

## **2023 April Event Centre Update (Restricted)**

### **RECOMMENDATION(S):**

**Review By: 2028 December 31**

That Council:

1. Adopt the Restricted Recommendations included in **revised** Restricted Attachment 8;
2. Authorize the Mayor and the Event Centre Committee Chair to make a public announcement; and
3. Direct that the Closed Meeting discussions, Restricted Report, Restricted Attachments and Restricted Distributions remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 24 (Advice from officials), 25 (Disclosure harmful to economic and other interests of a public body); and 27 (Privileged information) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2028 December 31.

### **HIGHLIGHTS**

- The City of Calgary has reached agreements in principle with the Province of Alberta (Province), Calgary Sports and Entertainment Corporation (CSEC) and Calgary Exhibition and Stampede (CES) to realize a new and modern Event Centre, located in the Rivers District. The purpose of this report is to provide Council with information about the proposed transaction, seek Council's approval for The City of Calgary's deal commitments, and provide information on next steps towards preparing definitive agreements and initiating Project development.
- More than an Event Centre, this is a comprehensive project featuring new transportation infrastructure, indoor and outdoor gathering spaces, a community rink, land remediation and demolition. Land transfers and acquisitions will promote development, improve traffic control and ingress/egress, and offset City project costs. The Project will contribute significantly to downtown revitalization, Rivers District vision and vibrancy, and the cultural & entertainment district.
- This Project is an integral piece of the Rivers District Master Plan and will assist with accelerating redevelopment in the area.
- Investments to realize the Project are \$873.6 million for the Event Centre, \$52.8 million for the Community Rink, \$274.9 million for land, site enabling, district and other community elements, and \$22.0 million in other internal City and transactional costs – for a total \$1,223.3 million investment.
- The City of Calgary is contributing 44% or \$537.3 million and 56% is being contributed by both the Province (\$330.0 million) and CSEC (\$356.0 million).
- CSEC, in addition to their Event Centre investment, will continue, for the 35 year term, to make \$1.5 million annually in community sports payments.
- The City of Calgary's investment provides significant benefits in return. For every \$1.00 invested by The City of Calgary, the Province and CSEC together will invest \$1.28. Further revenues are anticipated to be generated through land sales and the additional community revitalization levy collected. Calgary's economy and local businesses will

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benefit from both Event Centre and District construction, and activities related to future programming and operations.

- The Project is another step in Calgary's renewal as a global city and international destination for talent, business investment and tourism. Along with the BMO Centre, there will be more events, for more people and businesses in the area, and it will accelerate Rivers District development. Owned by The City of Calgary and operated by CSEC, the Event Centre will contribute to Calgary as an international host city, attracting "A" class events.
- Financial, legal, partnership and other project risks will be managed through due diligence in preparing definitive agreements.
- Recommendation 1 above seeks Council's approval for eight recommendations included in restricted Attachment 8, and recommendation 3 above addresses confidentiality. Recommendation 2 above enables public communications upon receipt of Council's approval.
- City Administration expresses its strong support for the Project, agreements with partners, recommendations to Council, and is enthusiastic about working with all partners to realize the vision.
- Background and Previous Council Direction is included as Attachment 1.

## **DISCUSSION**

### **Background and Status**

For the past 15 months, City Administration has been following through on Council's 2022 January 11 direction. Administration and its consultants CAA ICON have provided ongoing updates and progress reports to the Event Centre Committee (ECC) and Council (Attachment 2).

2022 saw significant foundational work and milestones. Some highlights include:

- Council establishes the ECC on 2022 March 8. The initial committee meeting was held on 2022 April 04.
- The work of The City's third party, Event Centre Visioning Group (ECVG), comprised of John Fisher, Guy Huntingford and Phil Swift, who were publicly announced following the ECC's 2022 May 25 meeting. This team undertook to determine whether CSEC would engage in formal discussions on an Event Centre.
- Following the ECC's 2022 October 19 meeting, confirmation that The City and CSEC would enter formal discussions, and that CAA ICON had been retained as The City's lead deal structure advisor.
- On 2022 October 25 Province offers assistance to the Project, toward a successful outcome.
- By end 2022, The City and CAA ICON have held discussions with all potential partners.

As a result of the commencement of formal negotiations led by The City and CAA ICON, 2023 focused on supporting negotiations through additional due diligence including cost estimates, deal structure, land analysis and financial analysis and modelling.

The ECC received its most recent update at its 2023 March 24 meeting, and this is included as Report ECC2023-0352 on today's agenda.

