



Staff Report for Committee of the Whole Meeting

Date of Meeting: December 4, 2017

Report Number: SRCS.17.24

Department: Community Services

Division: Recreation and Culture

Subject: SRCS.17.24 - Recreation Facility Development
Partnership Framework

Purpose:

To have Council approve the principles detailed in this report as the basis to seek or respond to proposals for the development of successful recreation facility development partnerships.

Recommendation(s):

That Council approves the Partnership Principles as outlined in this report.

That Council endorse the formation of a Town of Richmond Hill Partnership Facility Team led by the Community Services Department to coordinate the Town's recreation facility development partnership efforts.

Contact Person:

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Submitted by:

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Commissioner of Community Services

Approved by:

Neil Garbe
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Background:

Municipalities throughout Canada are faced with intensifying demands to provide quality, accessible services in spite of shrinking budgets, a reduction of traditional forms of capital funding and changes to priorities that determine resource deployment. In response to these pressures, many local governments are pursuing creative methods of developing infrastructure and examining new means of delivering community services.

To investigate the feasibility of creating a Partnership here in Richmond Hill, staff retained a consultant to assist in the development of a framework to guide the decision making process for developing recreation facilities in partnership with the private sector. At the September 2016 Council Capital Budget Workshop, staff provided a presentation on the Partnership Guide that was created and the principles recommended that would be required to form the basis of seeking out or responding to proposals for recreation facility development. Council received the presentation and directed staff to report back to Council with a recommendation for policy in this area. The Partnership Guideline is attached as Appendix A.

WHAT IS A PARTNERSHIP?

Broadly defined, a partnership is an agreement between the public and private sector to work together to deliver a public infrastructure project built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards. Partnerships create approaches to enable the design, building, financing, operation and/or maintenance of facilities that serve the public. Successful approaches enable the municipality to offer residents new or better facilities that it could not afford to undertake on its own, or that it does not have the specialized skills to undertake. The Partnership agreements serve as a vehicle for the injection of private sector financing while allowing the municipal government to maintain their fiscal targets and avoid taking on additional debt.

Partnerships are a proven procurement option and offer benefits to municipalities but they are not a panacea for infrastructure deficit and are not suitable for every infrastructure project. Partnerships must be able to demonstrate value for money but for some projects, depending on their unique characteristics, traditional delivery methods may provide better value for money and may be the more appropriate procurement option.

Generally there are several common elements that are usually inherent with successful partnerships:

- The venture will be mutually beneficial to the partners;
- There will be clearly defined roles and responsibilities;
- There will be a performance evaluation methodology;
- There will be shared performance evaluation methodology;
- There will be shared commitment to serve the needs of those affected by the venture;

- There will be a commitment to improve;
- There will be fair and honest recognition of each partner's contribution.

POTENTIAL PARTNERSHIP OUTCOMES, BENEFITS AND RISKS

Each potential partnership must respond to specific needs and be structured consistent with the requirements of the proposed project and generally involve one of the following objectives and/or outcomes:

- To create or maintain public infrastructure;
- To improve customer service;
- To acquire access to more information;
- To reduce the cost of government procurement;
- To commercialize municipal resources;
- To provide public agencies or community groups with greater access to new sources of capital;
- To capitalize on collective energies and expertise of participating groups;
- To optimize the use of public sector resources;
- To undertake major social or economic initiatives.

Partnership benefits compared to traditional municipal managed approaches can include the following:

- Increases in operational efficiencies;
- Improved revenue production;
- Reduced operating costs;
- Shared operating and commercial risks;
- Expanded inventory of programs and services.

As with conventional forms of service delivery, there can be risks such as loss of control by the municipality, increased user costs or fees, political risks, unacceptable levels of accountability, unreliable service, inability to benefit from competition, reduced quality or efficiency of service, bias in the selection process, or labour issues.

GOAL OF PARTNERING

There are nine factors that should be in place when contemplating a partnership relationship for a capital project or an alternative service delivery methodology.

1. Individual excellence – partners have something of value to contribute to the relationship.
2. Importance – the contemplated alliance fits the strategic goals of each partner.
3. Interdependence – the partners need each other and their complementary skills to fulfill the goals and objectives of the project.
4. Investment – there is tangible commitment of resources by all involved.
5. Increased reach – the partners' scope of service are expanded.

6. Information – the partners communicate about goals, conflicts, problems and challenges.
7. Integration – there are connections between the partners at several levels.
8. Institutionalization – the alliance has a formal status and cannot be abandoned on a whim.
9. Integrity – no partner will try to undermine the alliance.

COMMON PARTNERSHIP MISCONCEPTIONS

All risks will be transferred – While certain risks may be shared between the partners, the municipality will always be exposed to certain operational and commercial risks.

