

## Downtown Event and Entertainment District – Property Acquisition in Support of Proposed Convention Centre

### ISSUE

To support the potential future expansion of TCU Place the City of Saskatoon (City) has been strategically assembling land at the corner of Idywyld Dr and 22<sup>nd</sup> Street since the 1960s. Through planning for the development of new Downtown Event Entertainment District additional lands in this location are desirable to accommodate future parking requirements and improve construction logistics for the proposed project.

The Saskatoon Family Young Men’s Christian Association (YMCA) property at 25 – 22<sup>nd</sup> Street East is one remaining property in the area that is not under City ownership. This report provides details and terms of a conditional Sale Agreement with the YMCA for the purchase of the property.

### RECOMMENDATION

That Governance and Priorities committee recommend to City Council:

1. That the Administration be authorized to purchase 25 – 22<sup>nd</sup> Street (Lot 43 Block 6, Plan 00SA15145, ISC Parcel No. 120285266) from Saskatoon Family Young Men’s Christian Association, consisting of approximately 0.97 acres with approximately 43,128 square feet of gross building at a purchase price of \$8,504,750.00 with a deferred title transfer and closing; and
2. That the City Solicitor prepare the appropriate agreements and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal.

### BACKGROUND

Over the past few decades, the City has acquired several properties that provide a strategically located contiguous development site at the corner of Idylwyld Drive and 22<sup>nd</sup> Street. These properties, noted on Appendix 1 were acquired to facilitate a potential future TCU Place expansion. More recently these lands have been identified for use in support of Downtown Event and Entertainment District which may include an expanded TCU Place or new convention centre located to the west of the current facility.

Over the past few years, there have been several reports to Committee and City Council on the Downtown Event and Entertainment District project. Notable reports include:

- [Downtown Event and Entertainment District – Arena Site Options Evaluation Criteria](#) – May 24, 2022 to City Council
- [Downtown Event and Entertainment District – Event Centre/Arena Site Options and Public Engagement](#) – August 29, 2022 to City Council

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- [Arena/Event Centre Site Selection and Public Engagement Results](#) – November 16, 2022 to City Council
- [Downtown Event and Entertainment District – Land Acquisition Midtown Plaza North Lot](#) – November 16, 2022 to City Council.
- [Downtown Event and Entertainment District – Three Auxiliary Site Land Acquisitions](#) – December 19, 2022 to City Council.

The recent acquisitions of the Midtown North parking lot and other properties have provided a sufficient land base for the proposed event centre/arena.

The YMCA is a community-focused non-profit organization that has operated their 25 – 22<sup>nd</sup> Street property as a health and fitness facility with a gymnasium, pool, racquetball courts, and daycare and a variety of other all-ages programming. The building was purpose built for the YMCA in the 1960s.

As part of the City’s plan to pursue strategic parcels in the downtown area, the City and the YMCA first began conversations about the potential purchase of their property back in 2013. That precipitated conversations about a potential partnership on a new City Centre Recreation Facility. The YMCA later determined that project was not optimal for them and in 2017, the YMCA approached the City requesting the opportunity to explore future partnership opportunities in the construction and operation of the next indoor Leisure Centre, as they continued exploring options for future YMCA operations. At the [May 24, 2022 meeting of City Council](#), City Council resolved:

- “1. That Option 2 - YMCA Operates Facility as a New Joint Saskatoon YMCA/Leisure Centre be approved in principle as the proposed operating model for the new East Side Leisure Centre, in partnership with the Saskatoon YMCA; and
2. That the Administration be authorized to enter into discussions with Saskatoon YMCA to develop an Agreement in Principle for the development and operation of the new East Side Leisure Centre.”

Since May 2022, Administration and the YMCA have been discussing a new East Side Leisure Centre operated by the YMCA and a non-binding memorandum of agreement was signed in January 2023 to guide the approach to an eventual operating agreement. The agreement was for an initial one-year term and has just been renewed to the end of 2024. In addition to the East Side Leisure Centre dealings, during final discussions with the YMCA on the sale of their downtown property, the YMCA also expressed an interest in potentially operating Harry Bailey Aquatic Centre once reopened after renovations. Unless directed otherwise, as an initial step, Administration would begin conversations with the YMCA regarding the potential operations of Harry Bailey and would provide future reporting on this matter, for City Council’s consideration and any required approvals.

