THE CORPORATION OF THE
DISTRICT OF SUMMERLAND
REQUEST FOR DECISION

DATE: May 15, 2023 FILE: 0810-01

TO: Graham Statt, Chief Administrative Officer

FROM: Lori Mullin, Director of Community Services

SUBJECT: Recreation Centre Referendum

STAFF RECOMMENDATION:

That Council pass **one** of the following resolutions:

1. ***THAT staff be directed to delay the referendum until after the results of the Green and Inclusive Buildings (GICB) grant has been announced.***

OR

2. ***THAT staff be directed to conduct a Fall 2023 referendum for the Recreation Centre project for borrowing up to _____ million dollars;***

   AND THAT staff return to Council with a proposed Referendum Plan including borrowing bylaws, funding options, and timelines.

STRATEGIC PRIORITY:

To Enhance Our Quality of Life

CULTURAL IMPACT STATEMENT:

Providing recreation facilities and amenities supports community vibrancy and a healthy and connected community.

PURPOSE:

To consider options on the timing of a referendum for the Recreation Centre project and associated funding requirements.

DISCUSSION:

Council's published Strategic Priorities (2022-2026) indicate that a referendum is to take place in Q4 of 2023 to secure borrowing for the recreation centre project; however, the District is currently awaiting a decision on our GICB grant for $25 million.

The additional costs to build to a net-zero standard are estimated to be $8.5 million. A net-zero building has the financial effect of raising the upfront capital costs of the building while reducing the long-term operating costs. The GICB grant serves to reduce or eliminate these additional upfront capital costs.

Several scenarios pertaining to the grant can be anticipated which have informed the options set out below:

- The full request may be granted in the amount of $25 million, which would cover the net zero costs while also reducing the core capital costs.
- A partial award could be granted (e.g. $12 million) still covering the net zero costs, but reducing the core capital costs to a lesser extent.
- A partial award could be granted at an amount equal or less than the required costs to build to a net zero standard (e.g. 8.5 million or less)
- No award may be granted at all.

Options	Considerations
OPTION 1 **Delay the referendum** until after the results of the Green and Inclusive Buildings (GICB) grant has been announced.	• If successful with the GICB grant, this will reduce the amount of borrowing required for the project. • If successful with the GICB grant, the referendum question will highlight that the project will be a net-zero building. • A referendum delay ***will result in a delay in project start up which increases the overall project costs*** (escalation rate is projected at 1.25% for every 3 months the schedule is pushed out ($612,500)).
OPTION 2A **Conduct a Fall 2023 referendum** to borrow up to $49 million[1] for the Recreation Centre project. OPTION 2B **Conduct a Fall 2023 referendum** to borrow up to $50 million.	• If referendum indicates approval to borrow, the project can proceed within current timelines and budget. • If successful with the GICB grant, the full amount of borrowing will not be required. • While the project estimates already include contingency, rounding the project to $50 million increases certainty that the budget will be sufficient to cover any unknown expenses or delays.
OPTION 3 Conduct a **Fall 2023 referendum to borrow up to $33 million** for the Recreation Centre project. If successful in receiving the full amount of GICB grant funding ($25 million), the potential estimated net project cost would be $32,512,942 (total net-zero building project cost estimated at $57,512,942).	• If successful with the GICB grant, the project timelines are anticipated to be close to being on track and project could be initiated immediately after grant announcement. • If not successful with the GICB grant, the funding gap would need to be addressed. • Options to address the funding gap would include reducing project scope, additional borrowing, reserves, seeking other grant funding or any combination of these. • Any time associated with addressing the funding gap ***will likely increase the overall cost of the project.*** • Staff confirmed with the Province that Council may set up an “upset limit” for borrowing for the project, but this is not preferred.

[1]This amount is associated with the construction costs alone, and does not include any costs related to repurposing, remediation or deconstructing the existing facility or offsite works.

Should Council wish to proceed with a Fall 2023 referendum, the required loan authorization bylaw outlining the borrowing maximum and how the funds will be recovered, needs to receive its first three readings and be submitted to the Inspector of Municipalities for approval by early July. Once Inspector approval is received, the general voting day must take place on a Saturday within 80 days following the date of approval. Below is an estimated general timeline for a Fall 2023 referendum.

Loan Authorization Bylaw (first 3 readings):	**Submitted to Inspector:**	**Inspector Review/Approval (6-8 weeks):**	**Potential General Voting Days (80 days following approval):**
June 26, 2023	June 27, 2023	August 8 – August 22, 2023	Saturday October 14, October 21, October 28, November 4
July 17, 2023 (latest for fall referendum)	July 18, 2023	August 29 – September 12, 2023	Saturday November 4, November 11, November 18, November 25

BACKGROUND:

Council directed staff to return to Council to discuss referendum options and timelines after grant announcements have been made regarding the UBCM Strategic Priorities Fund. The District has been informed that our application for $6 million to support the Summerland Recreation Centre project was not approved for funding and that the intake was oversubscribed.

