

Facility Update

EXECUTIVE SUMMARY

Council's 2017 approval of the Calgary Municipal Land Corporation (CMLC) 2017 to 2019 Business Plan committed CMLC's focus to the development of East Victoria Park. On 2018 December 14, following six months of public engagement by CMLC and The City, Council approved the Rivers District Master Plan intended to result in the creation of an urban cultural and entertainment district in East Victoria Park. On 2019 April 29, Council approved the Beltline Area Redevelopment Plan (ARP), providing a framework for future development in that area.

On 2018 May 28, Council established the Event Centre Assessment Committee (ECAC) and mandated Committee members to explore and determine "location, financial strategies and an approach to a partnership framework with respect to developing a new event centre that fits the long-term goals of The City of Calgary and City Council".

On 2018 October 9, Council received a presentation from CMLC titled "A Bold Vision for Calgary's Culture & Entertainment District" and directed the ECAC to re-engage in partnership conversations with Calgary Sport and Entertainment Corporation (CSEC) regarding a new event centre within the Culture & Entertainment District, such conversations to be based upon the following principles approved by Council on 2018 July 30:

- "The Event Centre should be a gathering place for all Calgarians that includes, but not be limited to: concerts, assemblies, festivals, professional and amateur sports, linked to an outdoor gathering space;
- Public funds must be used for public benefit, including but not limited to improving access and availability for individuals and groups, while also providing economic benefits for the Calgary economy;
- The Event Centre must be a catalyst to attract further vibrancy and investment as an anchor for further development in a mixed-use neighbourhood;
- The Event Centre must be viable and sustainable as its own entity while contributing as part of a comprehensive master plan vision that supports The City of Calgary's planning objectives and enhances our communities' brand and reputation;
- It is understood that a proposed Event Centre could be a partnership between The City of Calgary and external parties;
- Although negotiations will be kept private, there will be engagement with the public throughout the process whenever possible to ensure transparency; and
- In the event that a funding agreement for an Event Centre is reached between The City of Calgary and external groups, it must be made public and presented to Council for final decision".

On 2019 January 15, the Government of Alberta approved a 20 year extension to the Rivers District community revitalization levy (CRL) to support Council's aspirations for an urban cultural and entertainment district.

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On 2019 January 28, Council received for information a report from Ernst & Young LLP titled "Economic Impact Assessment of the Rivers District Revitalization in Calgary – Understanding the role and economic impact of the proposed Rivers District projects". This report was commissioned by CMLC and Calgary Economic Development (CED) as part of their work to advance Council's objectives in "Calgary in the New Economy", the economic strategy Council approved in 2018 June. The report explored the potential impacts of the construction of an event centre, the Arts Common Transformation project and an expansion of the BMO Centre in the Rivers District and concluded that "... there is a positive economic impact to the city based on completing these three projects as part of the Rivers District Revitalization. Qualitative and comparator analyses also indicate that the proposed developments can enhance the social and cultural foundation of the city, providing facilities and public places for all Calgarians to use and enjoy".

On 2019 March 4, Council approved a financial strategy to support the construction of an event centre, the BMO Centre expansion, an Arts Common expansion, and a field house. On 2019 April 29, Council approved the establishment of a Major Capital Projects Reserve (MCPR).

On 2019 March 4, Council also approved a negotiating mandate to serve as a framework for the ECAC's conversations with CSEC and directed Administration to work with the ECAC to develop a public engagement plan including public feedback on the terms and conditions of any potential deal reached with CSEC and public input and feedback on the potential event centre facility, programming, access, gathering spaces, and other topics of interest.

ECAC members solicited the assistance of Barry Munro, a senior partner with Ernst & Young LLP (EY) and the President of Ernst & Young Orenda Corporate Finance Inc., to facilitate discussions with CSEC to determine whether a mutually beneficial arrangement could be negotiated that would result in the construction of an event centre to further catalyze redevelopment in the Rivers District to benefit all Calgarians. The ECAC also asked City Manager Glenda Cole, Q.C. and President and CEO of CMLC Michael Brown to participate in these discussions. Given the important role that the Calgary Exhibition and Stampede (Stampede) has in the continuing redevelopment of the Rivers District, Mr. Munro also engaged the Stampede in these discussions. CMLC serves as project manager for the Stampede's BMO expansion and is facilitating the activation of Stampede lands in the Rivers District.