Private equity will solve capital funding problems – Private sector capital investment is often more expensive than traditional municipal funding models. Often traditional lending institutes are not inclined to provide partners with financial assistance without the municipality backing up the loan. This is the reason that the majority of capital projects involving private partners have been entirely funded by the municipality.

Sponsorship/Naming Right fees will make an otherwise unviable project viable – While these endeavours can provide new streams of revenue, these activities alone cannot convert a poor capital project into a good capital project.

Partners with similar mandates will have a solid and successful relationship – Some municipalities have discovered that their brand has all but disappeared from the facility. In other cases, participants of the recreation facility are paying higher than expected fees.

Once the relationship is struck, the municipality has little to do – To be successful the partnership needs to be effectively managed. It is the municipality's obligation to maintain an ongoing relationship with its partner to ensure that service standards are maintained; contractual obligations are met; required supports are provided; and potential problems are addressed through joint planning and action.

RECOMMENDED APPROACH TO SOLICITED PARTNERSHIPS

The Town will always be perceived as the trustee of public resources and as such should focus on achieving public benefit while managing or minimizing risk. The Town's partner can be focused on the facility's development and/or operations which meet pre-established partnership principles, objectives and standards. Both the Town and the partner are responsible for the success of the partnership and both are ultimately accountable to the community.

Inherent in the creation of a private sector partnership is the notion of a long-term relationship and, therefore, the partnership criteria and selection of the partner needs to be conducted in a rigorous and prudent manner. Each partnership project is unique and as such there is no cookie-cutter approach which universally applies to the creation of the partnership agreement. Organizations with successful partnerships in place share common traits:

- They have pre-established partnership expectations and guiding principles that are employed in partnership investigations and decision making;
- They identify the types of projects for which partnerships are applicable and remain constantly vigilant to detect emerging opportunities;
- They set the stage for “potential” future partnerships by pre-establishing the conditions, necessary outputs and processes that will be required to bring a real project to fruition in concert with a partner;
- They are willing to adjust internal processes, policies and procedures in response to project requirements (such as fast tracking background studies to meet an imposed deadline) or the needs of project partners (such as adjusting normal procedures to align budget cycles); and
- Most importantly, that they are proactive in everything they do in their pursuit of partners and partnered projects.

Development of a Partnership Project Team

In order to prepare itself for the unique nature and requirements of Partnerships, the municipality must identify who will have the responsibility, authority and accountability for decisions with respect to projects. Establishing a partnership project team is a crucial part of the planning stage as several areas of expertise are needed to produce the analysis required for each business case. The management of this staff team will be the responsibility of the Community Services Department whose goal is to coordinate the timing and content of the deliverables and make sure that the relevant information flows throughout the team in a seamless fashion. The management responsibility includes all day-to-day administrative functions related to each project including timing, cost and quality of the potential partnership project, development of business case, project timetable, project agreement, tender documents, etc. It is recommended that staff work with a recreation facility partnership expert consultant on various aspects of establishing partnerships or responding to unsolicited proposals to ensure fairness and transparency.

This project team will focus on undertaking the following responsibilities:

- Consult with decision makers and the private sector to define the project, the preferred partnership structures, acceptable levels of risk and minimum service requirements;
- Retain an outside consultant to assist the committee in their work where required;
- Establish and adhere to a partnership policy outlining the general practices to be followed in evaluating and implementing partnerships;
- Provide a single point of contact for the private sector to approach with potential partnerships initiatives;
- Develop and manage a communications strategy to educate staff and the public on the potential project;
- Assess the interests of community residents who may be affected by the potential partnership;
- Identify and evaluate existing and future partnership opportunities;

- Allocate responsibility for individual partnership proposals to project teams and provide support as required;
- Ensure that partnership initiatives receive an appropriate level of review, in a timely manner, and are according to the partnership guidelines;
- Review the project team's conclusions and make recommendations to Council whether or not to proceed with contract negotiations;
- Review draft proposals and/or contracts and make recommendations to Council to approve or modify;
- Ensure the private partner complies with contract provisions.

Undertake a Partner Opportunities Audit

An opportunities audit is a series of steps that act as a filtering process that will assist the municipality in defining suitable projects for which partners could be considered. The following steps are included in the audit process:

- Identify a range of services that may be potential partnership candidates;
- Determine cost/revenue implications of the traditional municipal model;
- Determine preferable partner contributions to the project;
- Identify a range of potential partners;
- Determine appropriate private sector contributions to each project;
- Identify applicable partnership model;
- Identify potential stakeholder concerns;
- Identify service delivery mechanisms that fit within the model;
- Determine potential cost/revenue gains by applying the model;
- Determine operating gains to the system by implementing the model;
- Determine potential costs to the system by implementing the model;
- Identify the priority of the opportunity within the leisure system;
- Identify procedures and desired timetable for the pursuit of partners.

