

Subject: Thunderbird Management Service Inc Lease and Operating Agreement

File Number: ACS2024-RCF-GEN-0005

**Report to Finance and Corporate Services Committee on 2 July 2024
and Council 10 July 2024**

Submitted on June 20, 2024 by Caroline Barrier, Manager

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Ward: Citywide

Objet : Entente de location et d'exploitation de Thunderbird Management Service Inc

Numéro de dossier : ACS2024-RCF-GEN-0005

Rapport présenté au Comité des finances et des services organisationnels

Rapport soumis le 2 juillet 2024

et au Conseil le 10 juillet 2024

Soumis le 2024-06-20 par Caroline Barrier, Gestionnaire

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That the Finance and Corporate Services Committee recommend Council approve an interest rate reduction in the Lease and Operating Agreement with Thunderbird Management Service Inc for the domed field facility at Hornet's Nest, 1660 Bearbrook Road.

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil d'approuver une réduction des taux d'intérêt liés à l'entente de location et d'exploitation conclue avec Thunderbird Management Service Inc. et visant les terrains du dôme de Hornet's Nest, situé au 1660, chemin Bearbrook.

BACKGROUND

In September 2003, City Council approved recommendations to enter into the necessary agreements with Thunderbird Management Serviced Inc (TMSI) for the domed playing facility at the City owned property at 1660 Bearbrook Road. The recommendation included the approval of a \$1.1 million capital investment by the City to be repaid by TMSI over a 25-year period. The facility was also designated a Municipal Capital Facility. ([ACS2003-CMR-OCM-0012](#)).

The Superdome East Domed Sports Field facility at Hornet's Nest was completed under a Public-Private Partnership between the City and TMSI. TMSI is a locally owned and operated company that owns and manages and recreational facilities and programs in the Ottawa area. TMSI was selected as the preferred proponent following a competitive process that determined the most value to the City. Superdome East is an 80,000 sq/ft domed facility housing a 194m x 56m FIFA-approved international soccer field that can also be subdivided into three 56m x 29m fields. TMSI is responsible for all operations, management, program delivery and field rentals.

DISCUSSION

In accordance with the negotiated Public Private Partnership, the City of Ottawa prepared the site for the domed facility by upgrading the power supply, improving the parking area and extending municipal services including water and wastewater services at a cost of \$1.1 million. TMSI invested \$1.5 million in construction costs for the dome. TMSI and the City entered into a Lease and Operating Agreement in January 2004, for a term of 25 years, with the option to extend for an additional five years. In order to repay the \$1.1M capital investment made by the City, TMSI makes monthly payments to the City under the Lease and Operating Agreement.

Prior to the pandemic related shutdowns and disruptions, the facility was operationally and financially stable. In March 2020, with the onset of the pandemic, Provincial regulations required public recreation facilities to close or operate with greatly reduced capacities for extended periods in 2020, 2021 and 2022. As a result, TMSI ceased or curtailed operations resulting in a substantial loss of revenue. TMSI was one of several City partners to request and be granted a temporary pause on monthly rent payments effective March 2020.

With the end of COVID-19 restrictions and return to normal operations, TMSI resumed regular monthly rent payments to the City in April 2023. In order to pay back the remainder of the loan at the current monthly payment amount, an extension of three years to the term of the agreement would be required. TMSI has indicated that they would prefer to pay the loan off, within the original term of the agreement, by September 30, 2029. This would require a significant increase to the current monthly rent payment amount. City Finance Services staff have calculated the amount owing as of February 29, 2023, taking into account missed payments plus interest from April 1, 2020 to March 31 2023, to be \$625,118.

TMSI have requested a reduction in the interest rate from 6% to 4.5% to make the payments more affordable while allowing for completion of the loan repayment to coincide with the end of the existing agreement. Finance Services staff have reviewed the request and believe the reduction is of benefit to the City as it ensures the completion of payment on schedule and the requested 4.5% interest rate is in line with the City's current funding costs.

Acknowledging the unique nature of the pandemic disruptions and the significant impacts to operations due to mandatory shutdowns and public health measures staff recommends approving the reduction in the interest rate. This will assist TMSI to achieve positive operating cash flows so they can continue to provide valuable recreation opportunities to City residents.

FINANCIAL IMPLICATIONS

The financial impact to the City is \$29,109, the difference in rates over the remaining term of the loan. The interest reduction from 6% to 4.5% ensures that the City recovers the loan within the original term, while avoiding the need to intervene and manage the facility. It enhances TMSI's financial stability and enables them to offer additional programs to the community. The interest break supports both TMSI and the City.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendation outlined in this report.

COMMENTS BY THE WARD COUNCILLOR(S)

The Superdome is invaluable to both Blackburn Hamlet and the City at large. Our City is still experiencing the economic impacts of COVID-19 across all sectors, particularly within recreational programming. The Superdome provides outstanding opportunities for residents from all ages to engage in various sports. From rugby and soccer to track and field, the Superdome offers top-tier sports experiences right here in the east end. Moreover, it serves as a significant economic driver for our local community. Visitors attending tournaments dine at local restaurants, shop at local stores, and boost our local economy. I am supportive of this continued relationship between the City and Thunderbird Management Services Inc., ensuring that this vital community asset will continue to benefit our residents and the City for years to come.

CONSULTATION

RCFS and Finance and Corporate Services staff met with TMSI on multiple occasions to discuss the impact of the report recommendation on the City and TMSI.

ACCESSIBILITY IMPACTS

There are no accessibility impacts based on the recommendations in this report.

TERM OF COUNCIL PRIORITIES

There are no direct impacts on the term of Council priorities.

DISPOSITION

If approved by Committee and Council, staff will approve an interest rate reduction in the Lease and Operating Agreement with Thunderbird Management Service Inc for the domed field facility at Hornet's Nest, 1660 Bearbrook Road.