The negotiating team and representatives of CSEC and the Stampede engaged in extensive, thorough, thoughtful, and productive discussions. These were motivated by a collective desire by all parties to see the continued revitalization of the Rivers District for the benefit of all Calgarians through the construction of an event centre and community space to catalyze development in the District and help advance the achievement of Council's objectives in:

- the Rivers District Master Plan;
- the Beltline ARP;
- Calgary's economic development strategy; and
- Council's downtown strategy.

Subject to approval by their respective approving authorities and signing all required agreements, The City, CMLC, CSEC, and the Stampede have negotiated and agreed to fundamental terms and conditions of agreements intended to achieve Council's objectives as outlined in the Rivers District Master Plan and Council's principles for a new event centre.

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Extensive due diligence on the fundamental terms and conditions was undertaken by the negotiating team, CMLC and Administration.

The members of the ECAC and CMLC are all supportive of the fundamental terms and conditions that have been negotiated. The successful conclusion of definitive agreements incorporating all terms would see the continued revitalization of the Rivers District and the construction of the event centre and accompanying community space on the basis outlined below. It is very important to note that all negotiations were undertaken on a comprehensive multi-party package basis.

Key Deal Term Summary – CSEC and The City

- **Ownership**
 - The City will own the Event Centre and the land the Event Centre is constructed on.
- **Event Centre**
 - Up to 19,000 seat main facility, with the potential for a secondary facility, if such secondary facility can be constructed within total facility construction cost maximum of \$550.0 million.
- **Event Centre Facility Cost**
 - Facility capital costs of up to \$550.0 million – with the costs shared 50 / 50 between The City and CSEC (The City's share of such costs is up to \$275.0 million).
- **Event Centre Lands**
 - The City will on a non-cash basis exchange the Saddledome lands and certain other City owned lands on Stampede Park with the Stampede for the Event Centre lands that are currently owned by Stampede.
- **Design & Construction**
 - The design and budget of the Event Centre will be a gated process in which the mutual agreement of both The City and CSEC will be required for each stage of the process
 - Public engagement is planned during the design process
 - Changes outside of the approved design that are requested by only one of the parties will be the sole responsibility of that party and all costs are to the account of that party.
 - Design to commence immediately with planned construction to commence in 2020.
- **Development Manager**
 - CMLC will oversee design and construction.
- **Funding**
 - Each party will pay its respective costs as incurred.
 - Both parties will provide financial security to support their payment obligations.

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- **License & Operating Agreement**
 - CSEC and the City will enter into a 35-year Management and License Agreement (MLA).
 - The MLA will set out appropriate standards of conduct for the operation, maintenance, and repair of the Event Centre.
 - As owner of the Event Centre, uninsured major structural repairs will be the responsibility of The City
 - The MLA will require CSEC to pay 100 percent of operating, maintenance and day-to-day repair costs
 - All revenues generated by the Event Centre (net of the City Facility Fee, the Naming Rights and the various community payments, all as described below) will be retained by CSEC.
- **Extension**
 - The agreement contains incentives for CSEC to fund major capital improvements to extend the Event Centre's useful life and the initial term beyond 35 years.
- **City Facility Fee**
 - The City will levy a facility fee and retain 2.0% of ticket revenue for all events hosted at the Event Centre. The City's portion of the facility fee for the first 5 years is capped at \$3 million per year.
- **Property Taxes**
 - No municipal property taxes will be paid on the interior facility or potential secondary facility at the Event Centre.
 - The Provincial portion of the property taxes will be payable by CSEC after the expiry of the CRL.
 - Property taxes will be paid on all street facing retail at the Event Centre.
 - Incremental property tax uplift is expected from other development within the CRL area.
- **Community Sports Payment**
 - Each year over the 35-year term, CSEC or the Calgary Flames Foundation will make an annual contribution of \$1.5 million (escalating at 2% for inflation) to community sports in Calgary.
- **Naming Rights**
 - CSEC will pay to The City \$250,000 per year for 10 years in recognition of the naming rights for the Event Centre.
- **Community Engagement Program**
 - CSEC will create a community engagement program to provide special access to CSEC events at a cost to CSEC of approximately \$200,000 per year (indexed to inflation).
- **Access to Event Centre**
 - The Stampede will be provided access to the Event Centre for 17 days each year for its events.

