

CALGARYNEXT ANALYSIS FRAMEWORK

EXECUTIVE SUMMARY

This report provides background information, outlines issues, and proposes both guiding principles and a framework for The City of Calgary Administration to support Calgary City Council in determining next steps related to the CalgaryNEXT arena-stadium/fieldhouse project. This Project was proposed by the Calgary Sports and Entertainment Corporation, the organization which owns the Calgary Flames, the Calgary Stampede, the Calgary Roughnecks, and the Calgary Hitmen, on 2015 August 18.

MAYOR'S OFFICE RECOMMENDATIONS

That Council:

1. adopt the guiding principles identified in this report under the heading "Investigation: Alternatives and Analysis - Guiding Principles";
2. direct Administration to proceed with Phase 1 of the work identified in this report under the heading "Investigation: Alternatives and Analysis - Workplan - Phase 1";
3. direct Administration to enter into an agreement with the Calgary Municipal Land Corporation to undertake the work that is to be performed by Calgary Municipal Land Corporation as specified in this report; and
4. direct Administration to provide Council with the results of the Phase 1 work and recommendations arising from the report no later than 2016 April 30.

PREVIOUS COUNCIL DIRECTION / POLICY

There is no previous City of Calgary ("**The City**") Council ("**Council**") direction on the CalgaryNEXT arena-stadium/fieldhouse project. However, there is previous Council direction on the Foothills Athletic Park Fieldhouse ("**Foothills Fieldhouse**") and the development of the West Village area ("**West Village**").

West Village

On 2010 July 19, Council approved the West Village Area Redevelopment Plan ("**West Village ARP**"), which provides long range planning, policy, and land use direction for West Village as adopted through Bylaw 17P2010.

On 2012 April 23, Council approved NM2012-22 Notice of Motion requesting the Calgary Municipal Land Corporation ("**CMLC**") to examine opportunities for next steps in the business plan including but not limited to West Village. This report was presented to the shareholder in October 2012.

On 2014 March 24, Council, in its capacity as sole shareholder of CMLC, passed a resolution directing CMLC to undertake due diligence on two long term strategic development opportunities, including West Village.

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At the 2015 February 11 CMLC shareholder meeting, the shareholder passed a resolution that directed CMLC to undertake work to support the redevelopment of the West Village, including but not limited to environmental and legal investigations related to the potential future redevelopment of the site. Resources to undertake this work were included in the CMLC budget approved by Council.

Foothills Fieldhouse

On 2010 July 19, Council approved in principle CPS2010-47 Foothills and Glenmore Athletic Park Concept Plan; and directed The City of Calgary Administration ("**Administration**"), subject to available financing, to proceed in the planning process for Foothills and Glenmore Athletic Parks and report back to SPC on Community and Protective Services no later than 2011 October.

On 2010 July 19, Council adopted Alderman Pincott's Motion Arising with respect to CPS2010-47, directing Administration to complete additional research required; and further that \$500,000 be transferred from the Reserve for Future Capital to Recreation Program 507 to fund this work. On 2011 November 7, Council approved CPS2011-51 Foothills and Glenmore Athletic Parks – Deferral Request; and directed Administration to bring forward the Foothills and Glenmore Athletic Park report no later than 2012 March.

On 2012 March 19, Council approved CPS2012-10 Foothills and Glenmore Athletic Parks Update – Deferral Request; and directed Administration to bring forward the Foothills and Glenmore Athletic Park report no later than 2012 November.

On 2012 November 19, Council approved CPS2012-0771 Foothills and Glenmore Athletic Parks Update – Deferral Request; and directed Administration to bring forward a revised site plan for the Foothills Fieldhouse and Athletic Park along with the associated phasing implications for Glenmore Athletic Park no later than 2013 May.

On 2013 April 22, Council approved CPS2013-0351 Foothills Fieldhouse – Progress Update; and approved in principle, the revised location for the Foothills Fieldhouse and received for information the potential funding options for supporting the development of a Fieldhouse.

BACKGROUND

CalgaryNEXT is a proposed arena-stadium/fieldhouse complex which would include a 20,000 seat arena/event centre for hockey games and concerts as well as a multi-purpose fieldhouse stadium that would include a International Federation of Association Football ("**FIFA**") sized soccer field, a 400-metre indoor running track, and a Canadian Football League ("**CFL**") football field with seating for 30,000+ ("**CalgaryNEXT**" or "**the Project**"). The Project was proposed to the public by Calgary Sports and Entertainment Corporation ("**CSEC**") on 18 August 2015. The City Manager requested a written proposal from CSEC and a letter was received on 2 September 2015 (see attachment 2).

