



# STAFF REPORT ACTION REQUIRED

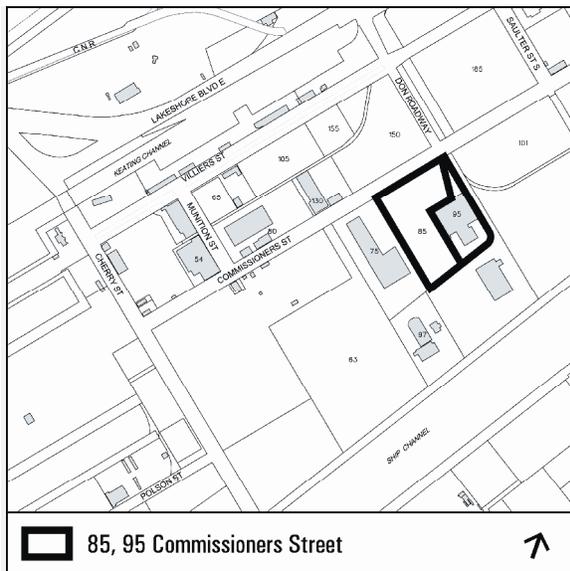
## Port Lands Sports Centre Project

<b>Date:</b>	August 9, 2010
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager Richard Butts
<b>Wards:</b>	Ward 30
<b>Reference Number:</b>	P:\2010\Cluster B\wf\ec10005

### SUMMARY

The purpose of this report is to seek Council’s endorsement in principle of a preferred design option for a proposed four-pad ice facility in the Port Lands. Based on a series of considerations including best fit with the vision of the Lower Don Lands Plan, enhanced economic benefits and community feedback, the preferred design is for a stacked facility named the “Stacked Option”.

Project costs significantly exceed the available funding. For that reason, this report recommends consideration of the project in the 2011 Capital Budget process and that staff continue to refine costing estimates and identify funding options for the project.



## **RECOMMENDATIONS**

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The Deputy City Manager recommends that:

1. City Council endorse in principle the “Stacked Option” as the preferred design option at 85 and 95 Commissioners Street;
2. City Council direct staff to include consideration of this project in the 2011 Capital Budget process and further refine costing estimates for the project;
4. City Council request the Province to implement Tax Increment Financing in the waterfront revitalization area and direct staff to explore the potential for applying this form of financing towards the proposed sports facility; and
5. The appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

## **FINANCIAL IMPACT**

There is no direct financial impact arising from the recommendations in this report.

The current estimated total cost for the proposed stacked facility is \$88.0 million, exclusive of site servicing costs. Funding in the amount of \$34.0 million is available for this project through the Waterfront Toronto Long-Term Funding Plan. Staff have estimated that the future net revenues from the operation of the proposed facility can potentially support a further \$21.0 to \$25.0 million in recoverable debt funding. Staff have not yet identified a funding source for the remaining \$29.0 to \$33.0 million in required capital funding.

This report recommends that staff carry out a further assessment of the project costs and funding options and include consideration of the project as part of the 2011 Capital Budget process.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

The Port Lands Sports Complex Project has been in the Waterfront Long-Term Funding Plan since 2008. At its meeting on October 29 and 30, 2008, City Council approved the 2008 – 2017 Long-Term Funding Plan for the Waterfront Project with a total of \$34.0 M allocated for the construction of the Port Lands Sports Complex. This funding flows to

Waterfront Toronto from its government partners as part of their overall \$1.5 billion funding commitment to Waterfront Renewal. (EX24.5)

<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-10-29-cc25-dd.pdf>

At its October 26 and 27, 2009 meeting, Council approved the creation of a new project entitled “Regional Sports Complex Planning and Design” in the 2009 Capital Budget for Waterfront Renewal, with total funding of \$3.511 million for planning, architectural design, environmental work and other pre-development services. That report also directed that staff report to Council “as part of the 2010 capital budget process on total project costs, confirmed and projected revenue sources and the critical path for delivery of the facility.” (EX35.17)

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-10-26-cc41-dd.htm>

At its March 31 and April 1, 2010 meeting, Council approved the retention of Toronto Port Lands Company to provide pre-development services for the project. A Letter of Agreement has since been executed. At that meeting, Council also requested that staff provide a status report on project-related activities to date. (EX41.15)

<http://www.toronto.ca/legdocs/mmis/2010/cc/decisions/2010-03-31-cc47-dd.htm>

At its April 23, 2010 meeting, Community Development and Recreation Committee deferred consideration of the above-mentioned status report to its meeting on May 26, 2010. At that meeting, staff were asked to establish an open community and stakeholder consultation process in July 2010. Guiding project principles were also provided for consideration (CD33.1).