Set the Stage for Partnerships

Once the staff team is struck, the first objective will be to prepare a preliminary plan to define potential partnership projects and to determine if there is a rationale to look into the matter in more detail. Effective plans provide answers to several important questions:

- Is the proposed facility or service needed in the community?
- Is the proposed facility or service consistent with municipal values?
- Who is best equipped to deliver the facility or service?
- Will municipal interests be protected within the selected approach?
- Is the public at-large willing to accept a partnership approach?
- Is it possible to generate meaningful competition in partnership procurement?
- Is there a successful transition plan?
- Is there interest in the private sector?

- Can specifications ensure that an outside entity will conform to the principles of the Community Services Department mandate, values and service standard's?
- Can financial and liability risks be reasonably mitigated through an agreement with an outside entity?

The preliminary plan will look at the feasibility of the project and will include a cost benefit analysis that looks at:

- Capital costs of the project and what is the Town's required investment to support the partnership;
- Will the Town's investment be a one-time expense or will there be a requirement for on-going funding support.
- To what extent is the public expected to utilize the facility or service. Conversely what would be the community impact if the facility or service were no longer available;
- In view of the size and complexity of the facility in question, what specific skill sets are required of the venue operator. Further, does municipal staff have the necessary skills to operate the facility or would additional expertise be required.
- Does the Town have written operating specifications and standards of performance for the building type contemplated for a partnership agreement? If so, is it realistic to expect that an external organization would be able to meet the Town's standards.

Selecting a Preferred Partner

The process of searching for an appropriate partner and establishing a productive relationship will largely hinge upon successfully completing the planning groundwork in advance of considering a particular project.

The steps required to select a private partner include:

Stage One – Investigation

- General understanding of potential project
- Information gathering about potential partners
- Identification of potential risks
- Cost/benefit analysis
- Build Business Case

Stage Two – Viability

- Develop project principles, partnership structure and funding model
- Detailed feasibility analysis of proposed project
- Determine if the project can proceed on sole source basis or requires E.O.I. or RFP process
- Receive internal approval to proceed to next stage of development

Stage Three - Formation

- If E.O.I or RFP is selected, solicit and evaluate proposals
- Undertake necessary public consultation, staff or Council information updates
- Negotiate, document and formalize agreement
- Solicit formal approval from Council

Stage Four – Launch

- Update municipal and partner's personnel and create necessary committees
- Establish and implement systems necessary for project
- Enact reporting structure and implement joint planning protocol
- Move to partnership management phase

Required Agreement

While each agreement relating to a partnership is different, there are some items that should be considered as consistent items for inclusion:

- A description of the project deliverables, (including information on the scope of the project), the term and the effective date of the agreement;
- Payment provisions, including the time, amount and currency;
- Identification of the partners management team including;
 - Identification of key individuals and covenants relating to their participation
 - Identification of the contract manager
 - Provisions for the replacement of key individuals or contract managers
 - Requirements for private partner representatives, officers or employees to be on site or in the community
- Administrative relationships of the parties, including: - identification of the parties contract manager;
 - Clarification as to whether the municipality may inspect, attend on the site, monitor, measure results or otherwise administer the terms the conditions of the agreement
 - A review process, pursuant to which the parties assess performance
 - Schedules of meetings and who should attend, in relation to contract administration
- Transfer, lease, license or use of municipally owned properties, including responsibility for insurance, liability, security, operation and maintenance, maintenance standards;
- Allocation of revenue;
- Acceptance of deliverables, equipment standards, etc.
- Contract revision arising from material change (e.g., changes in technology, equivalent materials, applicable laws, acts of God or other unforeseen circumstances, change of scope);
- Lending, borrowing and financing arrangements, including payments, rates, security and notice;
- Indemnity, release and insurance provisions;

- Due diligence of the parties;
- Applicable manuals, including their preparation, approvals and amendments;
- Risk management strategy, including risk allocation, guarantees and warranties;
- Dealing with statutory and regulatory requirements;
- Dealing with major change;
- Process, including approvals, related to engaging subcontractors or other private partners
- Termination provisions
- Labour relations provisions;
- User fee regulations;
- Community access provisions;

DEALING WITH UNSOLICITED PROPOSALS

A standardized review framework is necessary in dealing with unsolicited proposals. Simply because a relationship is proposed is not reason enough to pursue an arrangement with an outside interest. The venture must first successfully proceed through an assessment as recommended below:

- Town receives an unsolicited proposal from an outside entity.
- Proposal is forwarded to the Partnership Project Team for analysis.

Step 1 – Does the proposal comply with municipal values, public-service philosophies and community focus?

- If yes proceed to Step 2.
- If no, reject the proposal

Step 2 – Does the proposed project meet a demonstrated need and provide community benefit consistent with municipal priorities?