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**As of 2023 April 19, The City, CSEC, CES and the Province have agreed in principle to deal terms and structure.**

### Overall Deal Structure

The agreements between The City and the three parties - CSEC, CES, and the Province - yield a once in a generation, transformational and comprehensive plan to improve the quality of life for people living and working in Calgary, promote the vision of the Rivers District as a cultural, sports and entertainment center, and act as a development catalyst.

This Project is more than an event centre, realizing the goal of creating a vibrant culture and entertainment district that will include the event centre, indoor and outdoor public gathering places and a community rink for public use. The plan also includes a major investment in transportation and infrastructure improvements to serve the district.

A summary of the key highlights include:

1. Replaces the aging Saddledome with a modern, state-of-the-art Event Centre that a world class city requires
2. District wide infrastructure and mobility improvements.
3. Accelerates the continued development of the Culture + Entertainment District.
4. Provides community amenities for public use including gathering spaces and a downtown community rink.
5. Major league sports team commits to Calgary for the next 35 years.
6. Celebration of community at the Culture + Entertainment District.

As shown in the financial framework section, investment estimates are \$873.6 million for the Event Centre, \$52.8 million for the Community Rink, \$274.9 million for land, site enabling, district and other community elements, and \$22.0 million in other City costs – for a total of approximately \$1,223.3 million. This total project cost will be shared among public and private investment partners as follows: The City: \$537.3 million, the Province: \$330.0 million, and CSEC: \$356.0 million.

At 44% of total project cost, The City of Calgary's investment yields significant benefits in return. For every \$1.00 invested by The City of Calgary, the Province and CSEC together will invest \$1.28. Further revenues are anticipated to be generated through land sales and the additional community revitalization levy collected. Calgary's economy and local businesses will benefit from both Event Centre and District construction, and activities related to future programming and operations.

CSEC, in addition to their Event Centre investment, will continue to make community sports payments, in the amount of \$1.5 million annually.

A high-level summary of the key deal terms is located below under the Financial Framework and Land sections of this report. Additionally, included as attachments are restricted executive summaries of the key deal terms to be reflected in separate documents:

- a. Memorandum of Understanding (MOU) among The City, the Province and CES (Attachment 4);
- b. Term Sheet between The City and CSEC (Attachment 5); and,
- c. Term Sheet between The City and CES (Attachment 6).

While non-binding, the Term Sheets and MOU are to be signed and are subject to each party's respective requisite approvals, including, in respect of the Province MOU both Cabinet and

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Treasury Board approval. Recommendations 2 and 3 (Attachment 8) acknowledge the authority of the City Manager to sign the Term Sheets and MOU and to negotiate and execute definitive agreements.

### Financial Framework

The Financial Framework is a summary of the agreed to funding sources for the Event Centre, indoor/outdoor gathering plazas, parking and Community Rink from Calgary Sports and Entertainment Corporation and The City. The Financial Framework in Attachment 3 reflects the proposed deal terms between The City and each of the other parties and is summarized below in Table 1: Summary of the Financial Framework.

Significant other framework elements that will enable delivery of a project of this magnitude are being funded by The City and include the Provincial contribution of \$330.0 million towards among other things, land, public realm improvements and demolition costs in the Rivers District and provision for cost overruns that was informed by the site analysis.

**Table 1: Summary of the Financial Framework**

<i>(In millions of Canadian dollars)</i>	Total Budget Appropriation	Funding Sources					
		Calgary Sports and Entertainment Corporation		Government of Alberta		City of Calgary	
		Cash	Lease <sup>1</sup>	Cash	CRL	Previously Approved Cash	Additional Cash
Event Centre and On-Site Public Realm	<b>873.6</b>	26.8	316.0	28.7 <sup>2</sup>	-	295.0	207.1
Community Rink	<b>52.8</b>	13.2	-	26.4	-	-	13.2
Land, Site Enabling, District Wide Infrastructure, and other Community Elements	<b>274.9</b>	-	-	274.9	-	-	-
Other City Costs	<b>22.0</b>	-	-	-	-	-	22.0
<b>Total</b>	<b>1,223.3</b>	<b>40.0</b>	<b>316.0</b>	<b>330.0</b>	<b>-</b>	<b>295.0</b>	<b>242.3</b>
	<b>100%</b>	<b>29%</b>		<b>27%</b>		<b>44%</b>	

1. Present value of a 35-year lease payment of \$17 million per annum, indexed to a 1.00% per year increase and using a discount rate of 5.00%.
2. Applicable to on-site public realm only.