<http://www.toronto.ca/legdocs/mmis/2010/cd/decisions/2010-05-26-cd33-dd.htm>

## **ISSUE BACKGROUND**

### **Project Background**

The “Regional Sports Complex” project was one of the projects announced by the federal government in 2004 through its “Building on the Green Footsteps” program which recommended an investment in the development of sport and recreation facilities in the waterfront.

With \$34.0 million in committed federal funding, Waterfront Toronto investigated the feasibility of different types of sport and recreational facilities at various locations in the Port Lands. The Port Lands area was determined to be the preferred location for the proposed facility given available land, large lot sizes and longer term development time lines. Over a period of six years, Waterfront Toronto’s work included needs assessments, business planning, geotechnical investigations and planning studies. Based on a locational assessment which evaluated various sites in the Port Lands, Waterfront Toronto investigated the feasibility of developing a 12-acre facility with three ice pads and one field house at 440 Unwin Avenue, located to the east of Cherry Street and south of the Ship Channel. In the spring of 2008, it was determined that \$34.0 million was insufficient for pre-development and construction of the proposed facility. Specifically,

servicing requirements, vehicular access and geotechnical considerations were cited as determining factors.

In summer 2008, responsibility for management of the project was transferred to the City. As Project Lead, the Waterfront Secretariat worked with Parks, Forestry and Recreation (PFR) and the Office of Partnerships to establish a strategy for development of a multi-pad ice facility which could meet the needs of the City, be funded within a \$34.0 million envelope and be developed within a tight timeframe necessitated by a March 2011 sunset clause associated with the federal funding commitment, which has since been lifted.

Capital partnerships for the project were actively pursued. Concurrent to negotiations with Ryerson University, the Toronto Rock (lacrosse) and other sports and cultural organizations, the feasibility of an adaptive re-use of the Hearn Generating Station, located in the south eastern quadrant of the Port Lands, was explored. The site's access to services, need of a long term use and exciting potential as a multi-use sport, recreational and cultural complex were outweighed by the estimated costs of the building rehabilitation and re-purposing, combined with the significantly high appraised lease buy-out value.

Subsequently, further investigation of other sites in the Port Lands occurred. In spring 2009, staff of the Waterfront Secretariat and Toronto Port Lands Company, in consultation with the local Councillor, concluded that 85 and 95 Commissioners Street was a preferred site. Numerous sites were measured against the following criteria: lot size and configuration; ownership; features providing operational viability; adjacency to similar-type activities; vehicular, pedestrian and transit access; and general geotechnical conditions, to arrive at this conclusion.

## **Proposal**

The Waterfront Capital Budget currently includes an amount of \$34.0 million for the pre-development and construction of a regional sports facility in the Port Lands, currently named the Port Lands Sports Centre. This facility, to include multiple pads of ice, is to be designed in accordance with a variety of waterfront revitalization goals including design excellence, LEED certification (Leadership in Energy and Environmental Design, the green buildings rating system) and conformity with the planning vision for the Lower Don Lands.

The proposed facility includes four NHL-sized pads, spectator seating, a restaurant/concession area, community meeting rooms, pro shop, indoor running track and associated parking.

## **Site context**

The site is at 85 and 95 Commissioners Street, located on the south side of Commissioners Street, west of what would be the extension of the Don Roadway.

The site is within the “Lower Don Lands”. At its meeting on July 6/7, 2010, City Council supported the preferred alternative of the Don Mouth Naturalization and Port Lands Flood Protection Environmental Assessment and its submission to the Minister of the Environment for approval, and endorsed the Lower Don Lands Framework Plan (May 2010) to guide the revitalization of the Lower Don Lands. City Council also directed the Chief Planner and Executive Director to schedule the statutory public meeting for consideration of, amongst other amendments, the Lower Don Lands Official Plan Amendment. This is scheduled to be considered at the Toronto East York Community Council Meeting on August 17, 2010. Attachment 1 shows the general site location with the context of the proposed Official Plan Amendment.

The structure for this new district is based on the new river. It integrates vibrant new neighbourhood precincts, water’s edge green space and innovative infrastructure and services. The structure is flexible enough to accommodate a variety of uses and activities including a Port Lands Sports Centre within a ‘Regeneration Area’.

The proposed design options discussed in this report respect the proposed new river alignment and the lands have been raised above the flood plain. A building can therefore be considered under existing flood plain policies and under the proposed Official Plan Amendments which will be before City Council. The final design of the facility will need to respect the grading and drainage required to accommodate the new river.

The zoning by-law allows for City uses on these lands. The proposal is for a City facility on City lands. Refinement of the proposal including the design, the uses and the operation will be necessary for further zoning review.

