

Acquisition of Yarrow Youth Farm Property and Full Ownership Interest of Harry Bailey Aquatic Centre

ISSUE

The Province of Saskatchewan (Province) and the City of Saskatoon (City) entered into an agreement dated November 15, 1974, to construct an indoor swimming pool, which became Harry Bailey Aquatic Centre (HBAC), on land owned by the Province. Terms of that agreement included granting a 50-year lease of HBAC to the City, and making the City responsible to administer, operate, and maintain HBAC during the term of the lease, while responsibility for major maintenance capital projects was to be shared equally between the City and the Province.

The Province would like to be released from its obligations of the lease agreement regarding HBAC, and the City would like to acquire the former Yarrow Youth Farm (Yarrow) property from the Province for redevelopment and incorporation into the currently developing residential neighbourhood of Kensington. Operations of the former Youth Farm on the site were ceased by the Province several years ago, and the property has remained vacant ever since.

RECOMMENDATION

That the Governance and Priorities Committee recommend to City Council:

1. That the Administration be authorized to enter into an agreement with Her Majesty the Queen in the Right of Saskatchewan (Province) to acquire the former Yarrow Youth Farm property on Neault Road and the full ownership interest in Harry Bailey Aquatic Centre and adjacent parking lot as per the terms outlined within the report of the Chief Financial Officer dated September 21, 2020;
2. That the Administration be authorized to transfer \$2,538,250 (the amount offered for the Yarrow property) from the Property Realized Reserve to the Civic Building Comprehensive Maintenance Reserve to fund capital upgrades required for Harry Bailey Aquatic Centre; and
3. That the City Solicitor be requested to prepare the appropriate agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal.

BACKGROUND

The City entered into a 50-year agreement with the Province, effective January 1, 1975, whereby the two parties would construct a swimming pool on land owned by the Province and subsequently lease and grant to the City, the 50-metre pool facility, building, and portion of the land the building sits on for the term of the agreement. The facility was later named Harry Bailey Aquatic Centre.

The following points highlight the relevant background with the Province regarding the HBAC agreement:

- The lease agreement is set to expire on December 31, 2025.
- The Province owns the land where the HBAC building and associated parking spaces are situated upon.
- The City and Province cost shared 50/50 on the original costs of planning, designing, and construction of HBAC.
- The City assumed full and complete responsibility for all aspects of operations and general maintenance, and administration and programming for the leased premises during the lease period.
- Students and faculty at Saskatchewan Polytechnic (Sask Polytech) have access to the 50-metre pool for all programs (rentals for swimming classes, kayaking, scuba diving, etc.), plus access to public swimming for students, faculty and their families.
- The Province covers 7% of the overall operating costs of the 50-metre pool portion of HBAC (in 2019 was approximately \$155,000).
- The City and Province cost share on all major maintenance costs exceeding a threshold of \$5,000. In a 1990 supplemental agreement, this threshold amount was revised to \$15,000.
- The City has the option to renew the agreement for an additional 50-year term upon written notice by the City to the Province one year prior to the expiration of the agreement.

The former Youth Farm property is a 39+/- acre site situated within the boundaries of the currently developing Kensington neighborhood in the northwest area of the city, as shown on Appendix 1. The site was purchased by the Province in 1998 and developed as an open-custody provincial correctional facility for at-risk youth. The Province decided to permanently close the facility as of March 31, 2015, and it has remained vacant ever since. The following points highlight the relevant background information regarding the Youth Farm:

- The Ministry of Central Services subsequently canvassed all provincial government ministries to see if any other arm of government had a use for the land or the buildings; however, no other agency expressed interest.
- The site is situated within the Kensington Neighbourhood Concept Plan area which was approved in April 2013.
- Inclusion and redevelopment of the Youth Farm lands within the overall Kensington neighbourhood has been contemplated since the initiation of the Kensington Neighbourhood Concept Plan.

- Buildings on the property have been subjected to frequent water seepage due to shallow groundwater levels and poor overall drainage on the site.
- A plan drafted at the time of the overall Kensington Neighbourhood Concept Plan indicated these lands could accommodate the development of approximately 130 single-family homes and 105 multi-family units.
- Development phasing has purposely avoided lands adjacent to the Youth Farm in case the opportunity presented itself to acquire the site.
- Integrating these lands into the Kensington neighbourhood will enhance the attractiveness of the neighbourhood while the additional population will augment its vitality and further support existing and future amenities and services in the neighbourhood.
- A small portion of the site is required for construction of storm ponds to improve drainage in the vicinity of the Youth Farm and accommodate drainage in the City's next phase of the Kensington development.
- The Administration has had discussions with the Province to acquire the property over the past few years, including an Offer to Purchase submitted on May 1, 2020.

DISCUSSION/ANALYSIS

A recent condition assessment completed by a third party on various aspects of the HBAC building indicated several capital repairs are required in the near future. As per the terms of the lease agreement with the Province, any capital repairs in excess of \$15,000 are to be split 50/50 between the City and the Province. The current estimated costs and areas of major repairs total \$5.9 million and are as follows:

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| • 50-metre pool basin and piping | \$3.75 million |
| • building envelope – brick exterior | \$1.25 million |
| • roof repair over administration offices | \$0.25 million |
| • parking lot (bring to good condition) | \$0.65 million |

The indicated parking lot repairs are required, however, they are not an applicable expense under the lease agreement. The Facilities Management Division would like the building envelope repairs to start in late 2020, while the roof would likely be completed in 2021 or 2022. The remaining mechanical items will be addressed within the next three years.