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**DISCUSSION/ANALYSIS**

Negotiations with the YMCA for acquisition of the 25 – 22<sup>nd</sup> Street East property have been completed and a conditional purchase/sale agreement has been arrived at between the parties. The conditional agreement has been approved by the YMCA Board and is subject to City Council approval on or before February 29, 2024.

Appendix 1 provides a visual of the property in relation to the surrounding City-owned lands which have been assembled for a potential future TCU expansion and parking improvements in support of the Downtown Event and Entertainment District project.

As part of the planned development of the Downtown Event and Entertainment District, acquisition of the YMCA property at 25 – 22<sup>nd</sup> Street East would allow for flexibility in the design of the Downtown Event and Entertainment District. With the North Lot confirmed as the site for the potential future Event Centre, there are contractual parking replacement and underground parkade connection obligations that are part of the Midtown North Lot purchase. Purchasing the YMCA property is beneficial as it helps with design options for Midtown parking/parkade obligations by reducing construction logistics and constraints. The YMCA property is currently situated between TCU Place and the City-owned lands to the west which have been identified in the Midtown North Lot purchase agreement as the location for the 526 public parking stalls. The 526 replacement parking stalls need to be constructed prior to commencement of construction work on the North Lot. In addition, the City is to construct a physical connection between Midtown’s underground parking facility and the future 526 replacement parking stalls. The connection is to accommodate integration of the two parking facilities.

Subject matter experts from TCU Place were engaged as part of the conceptual design process and have maintained that the convention centre be integrated with the theatre. Several options for the convention centre were evaluated which resulted in the two most feasible options being to construct a new, or expanded, convention centre to the west of the existing TCU Place theatre. The YMCA property at 25 – 22<sup>nd</sup> Street East accommodates either option, regardless of the ultimate timing for construction of the convention centre.

**Notable Terms of the Conditional Agreement Include:**

- Total purchase price of \$8,504,750.
- A refundable deposit of \$887,550 which has already been paid to the YMCA.
- An additional payment of \$2,000,000 on or before September 30, 2024.
- Remaining balance less adjustments to be paid on closing/title transfer.
- Deferred closing date triggered on 180 days notice from either party.
- Costs of the required asbestos removal/abatement work would be shared between both parties.

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To facilitate continued use of the property by the YMCA for their current programming, the Agreement includes a deferred title transfer and closing date where the YMCA would retain ownership and control of the property until such time as:

1. The YMCA provides the City with 180 days' notice that the YMCA would be vacating the property; or
2. The City provides 180 days' notice to the YMCA that the YMCA needs to vacate the property.

Until the closing date, the YMCA would be responsible to keep the property in the present state of repair or better.

### **Property Value Analysis**

The YMCA property has an assessed value at \$6.52M. The assessed property value was derived using the “cost approach” to value, which estimates the new replacement cost of the building less depreciation and adds the replacement cost to the estimated value of the underlying land. The cost approach is often used for specialized properties, such as the YMCA property, due to the difficulties in attempting to estimate market values for properties of this nature.

A 2020 third-party appraisal identified the market value for the 25 – 22nd Street East property at \$4,815,000. The appraisal noted a redevelopment of the site as the best and most probable future use. The opinion of value was based on a typical market type transaction where a property is listed for sale on the open market and the buyer and seller are motivated for a transaction to occur.

The purchase price negotiated between the City and YMCA is all encompassing, as it accounts for market conditions of a site that is actively utilized, and it would be much more expensive to reconstruct a new YMCA facility than the agreed-upon purchase price. To stay in the building longer term, the YMCA would need to make significant capital investments in the near term. The purchase price also accounts for any and all relocation costs the YMCA may incur as they transition out of the property, and factors in the value in use of the building for the YMCA.

Until being approached by the City, the YMCA was not actively seeking to sell their property and transition their operations elsewhere. From a land value perspective, the all-encompassing purchase price would equate to \$201 per square foot or \$197 per square foot of building area.

