and help advance the long-term project that will spur economic development throughout the Town and surrounding regions.

Given that the Town is ready to commit to the Beachfront Development in agreements, it must be ready to commit to the financial plan to meet obligations associated with those agreements.

## **CORPORATE IMPLICATIONS:**

### Financial Implications:

The nature of this report has been to discuss the financial plan of the Beachfront Development and details have been provided.

Noteworthy within this section is the importance of the financial plan commitment given the significance of the funding gap on the Town's sustainable financial position.

### Term of Council Priorities:

This report aligns with TOCP Complete Living, Beachfront Redevelopment and specifically Actions 3 and 6. Additionally, under Well-Run Pillar, Financial Sustainability, Action items 74 and 76.

## **CONCLUSION:**

It is extremely important to the sustainable financial performance of the Town that a solution be identified in a financial plan for meeting the commitments associated with the development of the Beachfront.

Current forecasting and economic conditions have identified a funding gap. Solutions to resolving the gap have been identified that will lead to a successful financial outcome if the solutions are implemented promptly and reserves are built back up to accommodate multi-year capital costs and temporary low cashflow years.

A viable financial plan will be prepared using the 10-Year Capital Forecast through the budget process, if Council approves the recommendations of this report.

Authored by:

Jocelyn Lee,  
Chief Financial Officer and Treasurer

## **Appendices:**

Appendix A:      None