

Facilities Update C2019-0964

Combined Meeting of Council – 2019 July 22

Glenda Cole, Q.C., City Manager
Carla Male, Acting Chief Financial Officer
Barry Munro, FCA, Ernst & Young LLP
Michael Brown, President and CEO, CMLC

Overview

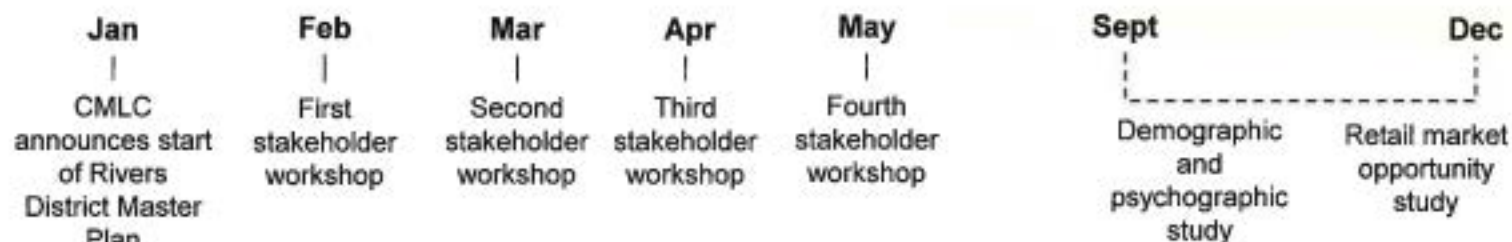
- Previous Council / Committee Direction
- Event Centre – A Closer Look
- Event Centre Agreements
- Event Centre Financial Analysis
- Administration Recommendations
- Communications Plan



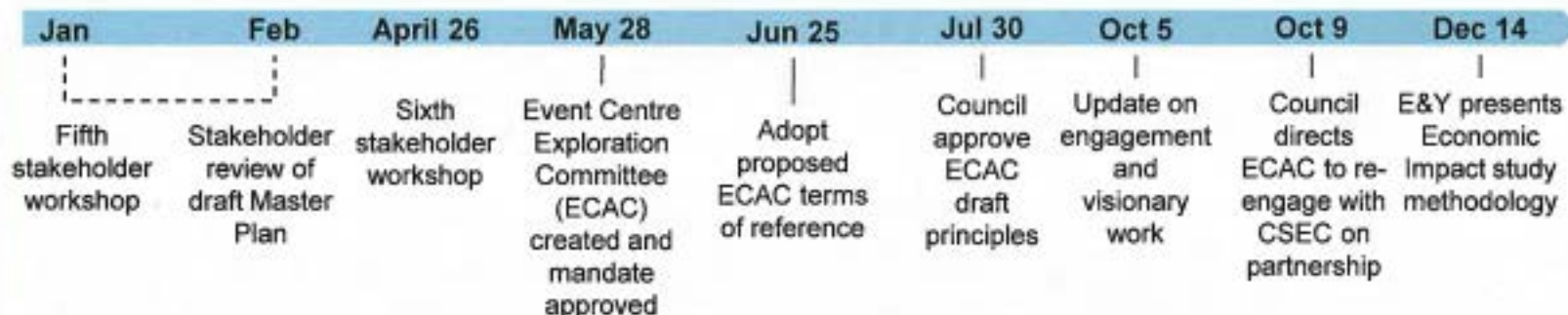
Previous Council / Committee Direction

Previous Council and Committee Direction

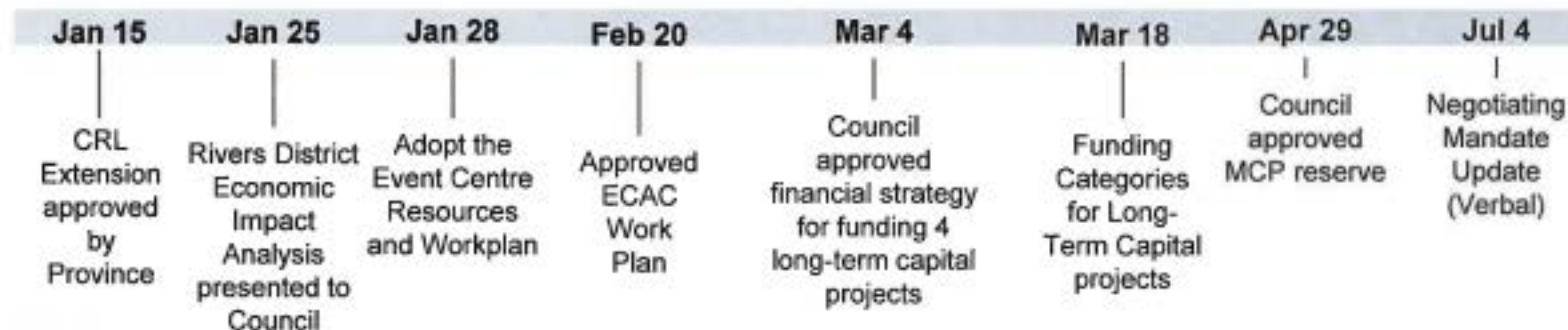
2017



2018



2019



Event Centre Mandate Approved on May 28, 2018

“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.”