None of the sources of funding identified for the Event Centre Project and district-wide infrastructure improvements will result in an increase in municipal taxes or new debt. As shown in Table 3 in Restricted Attachment 3, page 8, The City's cash contribution is a total of \$537.3

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million. With \$295.0 million remaining from the currently approved funding sources, this would require up to a further \$242.3 million in City cash funding toward an Event Centre. Additional funds for The City's share of potential cost overruns are proposed to be set aside from revenues from future land sales and future anticipated investment income on the Major Capital Projects Reserve.

Attachment 8 includes the following financial recommendations:

1. Recommendation 1 requests Council approval for the financial framework.
2. Recommendation 5 authorizes the capital budget appropriation for the Event Centre Project and related district-wide improvements.
3. Recommendation 6 authorizes the transfer of cash resources to the Major Capital Projects Reserve from Fiscal Stability Reserve and Budget Savings Account Merged Reserve.
4. Recommendation 7 authorizes the capital budget appropriation for The City portion of any cost overruns.

“Capital budget appropriation” refers to money set aside by formal action for a specific use. This means the total capital budget will be shown in The City's financial documents. There will be financial resources from all project parties for the purpose of acquiring and constructing the Event Centre Project and related district-wide improvements,

#### Land

For the Event Centre to be located on a new Civic Parcel in the Rivers District (as shown on Attachment 7), a number of parcels of land will require transfer of ownership. The land exchange between CES and The City that was entered into in 2019 in connection with the previous event centre transaction has been in abeyance while the parties have been negotiating a new agreement for the Project. It is proposed that the previous land transaction be modified and a number of new land transactions, some funded by the Province, take place to achieve the following outcomes for the respective parties:

The City:

- A 10 acre Civic Parcel for the new Event Centre, Community Rink and Plazas
- Four commercial development parcels
- Ownership of the road rights of way around the Civic Parcel
- Retain ownership of the Saddledome Parkade to be used with the new Event Centre

CES:

- Ownership of the current Saddledome lands (excluding the parkade and adjoining parcels)
- Ownership of the Weadickville Site
- Cash, based on current appraisals, from the sale of parcels to the Province

CSEC:

- Options to acquire four potential commercial development parcels
- Right of first offer on prospective development opportunities on the lands currently housing the Victoria Park Bus Maintenance Facility

Major Real Estate Undertaking (“MREU”) is a new section added to the Real Property Bylaw 49M2022 (“RPB”) approved by Council in 2022. The concept behind an MREU is to provide

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Administration with the flexibility to negotiate and approve real estate transactions for major projects more quickly. Recommendation 4 (Attachment 8) requests Council declare the proposed real estate transactions related to the Event Centre Project a Major Real Estate Undertaking pursuant to the Real Property Bylaw 49M2022.

**Communications**

Should Council approve these recommendations, a public announcement would be made shortly following this Council meeting. The plan for that announcement will be brought to the April 25 meeting, and will be enabled by recommendation 2 above.

Recommendation 3 above and recommendation 8 (Attachment 8) address public disclosure of the information contained in this report and attachments, and continued confidentiality as required.

**Next steps**

Council's approval of this report's recommendations (recommendations 1-3 above) enable Administration to negotiate and execute definitive agreements, undertake land transactions, fund the Project, and disclose information as required for negotiation, financial reporting and public communication purposes. Near term next steps follow: Recommendation 1 above provides for approval of all confidential recommendations, included in Attachment 8.

1. Should Council approve the recommendations, Administration will coordinate the public announcement, and implement the communications plan currently in development.
2. Deal terms and structure have been reached with all parties. Non-binding Term Sheets and the MOU will be finalized and signed by all parties.
3. On April 21, Council member information meetings, titled "Event Centre Committee update from external advisors" are scheduled to provide all Council members with the opportunity to ask questions and obtain additional information, to the extent available.
4. On April 25, Administration and CAA ICON will present the recommended deal terms and structure to Council.
5. Administration will begin to negotiate definitive agreements with the parties.

This report's presentation is under development and will be provided on or closer to April 25.

**ENGAGEMENT AND COMMUNICATION**

- |                                                                             |                                                                                         |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Public engagement was undertaken        | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken     |
| <input checked="" type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

Formal public engagement for the Rivers District Master Plan (Master Plan) began in February 2017 and continued through to July 2018. The Master Plan was completed in December 2018, which concluded with a new event centre location in The Culture and Entertainment District. Public Engagement continued specific to a new event centre, between January and March 2020, during the Council-directed work on the previous event centre agreements. Three main themes emerged from this work:

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- **Pride:** Many see the Event Centre as an opportunity to revitalize east Victoria Park and the surrounding neighbourhoods, catalyze growth and give Calgary a world-class facility they can be proud of.
- **Variety:** By and large, people want the space to offer a variety of exciting opportunities that will consistently attract locals and tourists year-round.
- **Connection:** The Event Centre should provide opportunities for Calgarians to connect with one another, with friends and family, business associates and their community.