Staff applied for the Green and Inclusive Buildings Fund (GICB) on February 28, 2023 for funding support of $25 million toward the Recreation Centre project to construct a net-zero carbon Recreation Centre. Staff reached out to the GICB program requesting an estimated date or timeframe when the application review process will be completed and the results announced. The response on April 13, 2023 was "*We have received a high level of interest in the Program and are working diligently to review and assess submitted applications. Unfortunately, we cannot provide a timeline for when the process will be completed, however, once a decision is made, the primary and secondary contacts associated with each application will be notified*."

As a next step in the Recreation Centre project timeline, Council is required to provide direction on whether to proceed with a referendum, a targeted timeline, and to confirm the amount of borrowing.

The Recreation Centre has been identified by Council as a priority project. The Parks & Recreation Master Plan community survey indicated that replacing this facility was one of the highest priorities for the community. At 47 years old, the existing Summerland Aquatic & Fitness Centre is at the end of its serviceable life which was confirmed by the 2018 Facility Condition Assessment Report.

Project timelines and milestones:



Staff, with communications support from the RDOS, have been updating project information on the District webpage www.summerland.ca/rec-centre and through the project engagement page https://rdosregionalconnections.ca/summerland-recreation-centre

LEGISLATION and POLICY:

- Part 4, *Local Government Act* (Assent Voting)

FINANCIAL IMPLICATIONS:

Reviewed by Financial Services:

Council will require the approval of the electors to borrow the funds needed for construction of this project. Council has previously directed that a referendum ("assent voting") be conducted to obtain this approval, in accordance with Part 4 of the *Local Government Act*.

The following tables provide Council with estimated debt repayment schedules based on the options presented previously in this report as well as the estimated financial impact on the average 2023 property assessed at $899,173. The interest rate in each calculation has been estimated at 4.38%, which is based on the Municipal Finance Authorities 30-year indicative lending rate.

Option 2A:
30 Year Borrowing - $49,000,000

Annual debt payments	$3,056,994
Estimated Cost to Property Owners	
	Total
Entire portion as a parcel tax	$ 527.98
Entire portion as a property tax increase	$ 530.59

Option 2B:
30 Year Borrowing - $50,000,000

Annual debt payments	$3,119,381
Estimated Cost to Property Owners	
	Total
Entire portion as a parcel tax	$ 538.75
Entire portion as a property tax increase	$ 541.42

Option 3:
30 Year Borrowing - $33,000,000

Annual debt payments	$2,058,792
Estimated Cost to Property Owners	
	Total
Entire portion as a parcel tax	$ 355.58
Entire portion as a property tax increase	$ 357.34

Please note that the above parcel and property tax projections have been calculated based on 2023 assessed values and tax rates and could change once the District incurs the actual debt, which would coincide with construction completion in 2026.

In each of the funding options noted above Council could look at a utilizing both a parcel tax combined with a property tax increase. There are limitless combinations that could be projected in each scenario, so a detailed analysis has not been completed. However, as an example, should Council move forward with Option 2B, and set a parcel tax of $250, the property tax increase to the average 2023 assessed 2023 property of $899,173 would be $290.18, resulting in an overall increase of $540.18.

An additional measure Council could look at implementing is staggering the required property tax increase over multiple years. This provides the benefit to homeowners of not seeing a drastic spike in their taxes in the year debt payments begin, but provides gradual increases over the construction cycle and allows homeowners time to plan their finances. An example of this concept would be Council borrowing $50 million over 30-years. Construction would begin in 2024 and finish in 2026 with first year debt payments starting in 2027.

In the above example construction to initial debt payments would be 4 years. Council could look at increasing property taxes by $135.36 annually during the construction phase so that once the debt payments start in the 4th year, the required $541.42 per household has been achieved.

Please note the above calculations have been provided as an example and should not be relied on. Should Council wish to look at this option more closely, staff would need to refine the calculations as well as the necessary assumptions in order to provide a more detailed and thorough analysis.

SUPPORTING DOCUMENTS:

N/A

CONCLUSION:

Staff continue to complete project milestones working towards the goal of replacing the Summerland Aquatic & Fitness Centre which is nearing the end of its serviceable life and prepare for an upcoming referendum to determine public support.

OPTIONS:

1. Choose one of the options outlined by staff.
2. Refer to staff for other options.

Respectfully submitted,

Lori Mullin
Director of Community Services

Endorsed by,

Graham Statt
Chief Administrative Officer

Presentation: Yes ☐ No ☒