Excluding the \$0.65 million to complete the parking lot repairs leaves a total capital cost estimate of \$5.25 million, of which the Province's 50% share would be \$2,625,000. The Offer to Purchase submitted by the City on May 1, 2020, to acquire the Youth Farm was in the amount of \$2,538,250.

It has been conditionally agreed by the parties that in lieu of the Province paying its 50% portion of the required capital upgrades for HBAC to the City, and to release the Province from further obligations on the HBAC lease agreement, the Province will transfer the Youth Farm property to the City for \$1, and the City will take title of the HBAC building and the adjoining parking lot.

At present, HBAC is situated on a large 9.787-acre parcel that includes a student parking lot to the east and the E. A. Davies Building to the west. To accommodate this transaction, a subdivision will be required to create a new parcel that includes the building and adjacent parking lot to south, as shown in blue on Appendix 2. There is also a requirement to dedicate a formal right-of-way along the south edge of the new parcels to accommodate legal access. The Administration estimates that the new HBAC parcel will be approximately 3.29 acres in size, which will be confirmed by the final Plan of Survey. The cost to complete the subdivision (approximately \$7,500) will be split evenly between the City and the Province.

At the request of the Province, the City has committed to formalizing an agreement with Sask Polytech to continue to provide its students and staff with access to a portion of the parking lot on a paid daily or monthly basis. The times of day required for student and staff parking are at a time when the usage at Harry Bailey is much lower, so the request can easily be accommodated. The parking lot is currently being operated by a private parking management firm, and this arrangement is expected to continue going forward.

A similar type of agreement is also currently being negotiated between the City and Sask Polytech to provide its students and staff with continued access to HBAC and all current program spaces (current agreement has access limited to the 50-metre pool) for both rentals and drop-in program access (i.e., public swimming, lane swimming and drop-in fitness and aqua fitness), as well as additional access to all other City leisure centres for drop-in programs. This agreement is intended to be for a minimum of two years, with an access/financial commitment for 2020 and 2021 that is equal to the obligation under the current agreement (approximately \$101,800 in 2020 – reduced due to COVID-19 facility closure, and \$162,000 in 2021), in order to keep the currently approved 2020 and 2021 operating budgets intact.

FINANCIAL IMPLICATIONS

The total estimated capital costs required to complete major repairs at HBAC is \$5.25 million, excluding the \$0.65 million to complete the parking lot repairs, of which the Province's 50% share would be \$2,625,000. The Offer to Purchase submitted by the City on May 1, 2020, to acquire the Youth Farm was in the amount of \$2,538,250.

In terms of the internal transactions related to these acquisitions, rather than paying the Province for the Yarrow property, Saskatoon Land will pay the amount of the offered purchase price (\$2,538,250) into the Civic Building Comprehensive Maintenance (CBCM) Reserve to cover the required funding for approximately 50% of the overall capital upgrades required for HBAC. This is the amount that previously would have

been required as payment from the Province. The balance of the required capital upgrades for HBAC will be covered through the CBCM Reserve. These major repairs to the building's envelope, roofing, and pool basin will ensure a minimum of 25 to 30 more years and beyond, of successful operations of HBAC.

For the operating impacts, the Province to date has been accountable for 7% of the total operating cost of the original 50-metre pool portion of the HBAC building. In the 2020 and 2021 operating budgets, that amount is approximately \$160,000 per year. Throughout the year, Sask Polytech makes payments through its various rentals and access fees to public swimming at the facility, which are accrued towards the total 7% commitment. At year end, an invoice is sent to the Province to collect any outstanding balance (the difference between the total 7% budget and the payments already made for rentals and admissions).

As noted earlier in the report, the Administration has confirmed a commitment from the Province on the terms of a stand-alone access to recreation/aquatics agreement with amounts that ensure the currently approved 2020 and 2021 operating budgets remain intact (with the exception related to the extended closure due to COVID-19). For anything beyond 2021, the details of an access agreement will be formalized in the near future and form part of the 2022 and beyond operating budgets.

Any surplus from the parking lot revenue over the operating expenditures will be transferred annually into a newly created reserve which will be used to fund major repairs required for the parking lot.

LEGAL IMPLICATIONS

The legal implications are identified throughout the report.

OTHER IMPLICATIONS

There are no privacy, environmental, or social implications identified.

NEXT STEPS

Following City Council approval and closing of the transaction, Saskatoon Land will initiate arrangements to prepare the Yarrow site for future redevelopment, which will include disposal/removal of the buildings that currently exist on the site through a public procurement process.

Pending approval of the transaction, the Administration will report back to City Council to create a new reserve for the surplus from the parking lot transactions to fund future maintenance.

APPENDICES

1. Proposed Yarrow Youth Farm Acquisition
2. Proposed Harry Bailey Site and 31st Street Extension

REPORT APPROVAL

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