All parties involved in the Culture and Entertainment District and contemplated deal structure acknowledge that public engagement has previously occurred with respect to an event centre, and this work will be applied as the Project proceeds.

## **IMPLICATIONS**

### **Social**

A new event centre will increase vibrancy to downtown through visitors and events. The Event Centre, outdoor gathering plaza, community rink, district developments and other benefits will all contribute to social benefits.

Creating an equitable community and gathering space supports the downtown, as the cultural hub for business, innovation, and creativity. It also supports more vibrancy within the Greater Downtown community and neighbouring communities. Modernized amenities including a new Event Centre have the potential to activate the downtown all year through a wide variety of programming, events, and activation.

### **Environmental**

The City and our partners manage land and infrastructure investments to enable long-term environmental resilience.

The City's policies related to environment and sustainability would be applicable to the project.

### **Economic**

The development of a new Event Centre supports implementation of Calgary in the New Economy: An economic strategy for Calgary, the Greater Downtown Plan, and promotes Calgary as a destination for business and talent.

### **Service and Financial Implications**

Event Centre Financial Framework is outlined in Attachment 3.

## **RISK**

The City team (Administration and external consultants) have considerable relevant experience with these types of projects and transactions. This has shifted the risk profile from 2019.

The following is a high-level summary of the key risks relevant to the recommendations before Council. Once definitive agreements are signed, the Project will have a formal risk register and risk management plan.

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1	Financial	<p>The contributions from the Province are subject to approvals from the Cabinet and the Treasury Board, which will occur after the 2023 election.</p> <p>The Culture and Entertainment District requires a state-of-the-art venue for major cultural, sports and entertainment events to replace the aging Saddledome and the Event Centre would have been utilized for that purpose. Without this deal to develop the Event Centre, with the participation of CSEC and the Province, a new facility would still be required, and The City would be responsible for construction and funding of that project on its own.</p>
2	Legal	<p>The Term Sheets and Memorandum of Understanding are non-binding on all parties until requisite approvals have been given and definitive agreements are reached. This means that any party could walk away from the proposed transaction or attempt to renegotiate the agreements in principle. All parties have agreed to work towards finalizing definitive agreements.</p> <p>Attachment 10 further describes the risks associated with the disclosure of restricted information and clearly sets out the information that can be discussed publicly after public announcement and the information that must not be discussed publicly.</p>
3	Project	<p>In the event a party walks away from the proposed transaction or definitive agreements are not entered into then there is a risk that The City's strategies for downtown, the Rivers District and local economy will not be achieved and realized for Calgary. The Event Centre project is one piece that contributes to the revitalization of Calgary's downtown and provides the services and experiences to achieve the vision of a Culture and Entertainment District. The renewal of infrastructure in Calgary is important to attract talent, serve citizens, create a destination, and retain a professional sporting franchise.</p>
4	Partnership	<p>For a project such as this, relationships and partnerships are critical to realizing project success. Relationship management, communication and risk management will be continued strategies as the project progresses. All information contained in this report, attachments, presentation and discussion should remain restricted as it contains commercially sensitive, third-party information, information subject to Confidentiality and Non-Disclosure Agreements and legally privileged information. Any misinformation or disclosure of information may be harmful to The City or other parties and may impact The City's reputation and the ability to achieve a deal.</p>
5	Reputational	<p>All parties share an interest in ensuring that each party's good reputation is maintained and enhanced through the negotiation of definitive agreements</p>



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		and the construction of the Event Centre, Community Plaza, Community Rink and district wide improvements.
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**ATTACHMENT(S)**

1. Previous Council Direction
2. Summary of Updates to Council Members
3. Event Centre Financial Framework
4. Executive Summary - MOU The City, Province and CES (April 18 1pm)
5. Executive Summary - Term Sheet CSEC (April 23 945pm)
6. Executive Summary - Term Sheet CES (April 18 715pm)
7. Event Centre Maps
8. Restricted Recommendations
9. Presentation [to be provided on or before 2023 April 25]
10. Restricted Disclosure Details

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Stuart Dagleish	Planning & Development Services	Approve
Michael Thompson	Infrastructure Services	Approve
Carla Male	Corporate Planning & Financial Services	Approve
Jill Floen	Law, Legal Services and Corporate Security	Consult