### **Project Principles**

At its meeting on May 26, 2010, the Community, Development and Recreation Committee referred a series of guiding principles to staff for consideration in the project’s consultation phase. These principles, supported by stakeholders and other members of the public, are as follows:

- The project will deliver a smart, contemporary, urban building design that respects the Lower Don Plan and provides state-of-the-art sport facilities, setting an important tone for future development within and around the precinct;
- Establish an open and rigorous consultation process that harnesses the creativity and passion of the waterfront neighbourhoods, sports community and other stakeholders;
- The project will demonstrate how the highest environmental standards can be met in the context of a large-scale public development on the waterfront; and

- The project will include a sustainable operating and governance model that ensures public accountability and an equitable return on investment while providing access to a wide range of users from across the City.

### **Recent Activity**

Pre-development work on this project has commenced and is funded by Waterfront Toronto in accordance with its Contribution Agreement with the federal government in the amount of \$3.511 million. Waterfront Toronto, through an Eligible Recipient Agreement with the City for the same amount, requested that the City provide pre-development services, for which the Toronto Port Lands Company (TPLC) was retained.

In accordance with its Letter of Agreement with the City, TPLC has provided design, environmental risk assessment and other pre-development services. An architectural team consisting of Rounthwaite, Dick and Hadley (rdh Architects Inc.), a Toronto-based firm with extensive arena experience, working in association with 3LDH, a Croatia-based firm, was selected through an open international competition.

The architectural team has developed various design options, two of which are discussed in the following section. Total project costs, based on schematic design level estimates, for each option exceed the committed \$34.0 million. Staff have investigated funding and operations strategies to address the shortfall but a significant gap remains.

Inputs to the decision making regarding a preferred option have included a public consultation process, as requested by the Community Development and Recreation Committee. Consultation consisted of a broad stakeholder workshop on July 8, 2010, which was facilitated by Lura Consulting and attended by representatives of hockey and other sports groups, waterfront communities and other related groups. A public meeting was also held on July 13, 2010 and a presentation to the Waterfront Design Review Panel was made on July 14, 2010. A summary of the consultation findings is provided in the Comments section of the report.

### **Rationale for a Four-Pad Facility**

A facility with four pads of ice was considered a “given” during the design process. The rationale to develop a four-pad facility rather than one with a single or with twin pads includes (i) increasing the City’s ability to meet a growing demand for ice time; (ii) enabling the City to better address access and equity principles of Parks Forestry and Recreation’s Service Plan which is currently in development; (iii) creating economic benefits through the hosting of tournaments and major competitions; and (iv) enhancing operating efficiencies. A discussion of each of these follows.

Research and PFR’s own experience indicates that there is an unmet and growing demand for ice in Toronto, particularly in the central core of the city. According to an indoor ice strategy developed by PFR in 2006, the City requires six indoor ice pads in the period 2006 to 2011 and the need will grow to 12 by 2031. The relatively new

MasterCard Centre for Excellence (formerly known as the Lakeshore Lions facility), located in south Etobicoke, has not relieved the demand for ice time. Within a five kilometre radius of the Port Lands, only two public arena facilities currently exist. Within ten kilometres, 13 public arenas exist and none are multi-pad facilities.

The proposed facility will allow new groups to access prime-time ice. Of note is the substantial growth in female participation in competitive and recreational ice hockey. Youth girls-only hockey includes five Toronto-based organisations with 2,000 registered players. In Ontario, registration in various Ontario women's hockey programs has surged in recent years, with total registrations increasing by nearly 9% annually between 1998 and 2006.

PFR staff have advised that the facility, as proposed, would hold greatest appeal to competitive groups, therefore freeing up ice time at local community arenas for more use by children and house leagues.

The economic impact of a four-pad facility is considerable. Sports tourism, like eco-tourism, cultural tourism, educational-tourism and other interest specific tourism concepts, has become a niche industry. Major international events such as the Tour de France, Wimbledon, and Boston, New York, Chicago and Toronto marathons have helped spawn competitive cycling, tennis and marathons events for all ages and skill level. The Ontario Minor Hockey Association (236) and Greater Toronto Hockey League (61) will host almost 300 minor hockey tournaments in the upcoming 2010/11 season including 40 within the City of Toronto. A four-pad facility will enable the City to host tournaments and elite competitions, identified currently as a gap. There are currently six four-pad (or four plus-pad) arenas located within the City of Toronto (Canlan Ice Sports Etobicoke, Canlan Ice Sports Scarborough, Canlan Ice Sports York University, Mastercard Centre, Westwood Arenas and Chesswood Arenas).

Economic Development and Culture staff estimate that a four-pad facility would host potentially three tournaments attracting overnight stays in its first year of operation. Three tournaments would generate \$1.8 million in total visitor spending. In the second year, with five tournaments, the economic impact would be close to \$3.0 million in total annual visitor spending.