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- The City will be provided access to the Event Centre for 5 days each year (in addition to those above) for non-commercial events.
- The City will obtain additional access (20 days per year) to the potential secondary facility.
- Community organizations will receive preferential access to the potential secondary facility.
- **Community Space**
 - CMLC will construct a community space adjacent to the Event Centre that will be operated and shared amongst The City, CSEC, and the Stampede.
- **CSEC Land Options**
 - CSEC will be granted an option by CMLC to acquire certain lands in the Rivers District based on their value immediately prior to formation of the Event Centre Assessment Committee. This option shall expire on CSEC's occupancy of the Event Centre.
 - CSEC will be granted an option by The City to acquire certain lands in the Rivers District should they become available for development; with an exercise price equal to the fair market value of the lands at the time of exercise of the option. This option shall expire within 10 years of CSEC's occupancy of the Event Centre. The City is under no obligation to make this land available for development.
- **Saddledome Demolition**
 - The Saddledome will be demolished once the Event Centre is occupied.
 - The demolition and reclamation costs will be shared 90% by The City and 10% by CSEC. The maximum cost to CSEC is limited to \$1.5 million.
- **Flames Commitment to Calgary**
 - CSEC will not relocate the Calgary Flames during the 35 year license term.

Key Deal Term Summary – Stampede and The City

- **Event Centre lands**
 - The City will on a non-cash basis exchange the Saddledome lands and certain other City owned lands on Stampede Park with the Stampede for the Event Centre lands that are currently owned by Stampede.
- **Saddledome Parkade**
 - The Saddledome parkade will be retained on the Saddledome lands and operation will be transferred to the Stampede on CSEC's occupancy of the Event Centre.
- **Parking**
 - The Stampede will manage substantially all parking on Stampede Park

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- The Stampede & CSEC will share in parking revenues generated on CSEC events.
- The City will help facilitate temporary parking on third party lands for commercial operation by the Stampede during the BMO Centre and Event Centre construction period. No material incremental costs are expected to be incurred by The City by doing so
- **Community Space**
 - CMLC will construct a community space adjacent to the Event Centre that will be operated and shared amongst The City, CSEC, and the Stampede.
- **Access to Event Centre**
 - The Stampede will be provided access to the Event Centre for 17 days each year for its events.
- **BMO Centre Expansion**
 - Several funding and other contractual matters relating to the BMO Centre expansion will be resolved as part of the approval of both these arrangements.

ECAC AND ADMINISTRATION RECOMMENDATIONS:

That Council:

1. Receive this report for information and table further consideration of the report to Council's 2019 July 29 Combined Meeting;
2. To enable public feedback, direct Administration to immediately release this report and Attachments 1, 3 and 6 to the public; and
3. Direct that the closed session discussion and presentation and Attachments 2, 4, 5, and 7 remain confidential pursuant to Sections 16, 24 and 27 of the Freedom of Information and Protection of Privacy Act, the need for such confidentiality to be reviewed no later than 2020 December 31.

PREVIOUS COUNCIL DIRECTION/POLICY

On 2019 April 29, Council approved the establishment of the Major Capital Projects Reserve (C2019-0525) including the purpose, terms and conditions, and restrictions for the reserve.

On 2019 March 18, Council received the Funding Categories for Long-Term Unfunded Projects report (C2019-0341) for information.

On 2019 March 4, Council approved the financial strategy for Unfunded Long-Term Projects (VR2019-0013), based on terms and conditions discussed during the closed session portion of Council's meeting. Council also reconsidered its previous decision regarding Facilities Report (C2017-0549), approved the ECAC mandate and directed Administration to work with ECAC to develop a public engagement plan.

On 2019 February 25, Council approved the ECAC Work Plan Update (ECA2019-0263).

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On 2019 January 28, Council directed Administration to further refine options to optimize funding, financing and schedules for all four unfunded long term projects and return to Council no later than April 2019 (C2019-0135).

On 2018 November 19, Council approved the addition of an agenda item entitled "Consideration of Unfunded Long Term Projects" to the 2019 January 28 Strategic Planning Meeting of Council (VR2018-0109). The projects identified in the verbal report were the fieldhouse, event centre, BMO Centre expansion, and Arts Commons.

On 2018 October 9, Council directed ECAC, on behalf of The City, to re-engage in partnership conversations with CSEC, regarding a new event centre within the culture and entertainment district, based on revised principles adopted by Council.

On 2018 July 30, Council approved ECAC Draft Principles as an appendix to the Committee's Terms of Reference (ECA2018-0942).

