

Staff Report



Community Services Department

www.kitchener.ca

REPORT TO: Committee of the Whole

DATE OF MEETING: February 10, 2025

SUBMITTED BY: Michael May, DCAO & GM of Community Services,
Denise McGoldrick, GM of Infrastructure Services
Jonathan Lautenbach, Chief Financial Officer

PREPARED BY: Elin Moorlag Silk, Manager, Service Coordination & Improvement,
Darren Becks, Director, Facilities Management,
Osama Siddiqui, Project Manager, Customer Experience

WARD(S) INVOLVED: All Wards

DATE OF REPORT: February 6, 2025

REPORT NO.: CSD-2025-044

SUBJECT: Kitchener Indoor Recreation Complex – Gymnasium Update

RECOMMENDATION:

That, in order to avoid project cost escalations and delays in opening the Kitchener Indoor Recreation Complex, staff be directed to proceed with phase one of the two-phased construction of a new gymnasium at Schlegel Park (as outlined in CSD-2025-044) that would support a wide diversity of community activities and events, as well as fast-growing sports such as basketball, volleyball and pickleball; and

That staff be authorized to use the \$19,913,529 in debenture financing previously authorized by City Council on September 16, 2024, to fund this phase of the gym construction; and

That staff be directed to continue with advocacy efforts with the federal and provincial governments to secure grant funding to help complete phase two of the gym construction and open the facility.

REPORT HIGHLIGHTS:

- A gymnasium has been proposed to be built at the Kitchener Indoor Recreation Complex (KIRC) at Schlegel Park to support a wide diversity of community activities and events, as well as fast-growing youth and adult sports such as basketball, volleyball, and pickleball.
- On September 16, 2024, City Council directed staff to apply to the federal and provincial governments for grant money to help fund construction of the gym. At the same time Council authorized up to \$20M in debenture financing for the gym project.
- Construction of the Kitchener Indoor Recreation Complex (KIRC) has reached a point where a decision about building the gymnasium must be made now in order to avoid cost increases

on the gym project, and to remain on schedule to open the full KIRC facility in the summer of 2026. The City has not yet received a decision on the status of the grant applications.

- If construction of the KIRC gymnasium is delayed, the result will be immediate and ongoing cost escalations (ranging from approximately from \$4M to \$9M+) to the budget, along with compounded scheduling delays to the opening.
- Utilizing a two-phased approach to constructing the gym offers several advantages: (1) it enables construction on the gym to get underway now, avoiding cost escalations and schedule delays; (2) it maximizes integration and efficiencies between the gym and the rest of the KIRC building; (3) it provides the flexibility on how to proceed with phase two of the gym's construction based on the outcomes of the City's grant applications with the federal and provincial governments, and (4) it reduces the initial capital request from \$30M to \$20M.

BACKGROUND:

The quad gymnasium at Schlegel Park will not only help fill a gap in the currently underserved southwestern area of Kitchener but will also provide increased recreational opportunities for thousands of people across the community. By creating the City's first facility of this kind, with competition standards for basketball, volleyball and pickleball, the City will help meet the fast-growing and increasingly diverse demand for indoor court and gym spaces.

The quad gymnasium has been designed with the ability to sub-divide the space into four courts, each with individual access to support spaces. The design also includes associated storage, spectator seating and additional washrooms to support these functions. On the mezzanine level, the new space provides additional viewing onto the courts and access to two cricket batting cages. The quad gymnasium has been integrated with the rest of the KIRC facility in such a way that the circulation and user experience are seamless. Like the KIRC facility, the quad gymnasium will be designed to the highest standards and will be a feature community amenity within the City of Kitchener as a Net-Zero facility.

Further, adding the quad gymnasium to the KIRC facility not only addresses the demand for more court/gym space, but it also meets the community and users' preference for multi-use facilities that offer a wide variety of amenities in one location vs. a standalone single-amenity recreation centre. Indeed, substantial support for the quad gymnasium proposal has been expressed by numerous user groups who were engaged by City staff during the design phase of the gymnasium. These user groups wrote letters of support that accompanied the City's federal and provincial grant applications¹.