Multiple-pad facilities also provide distinct operating advantages over single pad facilities, due to opportunities for shared equipment, staffing efficiencies and other economies of scale. Their large size and scope provide opportunities for amenities such as food and beverage services, sports medicine clinic, pro shop and other retail. Ancillary activities such as trade shows, concerts, large community meetings, festivals and events could be complementary revenue enhancers.

Studies indicate that a four-pad facility requires 400 parking spots for operational viability. Further development of the proposal will require the development of a short term and longer term strategy to accommodate on-site parking and parking adjacent to the site.

## COMMENTS

### Options under Consideration

Three design options for the development of a four-pad facility at 85 and 95 Commissioners Street require consideration. They are as follows:

- (i) Ground level, basic design;
- (ii) Waterfront-compatible, ground level. Includes LEED Gold target and iconic design; and
- (iii) Waterfront-compatible, stacked. Includes LEED Gold target and iconic design.

#### **(i) Ground level, basic design**

This option does not meet recognized waterfront development goals and principles, including design excellence and sustainability targets, and has therefore been discounted.

The cost of developing this option, according to an Order of Magnitude cost estimate, is \$41.5 million for a facility with LEED-certification (the basic level of LEED benchmarks), Toronto Green Development Standard, and a standard building design.

A survey of recently constructed four-pad facilities in Ontario, all of which are basic in design, is provided in Attachment 2 and indicates a range in capital costs from \$34.0 to \$45.0 million.

These figures are useful for comparative purposes, when evaluating the feasibility of construction of a multiple-pad facility at a waterfront location. The project costs of the two design options presented in this report are significantly higher than for facilities elsewhere.

There is a significant cost premium associated with waterfront development. The City's policies promote excellence in the design of public and private buildings, infrastructure, parks and public spaces to achieve quality, beauty and worldwide recognition. The Waterfront Design Review Panel is part of the process that has been put in place to ensure excellence in design.

#### **(ii) and (iii) Waterfront-compatible Design Options**

The two waterfront-compatible design options, "Ground level" and "Stacked" are described below, followed by a summary of associated costs (Table 1). Illustration of the options is provided in Attachments 3 and 4. Each design was developed in accordance

with waterfront goals, design excellence and LEED Gold certification, and meets the City's Green Roof By-law and Green Development standard. The designs are at Schematic Design, meaning that they are at 30% of the level of detail and accuracy of final design.

#### Ground Level Design Option:

This scheme includes an overall plan and layout similar to most four-pad arenas in Ontario, with the four ice pads at grade level and arranged around a central public space. The shape of the building, however, is unconventional, with the configuration of the four pads resembling a snowflake pattern.

The ground floor plan accommodates all four ice pads and related change rooms and service spaces. One of the pads has spectator seating for 1,000, while each of the others has seating for 250. The second level includes all spectator seating, community and multi-purpose rooms, and a concession area with the capacity to accommodate a full service restaurant with seating for 100. An upper level provides a running track above the public areas.

The reason for the unique shape and articulated cladding is that unlike conventional facilities, the proposed facility here is highly visible from four directions. There is the Don Roadway extension to the east, Basin Street extension to the south, Commissioners Street to the north, and the extended and naturalized Don River to the west and north. Conventional arenas typically have only one main façade addressing a major street.

Another innovative departure from typical four-pad arena design is the introduction of a central atrium/courtyard, which provides views between the three levels and abundant natural light into the interior of this large complex.

The building is clad primarily in a custom aluminum panel system for texture and colour, with transparent glass at the lowest three metres for views into each arena space.

#### Stacked Design Option:

This scheme represents a new urban typology for municipal arenas. Traditional four-pad arenas have large development footprints and are generally located in suburban or industrial sites. Their development relies on relatively inexpensive land values, as well as an expectation that virtually all of its users will be arriving by automobile.

By building up instead of out, the stacked scheme recognizes the inherent value of land in an urban context. The footprint of the complex is situated within a single block of the Lower Don Lands Framework Plan, retaining all of the proposed road and block layouts. Benefits related to a vertical recreation centre include the following:

- a much more compact and friendly pedestrian experience;
- an increase in either parkland or development area;

- a unique experience of skating at an elevated level looking out toward the lake and the city centre; and
- the establishment of an iconic and precedent-setting civic building.

The large capacity arena with 1,000 spectator seats is on the ground level, with a mezzanine level accommodating a warm viewing area and restaurant overlooking the ice pad. Above this, the three other arenas are stacked one on top of the other. Each of these has its own set of change rooms, spectator seating for 250, and viewing, multi-purpose, and community spaces on a mezzanine level. The overall height of the facility resembles that of an eight-storey building.