On 2018 June 25 Council adopted a draft Event Centre Assessment Committee Terms of Reference (ECA2018-0766).

On 2018 May 28, Council formed the Event Centre Exploration Committee (ECEC) and reaffirmed its commitment to the exploration of an event centre that takes into account the best interest of all Calgarians.

BACKGROUND

Included in the Executive Summary section of this report.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The members of ECAC have worked diligently for the past 14 months to determine how an event centre could be further catalyze development in East Victoria Park. Committee members studied economic conditions, reviewed area plans and analyzed event centre designs.

Economic Conditions

Initial ECAC research focused on the economic impact of a new event centre. In collaboration with CMLC and CED, a detailed economic impact assessment of the Rivers District revitalization was commissioned to study the potential economic benefits of a new event centre, the Arts Commons Transformation project and the BMO Centre expansion.

EY reviewed four comparative jurisdictions: Nashville (Nashville Yards), Denver (Union Station), Edmonton (Ice District), and Columbus (arena district) and concluded that "... the quantitative analysis suggests that there is a positive economic impact to the city based on completing these three projects as part of the Rivers District Revitalization. Qualitative and comparator analyses also indicate that the proposed developments can enhance the social and cultural foundations of the city, providing facilities and public places for all Calgarians to use and enjoy". EY noted that all four comparative jurisdictions experienced significant levels of private investment following their initial arena investment. Their analysis also identified that additional positive and negative impacts can be expected in the cultural, social, connectivity, and tourism spheres.

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In addition to this broad economic investigation, ECAC worked with CMLC to confirm that an event centre integrated into Calgary's Culture & Entertainment District would be a development catalyst in the area. An event centre is a facility with the potential to be activated up to 365 days a year with a wide variety of programming options. CMLC concluded that the vibrancy generated by a very active building would assist in drawing new residents and businesses to the District. CMLC forecasts estimate that the event centre will stimulate incremental private development equal to 10% additional market absorption over the next 35 years.

Rivers District Master Plan

The proposed site of the event centre is at the envisioned "critical corner" of Calgary's Culture & Entertainment District. Located in the centre of the District at the intersection of 12th Avenue and 4th Street SE, the 307,536 square foot site is in close proximity to the planned Green Line LRT station, is the gateway into Stampede Park and is two blocks west of the Elbow River, creating a new front door into East Victoria Park.

Located in the Rivers District Master Plan "Culture, Entertainment & Education" character area, the event centre will reinvigorate the District as a centre of national importance, attracting visitors from across the city, region, country, and continent. This area of the District will thoughtfully integrate long standing agricultural and convention venues with emerging cultural facilities, arts and education, shopping, entertainment, and hotels. Organised around 4th Street SE (the Stampede Trail Festival Street), event plazas, and riverfront parks, this area will become a hub of activity and contribute to the dynamic nature of the Culture & Entertainment District.

Existing institutions in the District, such as the Calgary Stampede Youth Campus, already provide an innovative learning environment that is home to the public charter school Calgary Arts Academy attended by 300 Grade 4 – 9 students.

The event centre would take centre stage in an area primed for growth and redevelopment, flanked by the Elbow River and bordered by the burgeoning East Village, exciting communities of the Beltline and Calgary's oldest neighbourhoods in Ramsay and Inglewood. The area needs the event centre as a catalyst for redevelopment. Much like East Village ten years ago, East Victoria Park has seen relatively stagnant development and has environmentally challenged lands, inadequate infrastructure and issues with access. While increased downtown living has brought new mixed-use development and heritage renovations to the east side of Calgary, this neighbourhood remains largely isolated and underdeveloped east of Macleod Trail, cut off from more vibrant areas of the city by significant physical and infrastructure barriers.

Over the past three years, The City and CMLC have completed planning processes that establish the framework for a new future for East Victoria Park. In 2016, CMLC entered into a formal partnership with the Stampede and began to prepare the Rivers District Master Plan. In 2018, The City and CMLC collaborated on area planning to ensure that the Master Plan aligned with the updated and amended Beltline ARP.

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The Rivers District Master Plan provides a future-focused foundation for accommodating major community-building amenities like the BMO Centre expansion, the construction of which is now underway, and the integration of the event centre into the District. The master plan process examined every aspect of the planning process to guide future development in the area including:

- context and site analysis;
- social and historical context;
- existing development, urban grid, and access;
- design principles and urban design strategy;
- circulation and street typology;
- open space framework and building frontage;
- urban form, density and height;
- bicycle, pedestrian and LRT frameworks;
- character areas;
- public realm design guidelines;
- green space and plaza development;
- street design guidelines; and
- Implementation and phasing.

