

Agenda Report

TO: CITY COUNCIL

DATE: August 2, 2010

THROUGH: FINANCE COMMITTEE

FROM: CITY MANAGER
PCOC CHIEF EXECUTIVE OFFICER

SUBJECT: PROPOSED DEVELOPMENT OF AN ICE RINK FACILITY IN THE PAVILION LOCATED AT THE CONVENTION CENTER UNDER PCOC MANAGEMENT.

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize PCOC to submit an application for a conditional use permit for the conversion of the pavilion located at the convention center to a single sheet ice skating facility under PCOC management at a cost not to exceed \$3.0 million and to conduct any necessary environmental review;
2. Authorize the City Manager to issue a low interest, 10 year loan, not to exceed \$1.5 million from City funds to the PCOC to be used for the ice rink relocation to the pavilion if the conditional use permit is granted; and
3. Authorize the City Manager to approve the expenditure of \$1.5 million in PCOC Reserves to be used for the ice rink relocation to the pavilion if the conditional use permit is granted.

BACKGROUND:

On September 14, 2009 the City Council directed staff and the PCOC to examine the feasibility of renovating the existing ice rink located in the historic ballroom at the Pasadena Civic Auditorium and re-opening it under PCOC management. The PCOC engaged Stevens Engineers, a firm specializing in ice rink renovation, engineering and design. The scope of their study was to review the condition of the mechanical systems (HVAC, Dehumidification), the ice system (rink floor, refrigeration system, dasher boards, re-surfacer), and the overall condition of the building interior (floor structure, moisture damage, tenant improvements, code compliance and amenities).

The Steven's report determined that a renovation of the existing rink was cost prohibitive, but identified the existing stressed membrane structure (pavilion), located behind the Conference Building as a potential site for a new temporary ice rink facility. They conducted a detailed site survey of the structure and reviewed the plans and specifications. The report identified a number of positive opportunities to create a rink with a regulation sized ice sheet that includes the necessary amenities of a modern community rink. A layout of a proposed rink was provided. The garage structure was found to be sufficient to support the weight of the ice and the double walled, insulated structure would be suitable for ice installation. The structure is already equipped with sprinklers, an emergency generator and life safety system. The existing modular restrooms are accessible and could be maintained for use by ice skating rink patrons.

The length of the structure would be extended by up to 30 feet to accommodate the regulation 85' X 200' ice sheet. All necessary service spaces and amenities (offices, skate rental, team rooms, party rooms, storage, bleachers, etc.) would be built in the space around the rink from appropriate, durable materials. The HVAC system would be modified to include adequate dehumidification. An ice floor and dasher boards would be installed on top of the existing slab. A new, energy efficient chiller plant and re-surfacing area would be installed and a new re-surfacer would be purchased.

The budget for this work is estimated at \$2,750,000, including \$200,000 in contingency.

On March 8, 2010, after reviewing the results of the study, the City Council approved the recommendation of the PCOC and the City Manager to study the feasibility of converting the pavilion at the convention center to a new temporary ice rink facility including construction cost, an operating Proforma, financing plan and strategy for operation and management of the rink and to bring a recommendation back to the City Council.

Construction Cost:

The PCOC reviewed the cost estimate prepared by Stevens Engineers. Costs for specialty ice making and rink operating equipment were compared to costs of other similar projects as well as the bid costs for the proposed rink in East Pasadena. The costs for the modifications to the pavilion and the build-out of the interior finishes were compared to similar projects, including the convention center expansion project. The cost assumptions in the Stevens report were found to represent a reasonable budget expectation for the build-out of the project.

Rink Financial Performance:

Based on the current rink operation and review of other rink business plans, PCOC staff produced an operating Proforma for a new ice rink constructed in the pavilion. Revenues are projected to grow by approximately 20% over the existing ice rink in the first year of operation based on a substantial increase in hockey, figure skating and

general admission skating due to the availability of a regulation sized sheet of ice. An increase in rates is also contemplated since the new rink will be a significant upgrade to the existing facilities. Increases in subsequent years are related to continued growth in programs and attendance as well as periodic rate adjustments based on market analysis. Expenses increase in key areas during the first year to account for the increased level of business, the larger facility and upgraded service and maintenance of the facilities and equipment. Expenses are projected to increase by 3% annually thereafter.

In April of 2010 the PCOC hired RSG, a feasibility consultant to review and analyze the financial feasibility of construction and managing an ice rink facility in the pavilion. After review and analysis of the proforma, it was determined by RSG, that the assumptions in the proforma were reasonable and a facility of this nature would generate sufficient revenue to cover the existing debt service for the Pavilion construction and provide positive cash-flow for the PCOC that could be used to support PCOC operations.

Rink Financing Plan:

Based upon the operating Proforma, the PCOC reviewed a number of scenarios for financing the construction costs. Due to current economic conditions, staff was not comfortable with the PCOC financing the entire \$3.0 million cost from their reserves. The funding of a new rink will require financial support from the city. Staff recommends funding half of the project cost (\$1.5 million) from PCOC fund balance and the remainder will come in the form of a loan from the City's investment pool.

The proposed financing plan includes a loan from the City of Pasadena to the PCOC would be at 2.5% interest rate with payments amortized over ten (10) years.

The PCOC investment is projected to be repaid from ice skating net income by the 5th year of operation of the new rink with a net positive cash-flow of \$1.7 million over 10 years.

Rink Management:

The PCOC has reviewed the existing operation and researched ice rink operating standards and business plans from other community rinks. There would be a benefit to the PCOC and the city to consolidate the management of a new ice rink under the PCOC. In addition to managing and coordinating all activities at the site which would improve access, public safety and the customer experience, there will be other economies to improve the operation, financial performance and service.

COUNCIL POLICY CONSIDERATION:

Continuing to offer ice skating in Pasadena maintains the quality of life by continuing ice skating in the City of Pasadena. It is also expected to provide future economic benefit to the Paseo Colorado and other nearby businesses.

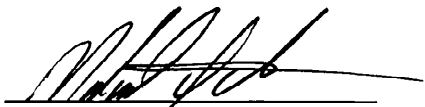
ENVIRONMENTAL ANALYSIS:

As part of the processing of the CUP, City staff will undertake a review of any potential environmental effects of the project as required by the California Environmental Quality Act. Staff will present the appropriate environmental document to the hearing officer for consideration at the hearing on the CUP.

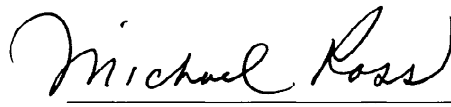
FISCAL IMPACT:

The total estimated project cost is \$3.0 million. There are adequate funds available from the city's investment pool for the \$1.5 million loan. The \$1.5 million loan from the City will be re-paid over ten years with interest. Additionally, sufficient funding exists in the PCOC reserves. The PCOC reserve will be replenished in 5 years of operation and ultimately, the ice rink will generate \$1.7 million in additional net cash flow over ten years.

Respectfully Submitted,



Michael Beck
City Manager



Michael Ross
Chief Executive Officer, PCOC