Access to all upper levels is via three or four large high-speed airport-style elevators. There is a large freight elevator connecting the mechanical areas at the north end of the building.

Adjacent to the building on the west is a two level parking garage covered with a pedestrian plaza that is accessible from the mezzanine restaurant, and slopes down toward the landscaped top of bank of the new river valley.

The building is clad in a custom glass curtain wall, with semi transparent and opaque patterns and retractable shading devices, which will allow for dramatic east and west views from the upper arenas as well as views from the outside in from the street and plaza.

The advantage of stacking four pads, as opposed to two pads stacked on two or three pads stacked plus one adjacent, is three-fold: (i) minimization of the building's footprint, thereby eliminating the "Big Box" effect of a long low building; (ii) maximum ongoing energy savings due to a reduced overall area of the building's envelope; and (iii) reduction of the "back of house" portion of the building (service areas) resulting in a visually more interesting pedestrian experience. The option also retains the maximum amount of green space and/or lands for future development of related sport facilities such as aquatic facilities or gymnasiums.

## **Project Costs**

The estimated project costs for each of the design options are summarized in Table 1.

Prepared by Pivotal Project Consultants, the cost estimates for land and site preparation, and soft costs, are based on executed contracts, and include contingencies for unforeseen delays and schedule extension.

The hard construction cost estimates have been provided by Altus Group Cost Consulting, and include a contingency of 15%, in accordance with the degree of accuracy accorded to the current level of design (Schematic Design).

<b>Table 1 - Project Cost Summary</b>		
	Ground level Option	Stacked Option
Land and site preparation costs	\$ 1.1 million	\$ 1.1 million
Soft costs	6.7	7.7
Hard construction costs (incl. 15% contingency)	55.5	67.6
Allowance for PST/HST	\$ 2.7	\$ 3.8
Underground Parking	\$ 5.5	\$ 7.6
<b>Total</b>	<b>\$ 71.5 million</b>	<b>\$ 87.8 million</b>

### **Additional Costs to be Considered**

While the costing estimates have been developed with rigour and accuracy commensurate with the level of design currently available, there are additional costs associated with development of this proposal which require consideration. In particular, items such as owner-approved design/site changes, cost escalations due to inflation, site servicing and required improvements to Commissioners Street and the Don Roadway, should be taken into account. These items could potentially increase the total budget by in the order of 10%.

### **Capital Funding for the Proposed Facility**

#### **Overall Funding Options**

As discussed above, there is \$34.0 million in committed funding available for the pre-development and construction of a regional sports facility in the Port Lands. However, this amount falls short of the total amounts required to develop either the Ground level or Stacked Option.

Staff have considered a number of potential options for the provision of additional funding and these are summarized in Table 2. The most favourable of these options is the use of "recoverable City debt", whereby the City would raise additional funding by issuing debt and this debt would then be repaid using the net revenues from the project. This would allow the project to take advantage of the City's relatively low cost of capital.

<b>Table 2 – Potential Sources of Additional Capital Funding</b>		
	<b>Pros</b>	<b>Cons</b>
Recoverable Debt issued by City	<ul style="list-style-type: none"> <li>• Lowest interest rate</li> </ul>	<ul style="list-style-type: none"> <li>• City budget will have to make up any shortfall if project revenues are not sufficient to make loan payments</li> </ul>
Funds borrowed from Infrastructure Ontario	<ul style="list-style-type: none"> <li>• Interest rate lower than private banks (but higher than on City debt)</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure Ontario will likely require City to put its covenant behind loan</li> <li>• Therefore, City is still responsible if project defaults on loan</li> <li>• There are legal restrictions on mortgaging a City facility</li> </ul>
Funds borrowed from Banks	<ul style="list-style-type: none"> <li>• Banks may take on some of the risk of default but will likely require City covenants or substantial collateral</li> </ul>	<ul style="list-style-type: none"> <li>• Interest rate will be higher than for City or Infrastructure Ontario</li> <li>• There are legal restrictions on mortgaging a City facility</li> </ul>
Funds raised by selling equity in project to investors or private arena operators	<ul style="list-style-type: none"> <li>• Investors will take on some of the financial risk</li> </ul>	<ul style="list-style-type: none"> <li>• Investors will require high rate of return to compensate them for taking on risk</li> <li>• This will limit the City's ability to make ice time available at low cost to priority groups</li> </ul>
Capital Budget Funds	<ul style="list-style-type: none"> <li>• No repayment required</li> </ul>	<ul style="list-style-type: none"> <li>• No funds available in existing 2010-2019 Capital budgets</li> <li>• Will displace funding for other projects</li> </ul>

### **Determination of Maximum Recoverable Debt for Ground Level Option**

In order to determine the amount of debt that could be supported by the facility's future net revenues, staff retained Mr. Ron Bidulka of Deloitte & Touche to prepare a financial model for the operation of the proposed facility according to the Ground level Design Option. Mr. Bidulka has extensive experience in the preparation of financial forecasts for community sports facilities in Ontario.