1. Build upon past work done in relation to the event centre
2. Identify key opportunities, issues, risks, and concerns
3. Identify, consult and collaborate with key internal and external stakeholders
4. Explore options with respect to a location that fits the long-term strategic development goals and initiatives of The City
5. Pursued existing options and any new opportunities to develop a financing and funding framework
6. Returning to Council with a formal recommendation

ECAC Principles Approved on July 30, 2018

1. The Event Centre should be a gathering place for all Calgarians that includes, but is not limited to: concerts, assemblies, festivals, professional and amateur sports, linked to an outdoor gathering space
2. 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
3. The Event Centre must be a catalyst to attract further vibrancy and investment as an anchor for further development in a mixed-use neighbourhood
4. 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
5. The Event Centre could be a partnership between The City of Calgary / and external parties
6. While negotiations will be kept private, there will be engagement with the public throughout the process whenever possible to ensure transparency
7. If 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



Event Centre Financial Strategy Approved on March 4, 2019

- Event Centre Timeline: 2019 to 2022 (design and construction)
- Required conditions (in addition to base project assumptions) to be determined and reported to Council for the four Long Term Unfunded Projects, including the Event Centre:
 - For all four proposed projects:
 - Finalize scope and timing, partnership agreements
 - Event Centre:
 - Finalize negotiating mandate
 - Confirmation of project land value for core Event Centre project
 - Determine next steps

Catalyzing Development in the Rivers District



Site Plans



Result of Negotiations Between The City, CSEC and the Stampede



Key Deal Terms: CSEC and The City

1) Ownership

- The City will own the Event Centre and the land the Event Centre is constructed on

2) 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

3) 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)

4) 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

Key Deal Terms: CSEC and The City – Continued

5) 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

6) Development Manager

- CMLC will oversee design and construction

7) Funding

- Each party will pay its respective costs as incurred
- Both parties will provide financial security to support their payment obligations



Key Deal Terms: CSEC and The City – Continued

8) 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.

9) 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

Key Deal Terms: CSEC and The City – Continued

10) 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

11) 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

12) 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

Key Deal Terms: CSEC and The City – Continued

13) 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

14) 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)

15) Access to Event Centre

- The Stampede will be provided access to the Event Centre for 17 days each year for its events
- 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



Key Deal Terms: CSEC and The City – Continued

16) 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

17) 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

Key Deal Terms: CSEC and The City – Continued

18) 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

19) Flames Commitment to Calgary

- CSEC will not relocate the Calgary Flames during the 35 year license term

Key Deal Terms: Stampede and The City

1) 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

2) 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

3) Parking

- The Stampede will manage substantially all parking on Stampede Park
- 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

Key Deal Terms: Stampede and The City – Continued

4) 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

5) Access to Event Centre

- The Stampede will be provided access to the Event Centre for 17 days each year for its events

6) 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

Financial Analysis



Event Centre Investment

Project Capital Spend

(2019 to 2023)

\$275.0 million¹ – 50% of \$550.0 million¹ Event Centre Capital (including \$2 million flood mitigation costs)

Incremental Costs

TOTAL \$15.4 million

- **\$12.4 million¹ Saddledome demolition and reclamation**
- **\$3.0 million related transaction costs**

**City of Calgary costs
\$290.4 million**

Land Value

In-Kind Transfer

Other Potential Future Costs

- Potential major structural repairs for the Event Centre (if any)
- Incremental City essential services (if any)
- Incremental flood mitigation costs greater than \$2.0 million (if any)
- Potential incremental insurance costs associated with the Event Centre location (if any)
- Community space construction (already within CMLC workplans)²

1. Presented in nominal dollars.

2. \$5.0 million in community space construction costs are included which are already approved in CMLC workplans.

Return on Investment



Return on Investment Summary

City of Calgary + CMLC Return (35-year MLA period)	Scenario 1	Scenario 2
Total millions \$ (nominal, as spent)	Direct Returns Only	Direct + Indirect Returns
City Facility Fee (2.0% net fee on gate admission)	155.1	155.1
Naming Rights	2.5	2.5
Property Tax (Event Centre Street-Facing Retail)	19.4	19.4
Community Sports Payments	75.0	75.0
Community Engagement Program	9.5	9.5
TOTAL DIRECT RETURN	261.5	261.5
Indirect Return from Rivers District Incremental tax generation (2023-2057)	0.0	138.7
TOTAL EVENT CENTRE RETURN	261.5	400.3
CITY	290.4	290.4
CITY + CMLC RETURN ON INVESTMENT¹	-0.6%	+1.4%

- Financial return over the 35-year term of the MLA
- Estimated direct project benefits to City and CMLC:
 - City Facility Fee: 2% of gate admission escalated over 35 years, for a total fee revenue of \$155.1 million
 - Local Community Sports Payments: \$75.0 million over 35 years
 - Share in Naming Rights: \$2.5 million over 10 years
 - Retail property tax: \$19.4 million over 35 years
- Estimated indirect Rivers District benefits:
 - Incremental property tax generation: \$138.7 million

1. Represents The City and CMLC's estimated return of investment based on the best available information as of July , 2019.