- If yes proceed to Step 3.
- If no, reject the proposal

Step 3 – Does the proposed project meet minimum requirements of providing a business plan, risk assessment plan, value assessment, municipal financial and risk obligations, proponent's qualifications, etc.?

- If yes proceed to Step 4.
- If no, reject the proposal

Step 4 – Does the proposed project or concept meet the proprietary test?

- If yes proceed to Step 5.
- If no, reject the proposal

Step 5 – Does the additional detailed information requested by the project team meet the test of reasonableness and does the project seem viable?

- If yes proceed to Step 6.
- If no, reject the proposal

Step 6 - Recommend the project for further consideration and apply the partnership formulation model described in this report.

Assuming the project appears worthwhile, but not deemed proprietary, the Town's usual E.O.I./R.F.P process and selection process would be implemented. If the Town is satisfied that the concept is worthy of further attention and it is deemed proprietary such that a sole source negotiation would be appropriate, the proponent should provide detailed information, which at minimum would include the following:

- A comprehensive needs assessment analysis;
- A comprehensive business plan;
- The proponent's financial capacity;
- A clear demonstration of sustainability of the project;
- Detailed evidence of community benefit;
- A full risk analysis.

MUNICIPAL BENCHMARK

There are numerous municipalities that have a partnership process and/or policy document in place. For the purpose of benchmarking best practices, staff consulted with the Cities of Ottawa, London, Brampton, Hamilton and Vaughan.

As a result of the policy and internal corporate committee review teams that were put into place, the municipalities benchmarked have entered into successful partnerships of which examples include;

Ottawa Bell Sensplex – New Build in 2004 with partnership. 180,000 square foot facility with 4 arena pads, restaurant and meeting room spaces. Home of the Ottawa Senators practices. Large seating capacity for sport competition, events and entertainment.

London Budweiser Gardens (formerly known as the John Labatt Centre – New build in 2002 with partner. Home of the OHL London Knights. NHL sized rink with 10,000 seating capacity. Used for sport competition, events and entertainment.

Brampton Powerade Centre – New build in 1998 with partner. Home to the Brampton Beast ECHL Hockey Team. 5,000 seating capacity in one feature NHL rink with 3 additional rinks and restaurant.

Hamilton Tim Horton's Football and Soccer Stadium. Replacement facility built in 2014 with a partner. Original concept was in support of 2015 Pan Am Games bid. Home of the CFL Tiger-Cats. 22,500 seating capacity. Host sport events, concerts, large entertainment shows. Includes community meeting rooms

Vaughan Sports Village Complex – New build in early 1990's with partner. Includes 4 NHL sized rinks with restaurant, meeting rooms and banquet facility plus 30,000 square foot outdoor sports park including rock climbing tower, 3 on 3 basketball court and an in-line skating path that converts to ice trail in winter months. Just added 5 beach volleyball courts.

Welland Sportsplex – New build in 2012 with partner. FIFA sized indoor soccer and 4 court tennis facility. Includes 2 outdoor artificial turf and 3 grass turf soccer fields.

In all cases the partner was secured prior to the construction of the project. In the majority of the cases the facility includes a 4 pad arena component that support a Pro or Semi Pro sport team.

FINANCIAL/STAFFING/OTHER IMPLICATIONS:

There are no financial or staffing implications as a result of this report.

RELATIONSHIP TO THE STRATEGIC PLAN:

The proposed Partnership Framework for the development of Recreation facilities aligns with Goal 1 “Stronger Connections in Richmond Hill” specifically by “Creating and advancing opportunities for connections at a neighbourhood level”. This framework also aligns with Goal 2 “Better Choice in Richmond Hill” specifically by “Better understanding and supporting the requirements of business” and Goal 3, “A more vibrant Richmond Hill” by “initiating change through leadership, collaboration, innovation and the exchange of ideas”.

CONCLUSION:

The proposed Partnership Framework will streamline processes and provide staff and Council guidelines for seeking out partners or to effectively respond to unsolicited proposals for recreation facility development. The report reflects the best experiences and practices of those currently engaged in partnerships for recreation facility development and provides a flexible framework that will enable the Town to achieve its objectives and address emerging innovative projects.

Attachments:

- Appendix A: Partnership Guidelines

Report Approval Details

Document Title:	SRCS.17.24 - Recreation Facility Development Partnership Framework.docx
Attachments:	- SRCS.17.24 - Recreation Facility Development Partnership Framework.docx - SRCS.17.24 - Appendix A - A Partnership Guide.pdf
Final Approval Date:	Nov 20, 2017

This report and all of its attachments were approved and signed as outlined below:

Darlene Joslin - Nov 17, 2017 - 10:59 AM

Shane Baker - Nov 17, 2017 - 3:50 PM

Neil Garbe - Nov 20, 2017 - 9:24 AM