The proposed location for the Project is adjacent to the Bow River north of the community of Sunalta in West Village. The Project would replace the Scotiabank Saddledome located on the Calgary Stampede grounds which was built in 1983 and the McMahon Stadium which was built in 1960.

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CSEC estimates that CalgaryNEXT will cost \$890 million for the building, excluding the cost of the land. The majority of the land on which the Project would be located is owned by The City. CSEC's proposed funding formula for CalgaryNEXT would require a \$690 million financial commitment from The City and a \$200 million financial commitment from the CSEC assuming that The City provides the financing for the ticket tax. The City component would consist of a \$240 million community revitalization levy ("CRL"), a \$250 million loan to be repaid by a ticket tax, and \$200 million from The City's capital budget.

The funding formula does not include the cost of the land or the cost of remediating the contaminated land in West Village, infrastructure for the Project and redeveloped neighbourhood or any required improvements to the adjacent road, transit and river pathway network, nor the terms and conditions under which CSEC would use the Project. The City has not allocated any funds that could be applied to this project in its 2015-2018 capital budget.

Before The City initiates public consultation, Council and Administration need to understand whether the Project is feasible. This requires further examination of the environmental contamination on the proposed site, the operational requirements of the fieldhouse, and the revenue potential of the CRL. This report sets the stage for the first phase of work which would address land contamination and The City's operational needs for the fieldhouse. It is important to note that The City has not received an application for CSEC for CalgaryNEXT, and it will be necessary for Council to determine how much work should occur without receiving an application and associated fees.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

To guide Administration in supporting Council in responding to the CalgaryNEXT proposal, this report proposes the following: (1) guiding principles for all work pertaining to CalgaryNEXT and; (2) a workplan for Administration to analyze the CalgaryNEXT proposal in order to support Council's decision making process.

Guiding Principles

To ensure that all decisions and work related to CalgaryNEXT are undertaken in the best interest of Calgarians, the Mayor's Office recommends the following guiding principles be adopted for all work related to CalgaryNEXT:

1. Public money must be used for public benefit;
2. There must be extensive stakeholder consultation, public engagement, and open and transparent communications with Calgarians regarding the CalgaryNEXT proposal;
3. West Village must be designed and developed as a vibrant mixed-use neighbourhood;
4. Any new fieldhouse must meet the needs of key stakeholders including but not limited to, the University of Calgary, amateur sports groups, and the general public;
5. Any new arena-stadium/event facility located within or near Calgary's centre city, must compliment the existing amenities of the centre city, and contribute to the centre city's long term vibrancy and appeal; and
6. The cost for remediating contamination of the West Village site should be the responsibility of the polluter(s), to the extent that such recovery is legally possible.

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Aligning all City directed work related to the CalgaryNEXT proposal to these principles will ensure a transparent process and the best possible outcome for Calgarians.

Workplan

The CalgaryNEXT proposal raises a number of questions and issues that will have to be addressed. Given that detailed analysis and public engagement on all of these issues at once would require the allocation of significant resources, including personnel and operating budget, the Mayor's Office is recommending a multi-phase process. At the end of the first phase, Administration would report back to Council with the results of its analysis and recommendations. Council would then decide if it wants to proceed with or modify the next phase of work. This approach would ensure that The City's resources are used effectively and would provide Council with multiple off-ramps throughout the process.

The Mayor's Office has identified five primary considerations which should be addressed in the first phase of analysis ("**Phase 1**"). These are primary considerations which could ultimately determine the feasibility of the proposal early in the process. Based on the decisions made by Council with the information received during this first phase, Administration could then be directed to proceed with the next phase of work. However, if Council determines that the CalgaryNEXT project is not feasible as proposed, Council could pursue other options, which could include directing Administration to develop alternatives or requesting CSEC to submit an alternative proposal.

Phase 1

1. **Understanding the CSEC Proposal:** The Mayor's Office proposes that Administration would meet with the CSEC CalgaryNEXT project team to better understand the proposal and gather any additional information and materials required to undertake the work outlined in this report. Administration would request copies of the research and analysis undertaken by CSEC with respect to CalgaryNEXT, including but not limited to feasibility studies, preliminary designs, business plans, and financial information. In addition, these materials will be reviewed and used to inform the Phase 1 analysis and further refine the work in subsequent phases of the evaluation of the proposal.
2. **West Village Contamination:** The proposed project location in West Village has a long history of commercial and industrial uses that were or are potentially sources of contamination. The most significant contamination source for the area is the former Canada Creosote business site. The CSEC proposed funding scheme does not address the costs of site remediation or risk management, and only suggests that a previous landowner be held responsible for these costs.