In preparing a financial model, Mr. Bidulka incorporated assumptions similar to those that would typically be made for a high-quality privately-owned sports facility project. Prime-time ice rental rates were, for instance, assumed to be \$350/hour, which is similar to the rate charged by local private facilities. Also, the model assumes that revenue can be generated through the sale of naming and advertising rights for the building. A more comprehensive summary of the principal input assumptions is provided in Table 3.

In determining the maximum amount of recoverable debt that the proposed facility could support, it was assumed that up to 80% of the net forecast net revenues would be available for repayment of the recoverable debt (leaving 20% as a safety margin in the event that forecast net revenues are not achieved) over a period of thirty years. Based on this assumption, a recoverable debt amount of up to \$29.0 million could be supported by the facility's operations under this scenario.

However, the \$29.0 million amount represents a hypothetical, upper limit of the potential recoverable debt that could be raised for this project. The application of full private market rental rates to all of the prime-time hours, as assumed in this version of the model, would severely limit the accessibility of the proposed facility for groups with limited financial resources.

In order to assess the financial impact of increasing the accessibility for priority groups identified by PFR staff, the model was modified by staff to set aside 25% of the prime-time hours for these priority groups at a reduced rental rate of \$200/hour. Under this scenario, the maximum recoverable debt amount would be reduced to from \$29.0 million to \$25.0 million.

A further increase in the allocation for priority groups up to 50% of prime-time ice hours would reduce the maximum recoverable debt amount to \$21.0 million.

For comparison, a final scenario was developed in which the facility would be operated in a manner similar to the City's existing community arenas. The model for the City assumes that the City's current fee structure and ice allocation policies apply. The costs are modeled on the City's actual staffing and operating costs for two-pad arenas.

Table 3 – Summary of Financial Model Scenarios

<b>Scenario</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Description</b>	<b>Similar to Private Operation</b>	<b>Like #1 except for 25% Prime-Time Allocation for Priority Groups</b>	<b>Like #1 except for 50% Prime-Time Allocation for Priority Groups</b>	<b>Operated Like Typical City Arena</b>
% of Prime-Time Ice Hours Set Aside for Priority Groups	0	25	50	75
Prime-Time General Market Winter Rental Rate	\$350	\$350	\$350	\$280
Winter Prime-Time Rate for Priority Groups	\$200	\$200	\$200	\$180
Rental Rate for Non-Prime Time	\$225	\$225	\$225	\$115
Forecast Year One Net Revenue	\$1.9 million	\$1.7 million	\$1.4 million	-\$0.8 million
<b>Maximum Recoverable Debt Funding Amount Based on 30-Year Amortization</b>	<b>\$29 million</b>	<b>\$25 million</b>	<b>\$21 million</b>	<b>N.A.</b>

## **Determination of Maximum Recoverable Debt for the Stacked Option**

In many ways a financial model for the Stacked Option would be similar to the model for the Ground level Option. The main revenue component would still be the rental of ice time and similar assumptions would apply to this component of the model.

However, there may be some significant differences in other areas. For instance, there is currently limited information available on the impact that this stacked configuration will have on facility operating costs. A substantial increase in operating costs would have a negative impact on the amount of recoverable debt that could be supported by the facility's net revenues.

Conversely, there may be some prospect of increased revenues if the higher profile of the building attracts larger payments for the building's naming rights.

In summary, it is expected that the financial model for the Stacked Option will generally be similar to the model for the Ground Level Option. However, there remain unknowns that could result in different financial outcomes.

## **Potential Access to Tax Increment Financing**

In 2006, the Tax Increment Financing Act received royal assent. This legislation was intended to allow for the application of tax increment financing in two pilot areas in Toronto. One of these areas was the area surrounding the proposed Spadina subway extension and the other was the waterfront revitalization area.

A general regulation that outlines the specific terms under which the Province would implement tax increment financing has never been adopted under the Act. The City Manager has recently written to the Deputy Minister of Finance & Secretary of the Treasury Board to request that this regulation be created. Staff have not yet received a response.

Once a regulation is introduced, it is expected that it will result in the City receiving provincial payments that are equal to some portion of the incremental education taxes resulting from new development in the pilot areas. These payments are intended to be used to offset costs faced by the City in making these areas suitable for new development.