The Master Plan was guided by a six month public engagement program that involved a series of open house events with District landowners and residents and 36 public events spread through every ward in Calgary. Nearly 4,000 public surveys and 100,000 data points informed both the final Rivers District Master Plan and the ARP.

Through the approval of the Rivers District Master Plan, Council declared that this is an investment priority for The City. The Province of Alberta has provided support for redevelopment of the Rivers District too by extending the Rivers District community revitalization levy for another 20 years.

Site and Building Design

The proposed event centre site is situated on two blocks bounded by 12 Avenue SE, 5 Street SE, 14 Avenue SE, and the Stampede Trail Festival Street. This location is the most prominent intersection within the Culture & Entertainment District.

ECAC requested that CMLC conduct a site and building design analysis since the proposed event centre site is a central component of the Master Plan. This exercise required an understanding of event centre precedent projects to validate the viability of the event centre site. CMLC reviewed all major precedent North American arenas and event centres to better understand the potential of the site and concluded that the East Victoria Park site can accommodate a variety of arena designs as well as retail and commercial uses around the arena perimeter.

Adjacent to the event centre will be a community space and festival street (on the Stampede Trail Festival Street) which will be a year-round gathering space for the District. Its intimate scale and active edges all contribute to a place that is comfortable and capable of being occupied year-

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round, with and without programming. In addition to everyday functionality, the design of the plaza and Stampede Trail Festival Street will take into account the wide range of functions it will support including the 10 day Stampede event, event centre and BMO Centre events, weekend festivals, farmers' markets, and art shows, and concerts. The plaza will form a cohesive relationship to the event centre and be designed to host game day celebrations and events while allowing space for crowd ingress and egress.

Connecting the event centre to the Culture & Entertainment District has been an important part of the design process. CMLC presented the Rivers District Master Plan to an event centre architectural team and reinforced the importance of the facility integrating into the area to achieve the guiding principles of an authentic, vibrant, resilient, and connected community.

The design investigation focused on testing the event centre program on the site. The program consists of an anticipated arena with a capacity of up to 19,000, 54,000 square feet of retail and commercial space, required loading space, and a 3,000 to 5,000 seat community rink. The architectural team examined various layouts, connections to the site and structural options. That team, along with CMLC, determined that a large mixed-use event centre could be integrated into the District and would complement adjacent development. Many design solutions are available.

The design investigation also included an estimate of construction costs. Two leading local construction firms and a cost consultant estimated a cost of \$550 million to \$600 million in as spent dollars to construct the main arena, community rink, perimeter retail and commercial space, and 100 underground parking stalls. ECAC also collected costs associated with the demolition of the existing Saddledome facility. These are expected to be approximately \$13.8 million dollars in 2023 dollars.

ECAC also secured a traffic impact assessment for the district and an event parking assessment through BUNT & Associates.

Financial Analysis

With CMLC, Administration conducted detailed financial analyses on the project, including estimating the return on investment (ROI) of the event centre for The City.

The projected ROI for the direct City and CMLC benefits is -\$28.9 million (in nominal dollars) or -0.6% from 2019 until the end of the 35-year management and license agreement term. The projected ROI for the project considering both the direct benefits noted above and the indirect City and CMLC benefits of incremental property tax generation in the Rivers District is \$109.9 million (in nominal dollars) or 1.4% over the same period (assuming a 10% acceleration of the build out of the District for purposes of determining the potential CRL benefit to The City from the project).

Based on the combined project costs and benefits to The City and CMLC noted above, the ROI for the most direct benefits from the event centre project are reflected in Scenario 1 in the table below. Scenario 2 incorporates the additional indirect benefit of incremental property tax revenue in the Rivers District as estimated by CMLC.