The current environmental and legal analysis that is being undertaken by CMLC related to West Village shall be expanded to include:

- (a) A comprehensive investigation and assessment of the extent of the environmental contamination and whether there is any urgency with respect to remediating the contamination;

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- (b) A comprehensive assessment of the remediation, risk management, and/or mitigation options available to The City in order to develop the West Village into a vibrant mixed-use neighbourhood and the estimated cost of implementing such options;
 - (c) A regulatory and legal analysis with respect to The City's ability to require the polluter to pay for the cost of the remediation, risk management, and/or mitigation;
 - (d) An identification and assessment of funding options from the federal and provincial governments and related agencies; and,
 - (e) An estimated timetable for implementing the identified remediation, risk management, and/or mitigation options.
3. **Fieldhouse:** The City has unfunded plans for a multi-purpose fieldhouse to be built at Foothills Athletic Park, near McMahon Stadium. The development of this public facility requires an investment of \$202 million, based on \$94 million for the fieldhouse building (including a 400m indoor track and FIFA sized field) and \$108 million for the associated support/sport spaces, site clearing, site redevelopment, parking and project soft costs. There has been extensive stakeholder consultation regarding the Foothills Fieldhouse and significant discussions with the University of Calgary to be a partner in this project. Central to The City's vision for the fieldhouse is public accessibility and usability, supporting the amateur sporting community, and partnering with the University of Calgary. The Foothills Fieldhouse did not contemplate the use of the fieldhouse as a CFL football stadium, and excludes the cost of remediation and infrastructure that would be required to support the Project.

The CalgaryNEXT project proposes to re-locate the fieldhouse and integrate it within this development and design so it can be used as an indoor football stadium for the Calgary Stampeders. CSEC believes that there will be construction savings of approximately \$330 million by combining the fieldhouse, the stadium, and the arena into one facility. The estimated cost savings appear to be based on the assumption that McMahon Stadium would be replaced rather than renovated.

The Mayor's Office proposes that Administration prepare an analysis with respect to the fieldhouse to support Council in determining if it wishes to change its decision regarding the fieldhouse location. The analysis would include:

- (a) A preliminary analysis of the feasibility of a multi fieldhouse/arena facility including the implications of incorporating these facilities within one building;
- (b) Consulting with the University of Calgary with respect to the features they require in a fieldhouse so that the facility would serve the University effectively and also satisfy the needs of its students and stakeholders. In particular, the consultation should include a discussion with respect to the implications of locating the fieldhouse in the West Village instead of the Foothills Athletic Park;

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- (c) Consulting with the community stakeholders of the fieldhouse, including the Calgary Multisport Fieldhouse Society, Sport Calgary, the amateur athlete community and the general public with respect to the features that they require in a fieldhouse so that the facility can satisfy the needs of the stakeholders. In particular, the consultation should include a discussion with respect to the implications of locating the fieldhouse in the West Village instead of the Foothills Athletic Park;
 - (d) Consulting with the McMahon Stadium Society to understand what renovations are required to the stadium to improve the customer experience and the estimated cost of such renovations;
 - (e) A preliminary analysis of the feasibility of incorporating a CFL stadium into a fieldhouse, the operational and space requirements of the Calgary Stampeders, and the impact a CFL team would have on the operations of the fieldhouse with respect to the other stakeholders; and
 - (f) Consulting with the University of Calgary with respect to the implications of the Calgary Stampeders relocating to CalgaryNEXT and their short-term and long-term plans for the McMahon Stadium land and the implication of those plans to The City.
4. **Community Revitalization Levy:** The Mayor's Office proposes that CMLC conduct an analysis of the revenue potential for the CRL. This analysis should include a comparison of the potential revenue that could be generated if the West Village is developed: (i) without CalgaryNEXT; (ii) with CalgaryNEXT as proposed; and (iii) with CalgaryNEXT located in a different portion of the site.
5. **Other Impacted Organizations:** Calgary Economic Development ("CED") has already met with some of the stakeholders with respect to CalgaryNEXT and Calgary's economic strategy. Administration would work collaboratively with CED to understand the issues and concerns from impacted organizations such as the Calgary Stampede, the Calgary Convention Centre, the Saddledome Foundation, Tourism Calgary, and other relevant stakeholders.