Provincial & Federal Grant Applications

As directed by City Council, in the Fall of 2024 the City submitted grant applications to the federal and provincial governments totalling \$20,000,000 in potential funding for the gym project.

1. One application was to the Province of Ontario's **Community Sport and Recreation Infrastructure Fund (CSRIF)** through Stream 2 – New/Signature Builds. This stream supports initiatives that address a clear community need, transform existing infrastructure to create new sports and recreation facilities, establish unique facilities that do not

¹ Please see report appendices B through G for letters of support submitted from local user groups.

currently exist within the province or region, attract investment and stimulate economic growth, and serve as venues for hosting large sports events.

2. The second application was for the Federal Government's **Green and Inclusive Community Building (GICB) Program**, which prioritizes new facilities that fill a missing or distinct gap in a service requirement where critical community infrastructure is lacking, along with encouraging new builds to net zero standards, reducing GHG emissions, increasing energy efficiency, and building resiliency to climate change.

Over the past several months, robust advocacy has been underway with the federal and provincial governments in support of those grant applications. However, given the current political situation in both the federal (parliament prorogued) and provincial (early election call) governments, decision-making on both grant applications has been delayed for longer than anticipated, and as such, the City has not yet received a decision on either of the applications.

REPORT:

This report is being brought forward as directed by Council in September 2024 regarding the status of the City's grant applications. The resolution states the following (with statement relevant to this report in bold):

“That Council support the City’s grant submission to the Community Sport and Recreation Infrastructure Fund Stream 2 for the construction of the quad gymnasium located at the Kitchener Indoor Recreation Complex, as outlined in Financial Services Department report FIN-2024-411; and,

That Council supports the City’s grant submission to the Green and Inclusive Community Buildings Federal Grant program for the construction of the quad gymnasium located at the Kitchener Indoor Recreation Complex; and,

That the total budget for the gymnasium located at the Kitchener Indoor Recreation Complex be approved at \$29,913,529, and that, if both grant applications are successful, an additional maximum debenture financing in the amount of \$9,913,529 be authorized, and that, if only one grant application is successful, an additional maximum debenture financing in the amount of \$19,913,529 be authorized; in both scenarios, for a term not exceeding 20 years (to be repaid from future development charge revenue earmarked for indoor recreation facilities); and,

That the Chief Administrative Officer or a General Manager is hereby authorized to execute the Community Sport and Recreation Infrastructure Fund (CSRIF) and the Green and Inclusive Community Building (GICB) application, and if successful, execute a CSRIF Transfer Payment Agreement with the Ministry of Sport, and any other CSRIF or GICB related documentation; said agreement and other related documentation is to be to the satisfaction of the City Solicitor; and,

That, if the grant application is successful, staff be directed to execute the supplementary agreement with the IPD team signatories for the construction phase of the project; and further,

That staff be directed to report back to Council if the grant funding is unsuccessful with options for advancing the gym construction, or if the City is a successful grant recipient, report back to Council through an information report summarizing the status of the application.”

Staff have not yet received a decision on the City’s federal and provincial grant applications and are looking to Council for direction on options to move forward with construction of the gymnasium, as directed in the Council resolution above.

Construction on the Kitchener Indoor Recreation Complex has reached a point where a decision about building the gymnasium must be made now in order to remain on schedule for the completion and opening of the facility in the summer of 2026.

Staff have been working closely with the KIRC Integrated Project Delivery (IPD) team members to explore potential options for proceeding with construction of the gymnasium. The chart on the following page identifies the benefits and risks of four options that have been carefully considered. Option 3, to build the gymnasium in two phases, is being recommended by staff as the preferred approach.

