

Charlottesville grants third lease extension for McIntire Park YMCA

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The Piedmont Family YMCA has been granted one more year to break ground on a 70,000-square-foot fitness and aquatic center on the western side of Charlottesville's McIntire Park.

The chairman of the organization's board of directors expressed confidence during Monday's City Council meeting that the project eventually will be built despite problems securing financing.

"Our credibility and reputations are at stake with the Y and none of us intend to do this if we thought it would fail," said Kurt Krueger, an attorney with McGuireWoods who has been on the YMCA board since 1994.

The idea to build a YMCA facility in the park dates back to the last decade as two indoor city pools constructed in the 1960s approached the end of their useful life.

The City Council opted to build a new Smith Aquatic and Fitness Center near Buford Middle School, but explored a partnership with the YMCA in which the nonprofit would build and operate a replacement for the Crow indoor pool.

Councilor Bob Fenwick questioned whether there was still a market for the YMCA in 2015.

"Since this project was initiated, we have opened Smith and we have renovated the Carver Recreation Center," Fenwick said. "Where are your customers going to come from?"

Krueger said the city and Albemarle County both assessed their future recreational needs in 2006 and 2007 and identified a need for an additional 110,000 square feet of indoor athletic space by 2015.

"Even with the Carver Rec Center, which wasn't increased in space size, and with Smith, we'll still be barely meeting that," Krueger said. He added that the Piedmont YMCA's partnership to operate a pool in Crozet has more than surpassed expectations.

In December 2007, the council voted 3-2 to approve a ground lease with the Piedmont Family YMCA. The terms required that ground be broken on the project within five years, but a lawsuit filed by ACAC Fitness & Wellness Centers and two other for-profit fitness facilities caused a long delay.

"This project was moving along fine and had the support of council, and the YMCA did everything they were supposed to do," Councilor Kristin Szakos said. "Some businesses in town sued because they wanted to stop the project for various reasons."

The council granted one extension in late 2012 because the Virginia Supreme Court had yet to rule on an appeal. The court ruled in favor of the YMCA in January 2013, but Krueger had to ask for a second extension later that year because financing had not yet been secured. As a condition of granting the second extension, Krueger agreed to submit the project's financial plan.

Krueger told councilors that a third extension is necessary.

"The bank loan is coming from a group of banks in this community and they have required that \$5

million of their \$12.3 million credit facility be guaranteed by individuals," Krueger said. "We had our guarantors lined up when we submitted our plan to [City Manager Maurice] Jones in August [but then] the bank decided they wanted to restructure that."

Krueger said the bank consortium wanted to loan the money directly to the guarantors, who would then make loans to the YMCA.

"One of our guarantors balked at that structure in September," Krueger said. "We are scrambling to find a replacement."

The city has allocated \$ million toward the project's capital costs, and Albemarle County has contributed \$2 million. Krueger said if the YMCA gets the loan, the project will move forward.

"We have the money and what we need is a guarantor for \$3 million or raise \$3 million in capital so we can reduce the loan by \$3 million," Krueger said.

Fenwick wanted to know why Krueger had not submitted a new financial plan as part of the new extension request.

Krueger said the \$14.5 million construction estimate is out of date, but he does not want to get a new one until the financing is secured. The estimate likely will rise because the project was tied up in the courts for over two years and the construction climate is different in a resurgent economy.

"We cannot prepare a new financial plan until we have all of those pieces in place," Krueger said. "We have every incentive to do this as soon as possible because construction prices and interest rates tend to rise."

Several members of the public asked the council to deny the third extension.

"The city basically gave the Y a prime location on which to build," said Randy Page, a longtime opponent of the project. "If they fail as a going concern, the city should be handed the keys, lock, stock and barrel without encumbrances and liens and it should be stated clearly."

But Krueger said the terms of the ground lease require that outcome.

"If we cease to operate, we are not complying with the terms of the ground lease, and you all get [the] project," Krueger said.

Fenwick made a motion to extend the lease for only six months but it failed. A motion to grant the yearlong extension passed 3-2 with Fenwick and Dede Smith voting against.