

To: **Mayor and City Council**  
From: **Ryan Schroeder, City Manager**  
Date: **June 22, 2020**

## **Ice Arena Lease**

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### **BACKGROUND INFORMATION:**

On November 12, 2019, Staff introduced a proposal of expanding the Ice Arena (attached) to Council, which had been requested by two of the major customers of the facility. At that meeting, we discussed preliminary cost estimates of \$1.6 million for high school locker rooms and dry floor training facility space.

Five members of Council were present at the November 12 OCWS. At this meeting, consensus from members in attendance was to continue to the next step of officially contacting our prospective project partners of Mendota Heights and ISD197. Initial discussions indicated funding might not be immediately available from these partners.

At the January 13, 2020 OCWS, a more refined project estimate and timeline were presented. The approach was suggested that funding partner participation would be fulfilled within the 2020-2022 timeframe with a project development cost of \$2,330,000 to construct the shell space and to complete improvements including reconstruction of the parking lot. Tenant Improvements (TI's) and furniture, fixtures, and equipment (FFE) would be in addition to this project cost. It has been discussed that the major tenants of the individual spaces would address these TI/FFE costs. It was proposed that each of the School District, Mendota Heights, and West St Paul would contribute \$580,000 toward this project.

Since that time, one of the major user groups, Sibley Area Youth Hockey Association (SAYHA), approached the City with an alternate proposal. That proposal includes leasing the entire facility to SAYHA for a term of 10 years and they (SAYHA) would, in turn, develop the site with expanded training space and locker rooms. The City Attorney developed a draft lease agreement (attached). Some highlights of the lease agreement include:

- SAYHA would assume total operation of the ice arena
- SAYHA would assume all costs associated with running the facility
- SAYHA would be invoiced for all costs associated with the City's two regular ice arena employees who would remain City employees assigned to SAYHA
- SAYHA would develop and build, at their expense, the dry floor and locker improvements with approval of the City
- SAYHA would allow existing renters to retain their normal ice usage, and allow for public usage (open skating and open hockey)
- City would only be responsible for future major maintenance/replacement of the parking lot, HVAC, Dehumidification, water heater and roof. We anticipate the roof may need

replacement within the term of this lease. The parking lot would be proposed to be reconstructed within 12 months of completion of the dry floor and locker facilities. The parking lot is currently estimated at a \$600,000 improvement. Over the past four years, the City has subsidized the Ice Arena operation just short of \$100,000. In addition, the City has invested in capital improvements and levied for asset depreciation. Levy (or similar) contributions to the capital plant would continue (parking lot, roof, etc.). Operating cost subsidies would not be a responsibility of the City under the lease. Alternatively, the City would not benefit by any operating surpluses either.

The lease as proposed here has not yet been considered by the SAYHA. Staff is looking for Council direction on the proposal as noted above. If approved, the lease would last for 10 years, with the option for two additional 5-year terms.

**FISCAL IMPACT:**

		<b>Amount</b>
<b>Fund:</b>		
<b>Department:</b>		
<b>Account:</b>		

**STAFF RECOMMENDATION:**

Provide direction

**ATTACHMENTS:**

Ice Arena Lease Agreement; Expansion Concept Plan