Table 1: Quad Gymnasium - Options for Council Consideration

OPTION	OPTION 1 Build Full Gym Now	OPTION 2 Delay Gym Construction	OPTION 3 (Recommended) Build Gym in 2 Phases	OPTION 4 No Gym
DETAILS	<ul style="list-style-type: none"> • Proceed with gym now • City fully funds gym • Hope for grants to offset City cost 	<ul style="list-style-type: none"> • Delay gym until decision is known on federal/provincial grants <ul style="list-style-type: none"> ○ 2A – Delay full opening ○ 2B – Open in phases 	<ul style="list-style-type: none"> • Proceed now with gym in a phased approach: <ul style="list-style-type: none"> ○ Phase 1 – “shell” (\$20M) ○ Phase 2 – interior (\$10M) 	<ul style="list-style-type: none"> • Delay gym construction to after KIRC project is complete
BENEFITS	<ul style="list-style-type: none"> • Lowest cost option for gym completion (along with Option 3) • Avoids costs escalation and schedule delays • Maximizes opportunities for efficiencies between gym and KIRC 	<ul style="list-style-type: none"> • Provides certainty on grant amounts received prior to beginning construction project 	<ul style="list-style-type: none"> • Lowest cost option for gym completion (along with Option 1) • Allows construction of gym to proceed, avoiding cost increases and schedule delays • Ensures consistency & integration of gym with base KIRC building • Reduces exposure to impact of future counter-tariffs by ordering equipment & supplies now 	<ul style="list-style-type: none"> • City will not have to issue additional debt for the gym
RISKS	<ul style="list-style-type: none"> • Highest financial outlay by the City (\$30M) 	<ul style="list-style-type: none"> • Cost of gym construction increases at least \$4M - \$5M • Increased risk of additional costs through future counter-tariffs • Schedule for opening KIRC/gym/ both delayed 	<ul style="list-style-type: none"> • Opening of gym may need to be delayed while grant/other funding strategies are found to complete Phase 2 of gym construction 	<ul style="list-style-type: none"> • Highest project cost: estimated costs of a 2026 start = \$39M • City may not have adequate DC funding for at least 15 years, so project cost will be much higher • Other rec priorities will arise in that time that will compete for the limited funding available

*** This information is available in accessible formats upon request. ***
 Please call 519-741-2345 or TTY 1-866-969-9994 for assistance.

Option 3: Build Gym in Phases – STAFF RECOMMENDATION

The option of building the gym in two phases is being recommended by staff as a way of addressing decision-making constraints while attempting to mitigate financial risk. With this option, construction of the gym would proceed without delay alongside the base KIRC building to ensure that construction of the gymnasium “shell” (phase one) is fully integrated and current schedules are maintained. Further, by proceeding in two distinct phases, the team is able to delay completion of the “interior” (phase two) to align with future funding/grant decisions.

Generally, the proposed phases with this option would likely work out as follows (although some elements may change as the IPD Team continues work on this approach):

<p>Phase One – shell (approx. cost \$20M)</p>	<ul style="list-style-type: none"> • Completion of all sitework and demolition to achieve Site Plan Approval (SPA) based on additional requirements that the full gym completion would require. • Completion of all envelope items (concrete footings and foundations, steel structure, cross laminated timber (CLT), metal deck, siding, tile, windows, roof membrane). • Pour the concrete slab on grade • Completion of mechanical rough-in (all underground works and placement of roof top mechanical equipment) • Completion of electrical rough-in
<p>Phase Two – interior (approx. cost (\$10M)</p>	<ul style="list-style-type: none"> • Completion of the interior finishes. Examples: <ul style="list-style-type: none"> ○ Interior partitions (drywall & concrete block) ○ Water supply piping and plumbing fixtures ○ Mechanical ductwork & distribution ○ Doors & hardware ○ Architectural finishes (floor, walls & ceilings) ○ Gym flooring ○ Gym equipment • Facility commissioning • Facility opening

This phased approach to constructing the gym accomplishes the following:

- Provides certainty to the build team regarding next steps and does not jeopardize project delivery of the base building (avoids delays in opening).
- Provides greater cost certainty for critical time sensitive elements such as, but not limited to foundations, steel, and site works.
- Avoids cost escalations of \$4M - \$9M through shared efficiencies and opportunities to find further innovations that would be shared with the base build
- Allows the site to be built with the same envelope materials and components as the base KIRC building to ensure that there is a cohesive design and appearance.
- Reduces or eliminates risk in the following areas:

- Allows the City to lock in costs for known elements and reduces future price uncertainty for phase one scope.
- Uses trades that are already onsite to continue their work without re-mobilizing at a future date.
- Eliminates schedule risk as the shell construction is easily folded into the current schedule and build program

Moving forward with shelled space within an initial build is a tactic that has been employed on many other sites across numerous sectors, particularly as a cost-saving and time-saving strategy. Overall, the cost for completion of phase one is estimated to be \$20M, which is considered an acceptable financial risk to the City in order to move forward with this option.

A prime benefit with this option is that construction of phase one of the gymnasium will progress alongside the base KIRC build, avoiding project costs escalations of \$4M to \$9M and delays to the opening of the KIRC/gym or both.

Further, this option allows for flexibility in decision-making on whether to move forward with phase two in the near future. For instance, in the event that the political climate and financial position of our country shifts significantly requiring a change in course, phase one of the gym (the “shell”) can be left empty and unfinished for a period of time until we are in a financial position to complete phase two. Should the City receive less than \$10M in grant funding in the short-term for phase two of the gym construction, staff will consider a variety of other funding strategies/sources and report back to City Council in a timely manner.

STRATEGIC PLAN ALIGNMENT:

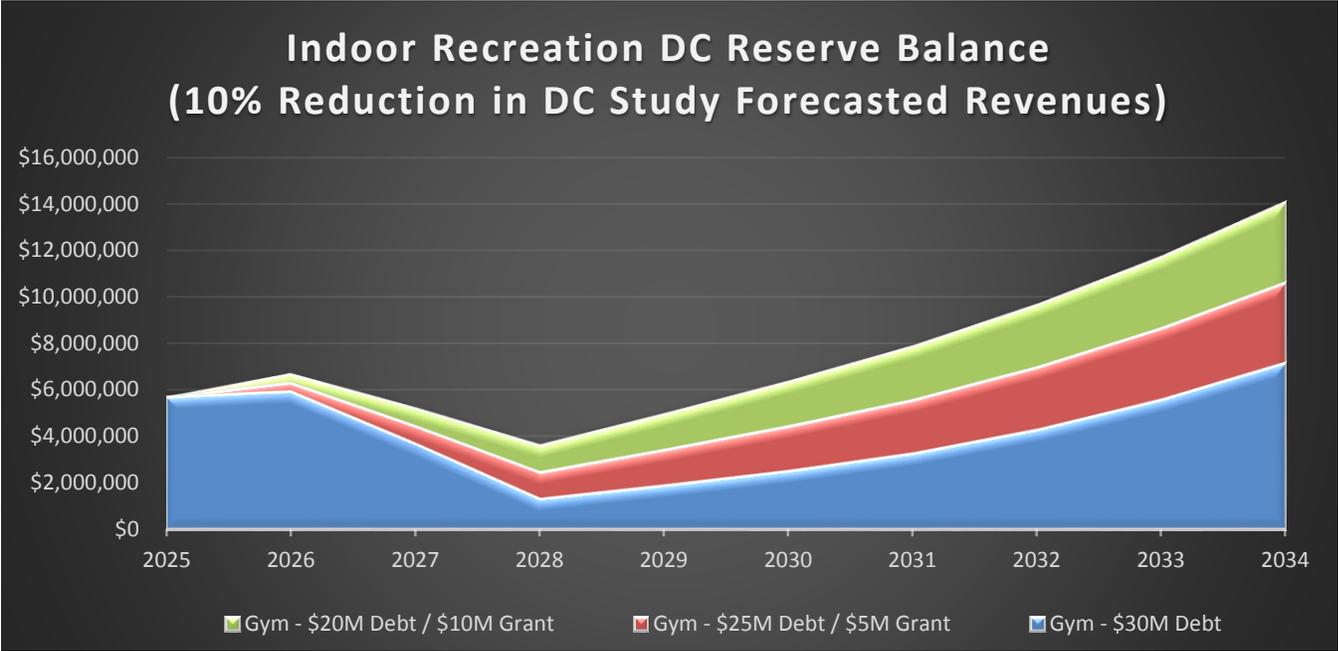
This report supports the vision of Fostering a Caring City Together by emphasizing inclusivity for residents of all ages, backgrounds, and experiences. It promotes the health and well-being of the community by ensuring easy access to diverse and inclusive programs and services. The construction of a quad gymnasium at the KIRC meets a fast-growing demand for court space.

