



**Attachment 5**  
**FINANCIAL ANALYSIS**  
**INTRODUCTION**

In 2019, Administration conducted detailed financial analyses to support the Project approvals by Council on 2019 July 29 (C2021-0964). The financial analysis has evolved through design with an update completed on revised budget estimate for the Project and agreed upon terms and conditions between The City of Calgary and Calgary Sports and Entertainment Corporation and The City and Calgary Exhibition and Stampede Limited, including the estimated rate of return of the Event Centre for The City. This attachment has been written to be a stand-alone, summary of material information included in the financial analysis. All values are stated in millions of nominal Canadian dollars, unless otherwise specified.

**EXECUTIVE SUMMARY**

The Event Centre principles are foundational to the financial analysis of this project. In particular 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, and the Event Centre must be a catalyst to attract further vibrancy and investment as an anchor for further development in a mixed-use neighborhood.

There are two calculations of rate of return associated with this project: one based on direct returns (i.e. returns or cost avoidance directly attributable for The City and the Calgary Municipal Land Corporation) and indirect returns (i.e. in accordance with the negotiating mandate to include a return to the Community Revitalization Levy that will leverage other forms of investment.)

The projected rate of return for the Project considering both the direct benefits noted above and the indirect City and Community Revitalization Levy benefits of incremental property tax generation in the Rivers District is \$98.5 million, or 1.3% over the same period. The projected net present value for the Event Centre project for the direct City and the Calgary Municipal Land Corporation benefits is -\$48.0 million, or -0.8% from 2019 until the end of the 35-year proposed management and license agreement term, assuming a 2.5% discount rate.

**FINANCIAL ASSUMPTIONS OVERVIEW**

Key financial assumptions that defined The City financial analysis were developed in 2019 with guidance from the negotiating team and based on proposed deal terms and an underlying knowledge of the Project from City conducted due diligence. These assumptions are subject to change through various stages of development and operations. The notable assumptions include, but are not limited to the following:

- An overall Project schedule including design, procurement and construction timelines;
- Estimated Project budget and cash flow profiles of forecast construction expenditures;
- Estimate of City Additional Costs including excess flood mitigation, off-site levies and excess site remediation;

- The City's capital and operating funding obligations related to the Rivers District Mobility and Event Management Plan, currently excluded from the cost and benefit summary;
- Update to The City's third-party revenue forecasts to reflect The Calgary Sport and Entertainment Corporation's ticket pricing model; and
- The Community Revitalization Levy uplift assumptions as incremental development forecasts materialize.

## **COSTS AND BENEFITS SUMMARY**

### **Capital, Operations and Maintenance Costs**

The City's capital contribution for Event Centre will be up to \$287.5 million towards design and construction, \$12.4 million (90% share) of the Saddledome demolition costs, up to \$3 million in related transaction costs, and \$10 million in Additional Costs for excess flood mitigation and offsite levies - total City cash contribution to the project is \$312.9 million, excluding of land transfer value and excess site remediation costs.

Most of design and construction expenditures are anticipated to occur between 2021 and 2027. The City intends to fund its pro-rata share of Project costs on a cash basis with no City borrowing being currently contemplated, therefore reducing associated financing costs.

All operations, maintenance and repairs costs (other than major structural repairs) of the Event Centre will be Calgary Sport and Entertainment Corporation's responsibility. The City, as the owner of the Event Centre, will be 100% financially responsible for uninsured major structural repairs of the Event Centre. The City recognizes some level of capital costs will occur in future periods and the nature and extent of those costs and funding sources remain unknown.

The rate of return analysis does not include the costs associated with the Rivers District Mobility and Event Management Plan, that The City and Calgary Sport and Entertainment Corporation have agreed The City would fund 100% of capital improvements identified by the plan and 50% of the incremental operations costs for the plan, if required.

### **Direct Return**

The projected direct benefits to The City include the following in order according to their impact on The City's rate of return:

- **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.
- **Community Sports Payment**
  - Each year over the 35-year term, Calgary Sport and Entertainment Corporation or the Calgary Flames Foundation will make an annual contribution of \$1.5 million (escalating at 2% for inflation) to community sports in Calgary.
- **Property Taxes**
  - Property taxes will be paid on all street facing retail at the Event Centre.
- **Community Engagement Program**
  - Calgary Sport and Entertainment Corporation will create a community engagement program to provide special access to Calgary Sport and

Entertainment Corporation events at a cost to Calgary Sport and Entertainment Corporation of approximately \$200,000 per year (indexed to inflation).

- Naming Rights
  - Calgary Sport and Entertainment Corporation will pay to The City \$250,000 per year for 10 years in recognition of the naming rights for the Event Centre.

### Indirect Return

The Calgary Municipal Land Corporation estimates that the Event Centre will stimulate incremental private development resulting in incremental property tax uplift within the Community Revitalization Levy area. The financial analysis includes an estimate of this amount over the 35-year of the Management and Lease agreement.

### Rate of Return

Based on the estimated combined project costs and benefits to The City and CMLC noted above, the rate of return from the Event Centre project are as follows:

*Millions of nominal Canadian dollars, unless otherwise stated*

Key Assumption	City + CMLC (Direct Returns Only) <sup>1</sup>	City + CMLC (Direct + Indirect Returns) <sup>1</sup>
Design and Construction Costs	287.5	287.5
Saddledome Demolition and Reclamation	12.4	12.4
Transaction Costs	3.0	3.0
Additional City Costs	10.0	10.0
<b>TOTAL PROJECT COSTS</b>	<b>312.9</b>	<b>312.9</b>
Total Direct Return	264.9	264.9
Total Indirect Return	-	146.5
<b>TOTAL PROJECT BENEFITS</b>	<b>264.9</b>	<b>411.4</b>
Project (Grant) / Receipt	(48.0)	98.5
Net Present Value (2.5% discount rate)	(136.8)	(54.5)
Rate of Return	-0.8%	1.3%