The Mayor's Office proposes that Administration address these five primary considerations and provide a report to Council with recommendations and information required for Council to decide on whether to proceed to a potential Phase 2.

It is anticipated a Phase 1 report be provided to Council by 2016 April 30.

Phase 2

At the end of Phase 1, Council would determine whether the Project is feasible. If the Project is not feasible, as proposed, Council could direct Administration to develop alternatives or request CSEC to submit an alternative proposal.

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Alternatively, if Council concludes that the Project could be feasible, Council could direct Administration to proceed with Phase 2 which would potentially include a detailed analysis of CalgaryNEXT on the future of West Village and downtown Calgary. It is expected that Phase 2 would respond to Phase 1 findings, and that the issues outlined below would be revisited, based on the outcomes of Phase 1 and subsequent Council direction. Phase 2 may include analysis related to the following:

1. **Future of West Village:** The proposed CalgaryNEXT project would have a significant impact on West Village. Council approved the West Village ARP in 2010, which plans and directs future development in the West Village area. The West Village ARP provides a clear policy framework supporting a mixed-use, dense, Transit Oriented Development ("TOD") residential neighbourhood and does not consider a large scale sporting facility within this plan. CalgaryNEXT would have a significant impact on the future character of the West Village area. Advancing development at the proposed CalgaryNEXT site would also have impacts on other redevelopment areas including Westbrook and East Village.

The Mayor's Office proposes that Administration collaborate with CMLC to prepare a report to Council with information on the impacts of the CalgaryNEXT proposal on West Village, including impacts on existing and proposed land use, impacts on existing and requirements for additional infrastructure, potential opportunities and/or challenges, compatibility of the proposal with other potential forms of development in the area, impacts on surrounding communities and the development of other TOD projects and redevelopment areas, and an assessment of the opportunities and challenges of the proposed CalgaryNEXT in spurring suitable development in the area.

2. **Future of Calgary's centre city:** The proposed CalgaryNEXT project would have a significant impact on downtown Calgary. Council approved the Centre City Plan in 2007 which set a strategic long term vision for the Calgary's centre city. Though the CalgaryNEXT site is adjacent to 14 Street SW (the boundary of the Centre City Plan), it would none the less have a significant impact on downtown Calgary and its existing amenities and destinations (including Stampede Park).

The Mayor's Office proposes that Administration report to Council with information on the impacts of the CalgaryNEXT proposal on downtown Calgary, including impacts on transportation, cycling, and pedestrian infrastructure, local economy, Business Revitalization Zones, existing destinations, and compatibility with the long term vision in the Centre City Plan.

It is expected that Phase 2 would include robust public consultation related to the future of West Village as well as high level master planning analysis of both the West Village area and downtown Calgary.

Understanding the impacts of CalgaryNEXT on the future of West Village, downtown Calgary, and the surrounding area is proposed to be undertaken in the second phase of analysis given the comprehensive engagement and level of work required. Following an information report on Phase 2, it is anticipated Council would provide direction for Administration to move forward with additional work to support further decision making or reject the CalgaryNEXT proposal in its current form.

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Subsequent Phases

Further analysis will be necessary if Council, upon receiving information reports from Phase 1 and 2, decides to move forward with further exploration of the CalgaryNEXT proposal. Administration would be directed to develop the next phases of the work and present a workplan for Council approval. The work in subsequent phases of the analysis would address the remaining issues arising from the CalgaryNEXT proposal which may include issues such as:

1. Infrastructure and mobility considerations of the proposed project (transportation upgrades, parking and accessibility, utilities and services, LRT station and system capacity, flood mitigation);
2. Future land and facility ownership, leasing and operating and revenue allocation scenarios;
3. Review of other potential arena locations (including the Stampede Grounds);
4. Any potential bids for major international sporting events;
5. The future of the Calgary Saddledome;
6. The future of McMahon Stadium;
7. The impacts of the proposed development on the Foothills Athletic Park;
8. The impacts of the proposed development on the Calgary Stampede;
9. The impacts of the proposed development on Calgary Convention Centre;
10. The future of the Greyhound Bus operations in Calgary;
11. The future of the existing leases in the West Village;
12. Operating and capital budgetary considerations;
13. Case studies from similar developments in other North American cities;
14. Project phasing.

Stakeholder Engagement, Research and Communication

In coordination with all phases of this work, Administration would develop a thorough communication and stakeholder engagement strategy to ensure clear and consistent communication and consultation regarding the CalgaryNEXT proposal. It is essential that Calgarians are informed and engaged in this discussion.