There may be an opportunity to apply this form of funding to some portion of the costs for the proposed sports facility. However, until the regulation is introduced, it is impossible to forecast the exact amounts that will be available. This report recommends that City staff engage Provincial staff in implementing the appropriate regulation and explore its potential application to the proposed sports facility.

## **Decision making Considerations**

In determining a preferred design option, staff considered the following factors:

- (i) Best fit with the Lower Don Lands Planning Framework;
- (ii) Potential economic impact;
- (iii) Precedent-setting for waterfront development; and
- (iv) Public and community preferences

Each of these factors is described in the following sections.

### **Best Fit with the Vision of the Lower Don Lands Planning Framework**

The development of this facility would be the first new development in the Lower Don Lands since City Council recently endorsed the Lower Don Lands Framework Plan. The Stacked Option fits seamlessly within the Framework Plan. The proposed facility in this form maintains the structural elements of the framework by respecting the new river, the extension of Basin Street, the future widening/development of Commissioners Street and the Don Roadway and future neighbourhoods. Future precinct planning exercises will determine the fine details of future development.

### **Potential Economic Impact**

From a market viewpoint, development of the Ground level Option will have little positive impact on the development potential of the surrounding lands. There is a possibility that the very large, at grade building, with long blank walls, could have the effect of isolating the development parcels to the south and reducing their marketability.

If the Stacked Option is implemented with a high quality of architecture, the facility will become an early landmark in the redeveloping Port Lands and be a significant statement and design precedent for the market to follow. It would have a significant bearing in terms of improved land values on adjacent lands, creation of short-term construction and permanent jobs, and the ability of the area to achieve the long term objectives of the City.

Including employment for the construction of the facility, it is estimated that the Stacked Option would generate about 230 direct and about 225 indirect and induced tourism sector jobs, with total employment of about 455. The Ground level Option is estimated to generate about 180 direct and 170 indirect and induced tourism sector jobs, with total employment of about 350. Tourism related GDP is estimated to increase by about \$41.0 million for the Stacked Option and \$31.0 million for the Ground level Option.

Analysis prepared by N. Barry Lyon Consultants Limited suggests that in the immediate vicinity of the proposed location, the combination of reduced land requirements of the Stacked Option compared to the Ground level Option, and the much higher quality of design for the Stacked Option relative to the Ground level Option, will result in the following impacts:

- The land value of the proposed development sites to the south of the Sports Centre would likely increase from about \$6.5 to \$18.0 million, or \$1.5 to \$3.5 million per acre. Under current waterfront protocol, these amounts would be re-invested in the waterfront. The timing of any new development will be contingent on flood remediation and any other approval requirements. Funding is not yet committed for the Don River Mouth construction. Once funding is committed, it is estimated the detailed design and construction will take 10 to 15 years.
- As a result of higher valued land and the distinctive architecture of the Stacked Option, the surrounding development lands would more likely be of a similar quality, generating annual property taxes estimated in the range of \$2.6 million per annum compared to the Ground level Option estimate of \$1.5 million per annum. Again, the timing of this depends on various approval issues.
- The Stacked Option would also likely spur market demand causing the surrounding lands to be developed sooner. In regard to the land immediately to the south, the combined impact of the increased property tax value and accelerating the development of these lands would generate about \$18.0 million in additional property tax revenue to the City over the first 10 years of development. This lift is likely to occur irrespective of when development is approved.
- The additional development lands and higher quality construction for the Stacked Option creates significant additional opportunities in the construction sector including an estimated 630 full time equivalent (FTE) jobs compared to 230 FTE jobs for the Ground level Option. For the Stacked Option these construction sector jobs generate \$63.0 million in taxable wages. For the Ground level Option, wages are estimated in the \$23.0 million range
- With the additional marketability of the area, more office and commercial development is likely to be attracted. Assuming one job for every 500 gross square foot of office floor space, the Stacked Option would support about 450 permanent jobs compared to Ground level Option where 256 jobs are projected.

It is important to note that the impacts on land values and development described above have been measured on the development parcels to the south of the site. It is likely that these impacts would extend much further under the Stacked Option.

The development of the Stacked Option would attract national market interest which would likely expedite development of the Pinewood Toronto Studio's Phase II to the east. Using calculations made in the N. Barry Lyons Report and extending them to the Pinewoods properties, the City could receive about \$5.0 million in additional property tax revenue for each year the Phase II development is advanced.

N. Barry Lyons also commented that the architecture and waterfront location will give the Stacked Option facility a very high profile which will aid in marketing. The top floor

rink, which is proposed to offer dramatic views of the lake and cityscape, will certainly support, higher usage, greater demand for corporate and tournament events, a premium to market rental rates; and greater demand for ancillary and support retail.