This report supports Cultivating a Green City Together by promoting a sustainable pathway to a greener and healthier urban environment. It emphasizes the enhancement and protection of parks and natural spaces while transitioning to a low-carbon future. Additionally, the report supports businesses and residents in making climate-positive choices, fostering a community committed to environmental stewardship and resilience.

FINANCIAL IMPLICATIONS:

Sensitivity analysis around forecasted indoor recreation DC revenues was completed to determine the level of financial risk involved with gym construction. Through this analysis it was established that the Indoor Recreation DC Reserve can fully fund the gym cost (plus debt servicing costs), though it is much more preferable to reduce that debt cost to the City through federal/provincial grant funding. The balance in the reserve is expected to drop to low levels in 2028 and fully debt financing the gym has the potential to limit the amount of funding available for other indoor recreation priorities for the next 10 to 15 years.

The following graph models a 10% reduction in DC forecasted revenues compared to revenues modelled as part of the City’s most recent DC study. It highlights a number of possible debt/grant scenarios which include (1), the City receiving \$10M in grant funding and issuing \$20M debt (2), the City receiving \$5M in grant funding and issuing \$25M debt, and (3) the City fully funding the gym at \$30M.



Forecasted DC revenues over the next 10 years are shown alongside each of the funding scenarios. A 10% reduction in forecasted revenues is considered a likely scenario after considering a few factors:

- Actual DC revenues collected in 2024 were lower than forecasted in the DC study, which can be attributed in part to an overall slowdown in development, which is expected to continue as trend in the short term.
- Impacts from Legislative Changes (Bill 23) has resulted in lower DC revenue overall for Kitchener, which is expected to continue in the foreseeable future.
- Economic conditions (tariffs, US exchange rate, inflation, interest rate) are likely to have an impact on housing development, potentially reducing the amount the City collects annually in DC revenue as well as increasing the cost of construction.
- Impact of elections on grant programs – upcoming provincial and federal elections may have a further impact on decision making. Depending on the outcome of the elections, there is a risk that grant funding programs could be cancelled.

It is recommended that grant funding opportunities continue to be pursued and at this time the maximum limit for debt financing remain at the previously-authorized Council-endorsed \$20M in order to move forward with phase one of the gymnasium construction. Staff have carefully considered the potential risks with the authorization of additional DC debt, especially given the current political climate. Although the City has the ability to take on more debt for the gym construction, additional DC debt will also be needed in other DC services areas that will increase the City’s overall debt levels. Based on the City’s growth-related

infrastructure needs, it's expected that required DC debt will total approximately \$200M over the next 10 years, illustrated in the table below.

Project	2024	2025	2026	2027	2028	TOTAL
Strasburg Road & Watermain	\$ 8,565,000	\$ 8,736,333	\$ -	\$ -	\$ -	\$ 17,301,333
Upper Hidden Valley & Otterbein SPS & Forcemain	\$ 19,058,000	\$ 8,200,000	\$ -	\$ -	\$ -	\$ 27,258,000
KIRC + \$20M Gym	\$ -	\$ 105,610,000	\$ -	\$ -	\$ -	\$ 105,610,000
KIRC Gym Additional Debt (if no grants received)	\$ -	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000
Future Roads Debt	\$ -	\$ -	\$ 20,787,000	\$ -	\$ -	\$ 20,787,000
Future Sanitary Debt	\$ -	\$ -	\$ -	\$ -	\$ 14,832,000	\$ 14,832,000
Total	\$ 27,623,000	\$ 132,546,333	\$ 20,787,000	\$ -	\$ 14,832,000	\$ 195,788,333

Debt charges as a percentage of own source revenues would be expected to increase to around 7.7% if the City needed to fully fund the additional \$30M in debt for the KIRC gymnasium. This is still well below the Province's 25% annual repayment limit and still below the City's own debt policy maximum of 10%, but could limit the City's financial flexibility in the future and ability to use debt as a financing option to move other City initiatives forward.