Communications Strategy: Administration would develop a transparent, integrated, proactive, and robust communications strategy that would be integrated through the entire decision making process to ensure all Calgarians understand what is happening and at what points they will be engaged regarding the CalgaryNEXT proposal. This communication strategy could also include potential risks, risk management tactics, and key messages to ensure the proposal conversation remains positive and productive. It may be necessary to develop targeted communications approaches and tactics for specific purposes (i.e. communicating with the surrounding neighbourhoods, the sporting community etc.). Administration will also work with CSEC, CED, and CMLC where and when possible, to ensure alignment in messaging and communications.

Stakeholder Engagement: Administration would develop a comprehensive stakeholder engagement strategy which would ensure that various stakeholders have meaningful input into the CalgaryNEXT proposal at appropriate times. While some targeted stakeholder consultation would occur in Phase 1, it is anticipated that broader and more comprehensive consultation with the public would occur in Phase 2 and subsequent phases.

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Strategic Alignment

The recommendations set forth in this report will ensure that decisions related to the CalgaryNEXT proposal are aligned to The City's Municipal Development Plan (2009), West Village Area Redevelopment Plan (2010), Action Plan 2015-2018 and Centre City Plan (2007).

Social, Environmental, Economic (External)

Social

Social implications of the CalgaryNEXT proposal would be considered through all phases of collection and analysis of information. These implications would be highlighted to Council once Administration returns with an update.

Environmental

Environmental implications of the CalgaryNEXT proposal would be considered through all phases of collection and analysis of related information. These implications would be highlighted to Council once Administration returns with an update.

Economic (External)

Economic implications of the CalgaryNEXT proposal would be considered through all phases of collection and analysis of related information. These implications would be highlighted to Council once Administration returns with an update.

Financial Capacity

Current and Future Operating Budget:

There are no implications on the current City operating budget. Phase 1 environmental related work needs to be undertaken to prepare the West Village lands for development regardless of which form it takes. It is anticipated that work related to fieldhouse analysis and the future of West Village could be undertaken with existing resources. If a Council decision is made to advance discussions to Phase 2, there may be implications on the current operating budget to undertake additional work. It is anticipated that Administration would return to Council with details on these implications. It is also anticipated that CSEC would be called on to contribute to this work when and where appropriate.

A constructed CalgaryNEXT would have impacts on future City operating budgets. This would be addressed during Phase 3 and subsequent Phases of a decision making process.

Current and Future Capital Budget:

The proposed funding formula requires \$690 million in public funding, excluding the cost of the land, remediation of the environmental contamination and the infrastructure required to make the West Village a complete community and any required improvements to the adjacent transportation network.

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Risk Assessment:

This report sets a framework for effective risk identification and management pertaining to CalgaryNEXT and will support City Council in making informed decisions regarding the Project and associated risks.

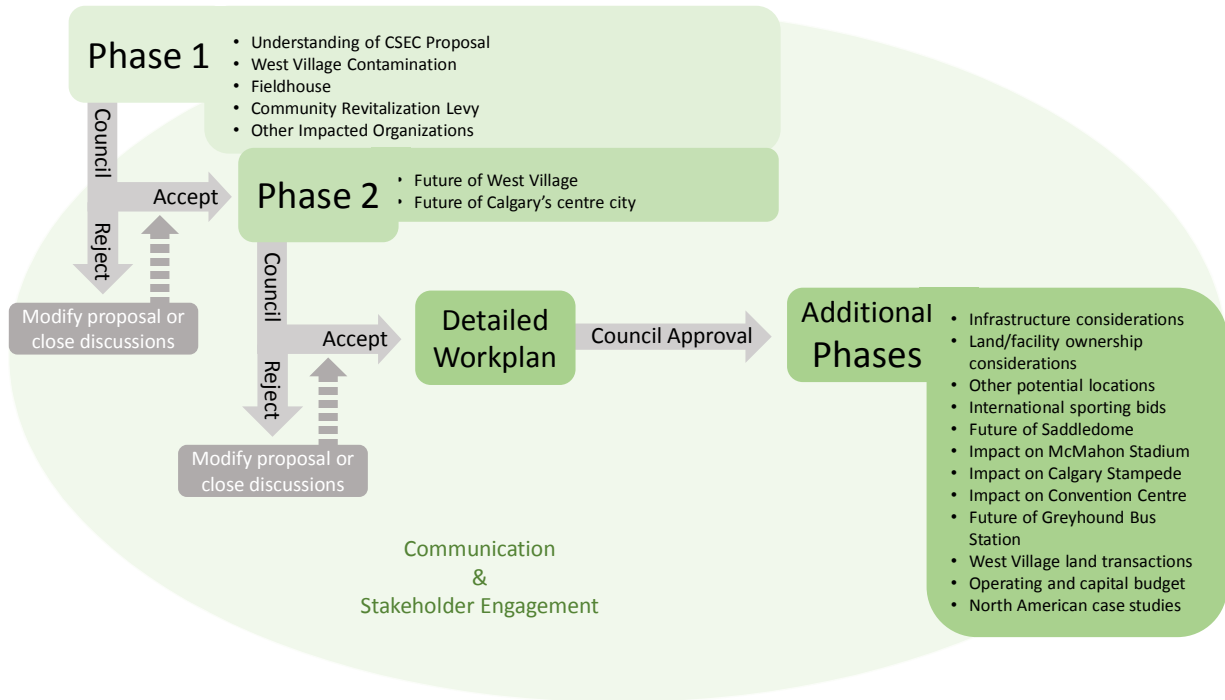
REASONS FOR RECOMENDATIONS:

Council direction to undertake the work indicated in this report would position Administration to move forward with work related to the CalgaryNEXT proposal in a coordinated and efficient way.

ATTACHMENTS

1. Decision Making Flowchart
2. CSEC Letter

CALGARYNEXT ANALYSIS FRAMEWORK - DECISION MAKING FLOWCHART





CALGARY SPORTS AND ENTERTAINMENT CORPORATION

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September 2, 2015

Mr. Jeff Fielding
City Manager
The City of Calgary
P.O. Box 2100, Stn M (#8003)
800 Macleod Trail SE
Calgary, AB
T2P 2M5

Dear Mr. Fielding:

RE: CalgaryNEXT Proposal

Thank you for your continued input and guidance relative to our above noted proposal. I represent the ownership group of Calgary Sports and Entertainment Corporation (CSEC) and the owners of the Calgary Stampeders (2012) Limited Partnership (CSLP).

Over an extended period we have had informal discussions with Mayor Nenshi on the concept for a new multi-use facility. The vision, once limited to the creation of a new event centre to replace the Scotiabank Saddledome, has evolved to become a fully integrated facility that includes an event centre, public field house and a football stadium within the field house. We listened carefully to suggestions on how we might better create a project and environment conducive to the successful execution of the project.

West Village was chosen as the best candidate to locate the facility for a number of reasons including, but not limited to, the splendid opportunity to stimulate the examination and ultimate clean up of a decades long environmental contamination caused by a former creosote treatment plant. We can also begin the process to develop the balance of West Village to its greatest potential.

In the preceding months we shared our vision, on a confidential basis, with the Mayor and members of Calgary City Council as well as other potential stakeholders. The proposal included a funding model as well as preliminary conceptual drawings of the proposed project and our "vision" for an important City of Calgary opportunity. A number of issues were identified but, as we all know, all ambitious city building concepts face challenges.

Feedback from the confidential sessions, while not without issues, was encouraging and we were urged to share our vision and begin public discourse.

On Tuesday, August 18th, 2015 we shared our vision with the public at large through information sessions and a media briefing that included Deputy Mayor Diane Colley-Urquhart and Councillor Evan Woolley. Several members of Council were also in attendance for the public briefings. The response from the inaugural and subsequent information sessions has been very positive notwithstanding the myriad of questions anticipated and arising from the concept.

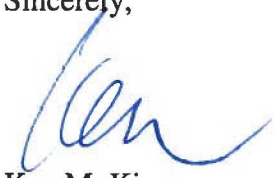
Mayor Nenshi provided an immediate response to our public conversations and reiterated the challenges facing such a project. He also indicated he was "intrigued" by the proposal.

We remain encouraged by both the public and political response and wish to move to a more formal discussion on the proposal. It is my understanding that the next step may require Council to provide direction to City Administration to begin formal work on the file.

We are anxious and willing to work closely with whomever we are directed. To begin I would ask for guidance in terms of what you or Council may require to commence our dialogue and formal discussions.

Thank you for your assistance to date and we look forward to working closely with you on the project.

Sincerely,



Ken M. King
President and CEO
Calgary Sports and Entertainment Corporation

cc: Mayor Naheed Nenshi
Chima Nkemdirim
N. Murray Edwards, Chairman, CSEC ✓