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Purchase Price Comparison to other downtown properties recently acquired by the City:

Property	Parcel Size (Square Feet)	Appraised Value	Final Negotiated Price	Price as Land Value (Per Square Foot)	Price as Building Area (Per Square Foot)
50 - 23rd St	49,693	\$6.1M	\$6.95M	\$140	\$333
39 - 23rd St	17,672	\$4.1M	\$5.2M	\$294	\$253
149 Pacific Ave	18,059	\$3.7M	\$5.15M*	\$285	\$324
145 - 1st Ave	20,000	NA	\$4.25M	\$213	\$148
<b>25 - 22nd St</b>	<b>42,253</b>	<b>\$4.8M</b>	<b>\$8.50M**</b>	<b>\$201</b>	<b>\$197</b>

\* includes moving costs

\*\* accounts for logistics of YMCA transitioning out of the property

The deposit was calculated based on 10% of the originally negotiated purchase price, which has since been reduced to reflect the splitting of the estimated cost for the asbestos removal/abatement work. The additional payment on or before September 30, 2024, would provide the YMCA with funding to start transition from the property and also an amount that acknowledges the City will be the future owner of the property.

All things considered, the Administration and YMCA have come to terms on a potential purchase agreement that works for both parties, subject to consideration by City Council.

**Due Diligence:**

In considering the purchase of the property, Administration completed due diligence reviews of the following:

- Existing leases in place (billboard on the west side of the building)
- Building plans/permits
- Property appraisal
- Hazardous materials
- Structural review
- Building systems review
- Environmental investigations/consideration
- Detailed building, roof and mechanical inspections

Given the planned use of the property to accommodate expansion of TCU Place and construction of a new parkade, the outcome of the due diligence process concluded there was nothing that would cause the City to not move forward with the potential purchase subject to City Council approval.

The building systems, roof and structural reviews all noted items of concern related to the condition of the building components and building envelope. Given the age of the building and current systems conditions, major investment in the building would be needed if the building were to remain operational in the long-term.

Asbestos is commonly found in buildings around the vintage of the YMCA building. After investigation, it was determined the quantity of asbestos-containing materials in the building exceeded the amount the City was willing to accept full responsibility for. To account for this, the City and YMCA have agreed to split the estimated cost for abatement of \$740,500. The purchase price was ultimately reduced by \$370,250 to reflect the splitting of the estimated cost. In the event the actual cost of the abatement work completed by the City, subsequent to the Closing Date, is less than \$740,500, then the YMCA would be entitled to an additional payment equal to 50% of the actual cost incurred.

### **FINANCIAL IMPLICATIONS**

Sufficient funds for the purchase of this property exist in the Property Realized Reserve, which would be used as an interim source of funding until such time as the Downtown Event and Entertainment District capital project is approved. Upon potential approval of the project by City Council, all lands used by the project would be repaid by the project at the higher of historical cost or fair market value.

Considering the City's strategy to assemble land on this corner of Idylwyld and 22<sup>nd</sup> Street, resulting in a contiguous ownership with significant redevelopment potential, the Administration's perspective is the City should proceed with this purchase regardless of the Downtown Event and Entertainment District project timeline. The City has been acquiring property on this block, south of 22<sup>nd</sup> Street, since the 1960s and the YMCA property is that last outstanding property required to ensure a contiguous ownership position between Idylwyld Drive and Auditorium Avenue.

Should the capital project for the Downtown Event and Entertainment District be delayed, the City would work with the YMCA to extend their use of the building as long as reasonably possible.

With the YMCA building being a purpose-built facility, long-term adaptive re-use options for the building would be limited.

### **ENVIRONMENTAL IMPLICATIONS**

An environmental assessment was completed for the property. The result of the investigation did not identify any significant concerns, and it is anticipated soil conditions would be similar to other properties in the surrounding downtown area.

### **OTHER IMPLICATIONS**

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

**NEXT STEPS**

If the acquisition is approved, Administration would ensure the terms of the Agreement are followed and the YMCA would continue its operations at the property until either party provides the other with six-months' notice to vacate the property. It is anticipated the City's need to have the YMCA vacate the property would be tied to funding and the Downtown Event and Entertainment District project approval by City Council. In the event the YMCA provides the City with notice to vacate, and the Downtown Event and Entertainment District project has not yet received funding plan approval, a report would be brought forward for City Council consideration.

**APPENDICES**

1. YMCA Property and Surrounding City-owned Properties

**REPORT APPROVAL**

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