Summary of ROI:

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Total millions \$ (nominal, as spent/received) unless otherwise stated	<u>Scenario 1</u> City + CMLC (Direct Returns Only)¹	<u>Scenario 2</u> City + CMLC (Direct + Indirect Returns)¹	<u>Comments</u>
City Share of Design and Construction	275.0	275.0	
Saddledome Demolition and Reclamation	12.4	12.4	
Transaction costs	3.0	3.0	
TOTAL PROJECT COSTS	290.4	290.4	
Direct Project Benefits	261.5	261.5	
Indirect Rivers District Benefits	0.0	138.7	CMLC estimated incremental property tax generation by assuming 10% incremental market absorption in the Rivers District until 2057
TOTAL PROJECT BENEFITS	261.5	400.3	
Project (Grant) / Receipt	-\$28.9M	+\$109.9M	Total Project Costs less Benefits (in nominal dollars); no time value of money reflected
Internal Rate of Return (IRR)	-0.6%	+1.4%	

1 Note: Totals may not add up due to rounding.

At this time, certain revenues and expenses, such as The City's share of any costs associated with providing incremental City essential services in excess of those provided today, incremental insurance costs, and major structural repairs that are the responsibility of The City, cannot be estimated.

Administration recommends that the direct revenue related to the facility fee and naming rights to be received as a result of the event centre agreements be transferred into the MCPR and be restricted to mitigate downward risk on the CRL revenue assumptions.

A public summary of the due diligence performed on the event centre project is included as Attachment 1. A confidential summary of due diligence activities is included as Attachment 2. It and Attachment 5, the legal and financial analysis, must remain confidential at this time because further negotiations will be required to conclude definitive agreements and some of the information included in those Attachments is legally privileged, commercially sensitive and/or third party information.

The event centre agreements will require that up to \$275 million of cash to cover the design and construction is to be sourced and committed to the project. In addition, funding sources for The City's share of demolition and related acquisition costs of \$15.4 must be identified. Funding categories and amounts that will require Council approval are outlined in Attachment 6.

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The BMO Centre expansion project has been previously approved by Council (C2019-0349). This report anticipates further catalytic development in the Rivers District and additional incremental CRL funds. Further catalyzing development in the Rivers District minimizes the risk that future CRL receipts are inadequate to repay the internal loan arrangements Council approved for the BMO Centre expansion. To support the revitalization of the Rivers District, the Province of Alberta has extended the CRL for an additional 20 years to 2047.

Stakeholder Engagement, Research and Communication

Rivers District Master Plan and ARP

Public engagement leading up to the approval of the Rivers District Master Plan and Beltline ARP is outlined earlier in this report.

ECAC Principles:

One of the Council-approved principles is that "In the event that a funding agreement for an Event Centre is reached between The City of Calgary and external groups, it must be made public and presented to Council for final decision". This report outlines the arrangements contemplated between The City, CSEC and the Stampede.

Public feedback on the terms and conditions of any potential deal reached with CSEC:

On 2019 March 4, Council confirmed that Calgarians would have an opportunity to provide feedback on the terms and conditions of any potential deal reached with CSEC. If Council approves the recommendations outlined in this report, Calgarians will have an opportunity to share their thoughts with members of Council prior to Council's further consideration of this matter at the July 29 Combined Council Meeting.

Public feedback on the event centre facility, programming, access, gathering spaces, and other topics of interest:

On 2019 March 4, Council also confirmed that Calgarians would have an opportunity to provide feedback on these matters.

Strategic Alignment

Constructing the event centre would advance Council's objectives as outlined in the Rivers District Master Plan and the ARP. The construction of the event centre and accompanying community space would also help advance the objectives in Calgary's economic strategy which speaks to collaborative efforts between business, government and community partners to position Calgary as the location of choice for business and investment, foster trade and develop Calgary's workforce and would help advance Council's downtown revitalization strategy.

Social, Environmental, Economic (External)

Economic

Discussed earlier in this report.

Social

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CSEC or the Calgary Flames Foundation will make an annual contribution of \$1.5 million (escalating at 2% for inflation) to community sports in Calgary each year throughout the 35 year term of the agreement and any extension thereto.

Community organizations will receive preferential access to the potential secondary facility.

The Stampede will obtain access to the event centre for 17 days each year for its events.

The City will obtain access to the event centre for five days each year for non-commercial events and access for 20 days each year to the potential secondary facility.

CSEC will create a community engagement program to provide special access to CSEC events at a cost to CSC of approximately \$200,000 per year (indexed to inflation).

CSEC will use reasonable commercial efforts to offer ticket pricing options to attract a wide variety of Calgarians to events held at the event centre.

The creation of a community space in the Culture & Entertainment District will result in a place for Calgarians to gather, build relationships and celebrate.