Event Centre Cash Funding Sources and Total City Cost

Funding Sources	Time frame	(\$000)	Comments
Major Capital Projects Reserve Balance - Uncommitted	2019	64,881	Uncommitted balance in the reserve as at July 22, 2019
Interest income ⁽¹⁾	2019-2022	29,000	Anticipated over the course of construction
Capital Budget Savings	2019 - 2020	70,000	
Funding Optimization and prioritization of One Calgary Capital restricted funding sources	2019	61,119	
Asset Optimization	2019 - 2023	40,000	
Real Estate Services Reserve Uncommitted	2019	10,000	
Facility Cash Funding		275,000	
2019 Interest income from the Fiscal Stability Reserve	2019	3,000	Acquisition costs
2019 Corporate Programs Savings	2019	12,400	Demolition and remediation costs
Total Cash Funding Sources		290,400	
In kind contribution ⁽²⁾	2019	45,000 – 60,000	Estimated value of land exchanges Appraisals to be completed

(1) Cash interest estimate earned on total potential cash sources assumes cash interest of 2.5% per annum.

(2) The City and Stampede will exchange an equivalent value of land to facilitate the transactions.

Administration Recommendations

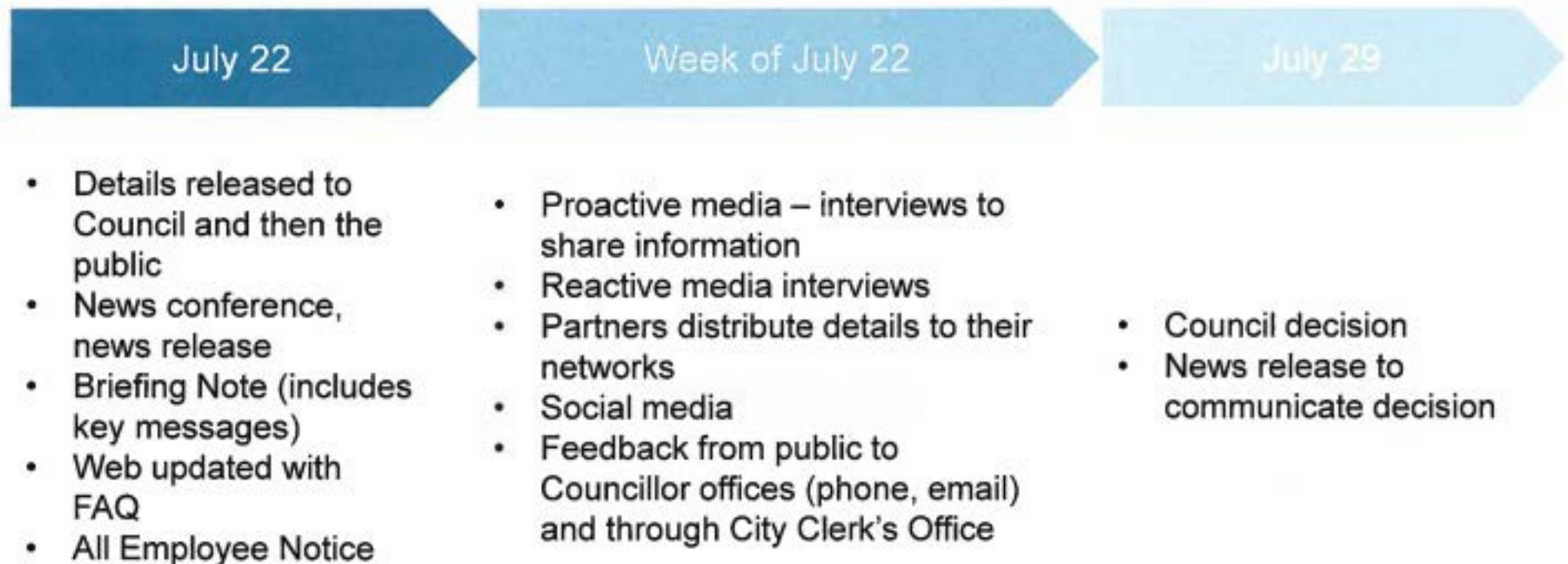
Administration Recommendations

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.

Communications Highlights

Communications Tactics and Timeline



Questions