	Annual Debt Limits	% Own Source Rev
2024 Annual Repayment Limit (ARL)	\$ 111,743,261	25.0%
Kitchener Debt Policy Repayment Limit	\$ 44,697,304	10.0%
	Annual Debt Charges	% Own Source Rev
Forecasted Non-DC Debt Charges	\$ 15,615,643	3.5%
Forecasted DC Debt Charges	\$ 18,624,637	4.2%
Total Forecasted Debt Charges	\$ 34,240,280	7.7%

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

CONSULT – Engagement with Sports User Groups

The engagement process for the proposed quad gymnasium has demonstrated strong enthusiasm and support from a diverse range of community stakeholders and sport groups. Staff have received overwhelmingly positive feedback about the gymnasium's design, multi-sport functionality, and potential to fill a critical gap in indoor court space within the region. User groups have expressed eager anticipation for the facility, recognizing it as a much-needed addition that will enhance Kitchener's ability to support grassroots and high-performance sports alike.

Letters of support have been received from the following organizations:

- Kitchener Soccer Club
- Southwestern Ontario Cricket Association
- Kitchener Waterloo Youth Basketball Association
- Explore Waterloo Region's Sport Hosting Office
- Kitchener-Waterloo Predators Volleyball Club
- Pickleball of Waterloo Wellington Region

See appendices B through G for these letters of support. In their letter, the KW Youth Basketball Association emphasized that gym space is "long past due," and further expressed:

With the tremendous growth in population in the region, we, the KW Youth Basketball Association, are having a very hard time keeping up with the demand for basketball training, teams and time because of a lack of facilities.....This facility would not only allow minor sports clubs to have a place for their teams to practice but it would also allow the parent clubs to be able to host tournaments which would then bring people into the region spending money on hotels, restaurants and shopping (Mike Quigley, KW Youth Basketball Association)

Similarly, Explore Waterloo Region's Sport Hosting Office underscored how the quad gym would strengthen Kitchener's position in the sports tourism market, attracting regional and national competitions while delivering substantial economic and community benefits.

The KW Predators Volleyball Club also strongly endorsed the project stating that:

This type of facility is what our community has needed for years and the thought that it could come to fruition in the next few years has all the sports organizations in our community very excited... This past year, we had over 700 young athletes try out for a spot on one of our teams. Unfortunately, we had to release over 400 athletes, due to the fact that there is a shortage of practice facilities, and we could only accommodate a limited number of athletes. A facility of this size would allow us to increase the number of teams we carry, thereby allowing more young athletes to participate in youth sport. (Paul Pavan, KW Predators Volleyball Club)

The enthusiasm from these organizations reflects a clear demand for indoor court space, and our engagement efforts indicate strong community backing both for the project and for the vision and design for the gymnasium as a part of the overall KIRC.

PREVIOUS REPORTS/AUTHORITIES:

- [FIN-2024-411](#) Applications to CSRIF and GICB Fund – KIRC Gymnasium
- [INS-2024-126](#) Kitchener Indoor Recreation Complex – Target Cost & Design Update

APPROVED BY: Dan Chapman, CAO

ATTACHMENTS:

- Appendix A – Most recent gymnasium renderings
- Appendix B – Explore Waterloo Region's Sport Hosting Office Letter of Support
- Appendix C – Kitchener Soccer Letter of Support
- Appendix D – KW Predators Volleyball Club Letter of Support
- Appendix E – KW Youth Basketball Association Letter of Support
- Appendix F – Pickleball of Waterloo Wellington Region Letter of Support
- Appendix G – Southwestern Ontario Cricket Association Letter of Support