Financial Capacity

Current and future operating budget:

The City is currently providing essential services to the Saddledome and Stampede areas. Certain revenues and expenses, such as The City's share of any costs associated with providing incremental City essential services in excess of those provided today, incremental insurance costs, and major structural repairs that are the responsibility of The City, cannot be estimated at this time. Any future changes will be brought forward for approval.

Current and future capital budget:

The City's capital contribution for event centre facility costs will be up to \$275 million (in 2019 to 2023 nominal dollars) plus The City's 90% share of the Saddledome demolition costs (currently estimated at \$12.4 million in 2023 nominal dollars) and up to \$3 million in related transaction costs, for a total City cash contribution of \$290.4 million exclusive of any land transfer value, related acquisition costs, excess flood mitigation costs, or community space capital costs that are currently included in the Rivers District Master Plan budget.

A confidential summary of land transactions required to conclude the negotiated arrangement is included as Attachment 7.

Risk Assessment

Capitalizing on an opportunity of this magnitude within The City's anticipated risk tolerance required careful consideration of the benefits and risks associated with this project. Wherever possible, risks have been mitigated or avoided by such strategies as capping The City's costs or exposure and negotiating methods for determining amounts or resolving issues. In addition, many issues were resolved during the course of discussions to date rather than leaving them for resolution during the negotiation of definitive agreements. All parties recognize that this is a comprehensive multi-party package deal. The terms and conditions reflect a much more comprehensive arrangement among The City, CSEC and the Stampede than previously

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imagined possible. While many detailed definitive agreements require negotiation, the parties share an interest in advancing discussions and finalizing agreements as quickly as possible to ensure the further revitalization of the East Victoria Park area through the construction of the event centre and community space and the completion of the BMO Centre expansion.

All parties share an interest in ensuring that each party's good reputation is maintained and enhanced through the negotiation of definitive agreements and the construction of the event centre and community space.

If Administration is unable to conclude agreements with the parties within the fundamental terms and conditions outlined in this report Council will be advised and further direction sought.

Two risk registers have been prepared for this project. A public version of the risk register is included as Attachment 3 and a confidential risk register is provided as Attachment 4. Certain items are considered confidential because negotiations for definitive agreements remain required and the confidential risk register contains commercially sensitive and third party information and legally privileged information, the disclosure of which may be harmful to The City or other parties.

REASON FOR RECOMMENDATIONS

The City, CMLC, CSEC, and the Stampede share an interest in enhancing Calgary's vitality, in revitalizing the East Victoria Park area, in creating an urban culture and entertainment district, in seeing the revitalization of the downtown core, in achieving the objectives in Council's economic strategy, and in offering Calgarians and visitors new experiences and community spaces in which to enjoy community, recreation, cultural, arts, and sporting events.

Council has approved the Rivers District Master Plan and the Beltline ARP and established principles within which negotiations with CSEC and the Stampede were successfully conducted, resulting in this report to Council.

Council has also approved economic and downtown strategies focused on revitalizing the Rivers District including East Victoria Park and the downtown core.

To support the revitalization of the Rivers District, the Province of Alberta has extended the CRL for an additional 20 years to 2047.

Extensive, thorough, thoughtful, and productive discussions between the negotiating team and representatives of CSEC and the Stampede have resulted in a comprehensive multi-party agreement to the fundamental terms and conditions contained in this report subject to approval by each party's approving authority and the negotiation and execution of definitive agreements including these terms. Extensive due diligence on the fundamental terms and conditions has been undertaken by the negotiating team, CMLC and Administration. The ECAC and the negotiating team are supportive of the fundamental terms and conditions. The parties are motivated to conclude negotiations and execute agreements within a short timeframe to allow for public and private sector investments in the Rivers District to be made to result in the construction of an event centre and community space and the acceleration of other

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development in the area to bring life to the Culture & Entertainment District in East Victoria Park for the benefit of all Calgarians.

Approving the recommendations in this report allows the report to be released to the public so that they can provide feedback to Council on the fundamental terms and conditions of the arrangement outlined in this report prior to Council's further consideration around this matter at its 2019 July 29 Combined Meeting.

ATTACHMENTS

- Attachment 1 – Project Due Diligence Summary (Public)
- Attachment 2 – Project Due Diligence Summary (Confidential)
- Attachment 3 – Risk Register (Public)
- Attachment 4 - Risk Register (Confidential)
- Attachment 5 – Legal and Financial Analysis (Confidential)
- Attachment 6 - Update to Financial Strategy (Public)
- Attachment 7 – Land Related Matters (Confidential)