### **Precedent-Setting for Waterfront Development**

Given the longer term development timeline associated with the Port Lands, there is an excellent opportunity for the facility at 85 and 95 Commissioners Street to set a precedent for future private and public initiatives. Development of the Stacked Design Option would demonstrate the City's commitment to design excellence in the waterfront and reflect a leadership role.

### **Community and Public Preferences**

As indicated in the "Recent Activity" section above, staff were requested by the Community Development and Recreation Committee to undertake a public consultation process in July 2010. Consultation consisted of a broad stakeholder workshop, a widely-advertised public meeting and a presentation to the Waterfront Design Review Panel. Various community groups also contacted staff with specific comments and concerns.

The findings of the meetings are fully detailed in <http://www.toronto.ca/waterfront/pdf/PLSC-Stakeholder-Workshop-Summary-8july10.pdf> and <http://www.toronto.ca/waterfront/pdf/PLSC-Public-Meeting-Summary-13july10.pdf>. At each meeting, two design options were presented by the architectural team to the various groups who were encouraged to provide feedback on the Ground level and Stacked Options and express a preference. Consulted groups were also asked for guidance on the important decision making considerations.

A general preference for the Stacked Option was articulated at both the stakeholder and public meetings. Comments regarding the need for adherence to waterfront revitalization goals and a solid fit with the vision for the Lower Don Lands, as well as the strong desire for a multiple-pad facility and operational viability, ranked as most popular. Project cost, while not shared with the meeting participants, was cited as a concern for many individuals. Concerns specific to the Stacked Option included the reliance on elevators adversely affecting the user experience, and the extensive use of glass on the building's exterior which could be a detriment to migrating birds and sustainability measures.

A preference for the Stacked Option was also provided by the Waterfront Toronto Design Review Panel. Members expressed strong support for the development of a facility which will meet current community needs as well as be an important precedent-setting feature in the Port Lands with the potential to shape future development. Some concerns regarding the building skin, building orientation, entrance design and the parking facility roof were expressed.

### **Preferred Design Option - Discussion**

Given that the Stacked Option provides a better fit with the vision of the Lower Don Lands Plan combined with the strong potential for enhanced economic impacts and the community’s articulated preferences, staff have determined that the Stacked Option is a preferred design.

A summary of project funding and costs for the Stacked Option is provided in Table 4 below. For purposes of simplicity, only one recoverable debt figure is provided. However, as presented earlier in the report and detailed in Table 3, the potential recoverable debt for this facility ranges from \$ 21.0 to \$ 29.0 million, depending on which assumptions regarding operation, rates and allocation to priority groups, are applied.

<b>Table 4 – Stacked Option Funding Summary</b>	
<b>Total Project Costs</b>	<b>\$ 87.8 million</b>
Committed Funding	34.0
Financing through recoverable debt	25.0*
<b>Funding Gap</b>	<b>\$ 28.8 million</b>

\* Assumes 25 % prime-time allocation for priority groups; prime-time ice rental rate of \$350/hour and City priority group rate of \$200/hour.

**Equity Impact Statement**

As described in the report’s body, the rationale to develop a four-pad facility includes the ability to better meet the City’s access and equity principles. The dramatic growth in female participation in hockey and requirements for access to prime-time ice has been an issue of debate in recent months. Implementation of the proposal will lessen the competition for prime-time ice at various City facilities, enabling greater inclusion of all groups, ages, and affiliations in ice sports overall. Both design options presented in the report have been developed in accordance with the City’s Accessibility Design Guidelines.

**CONCLUSION**

Two design options for the proposed four-pad sports facility at 85 and 95 Commissioners Street are presented in this report. Based on a variety of considerations including the best fit with the vision of the Lower Don Lands Plan, enhanced economic benefits of the development, the value of the proposed facility as a precedent for future waterfront development, and community feedback, it has been determined that the Stacked Option is preferred.

Project costs significantly exceed the available funding. In the current 5 year Capital Budget/10 Year Forecast there are no funds allocated from any City division over and above the \$34 million committed through the Waterfront Revitalization Initiative. For this reason, it is recommended that this project be considered in the 2011 Capital Budget process. Further work would include the refinement of cost estimates, design work, and the development of a short term and longer term parking strategy. In addition, staff would identify funding options for the project.

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## **SIGNATURE**

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Richard Butts  
Deputy City Manager

## **ATTACHMENTS**

1. Context Plan
2. Survey of Recently-Built Municipal Four-Pad Arenas
3. Ground Level Option and Stacked Option Floor Plans
4. Ground Level Option and Stacked Option Views

ATTACHMENT 1  
Context Plan



Context Plan - Excerpt From Proposed Central Waterfront Secondary Plan Amendment 85, 95 Commissioners Street

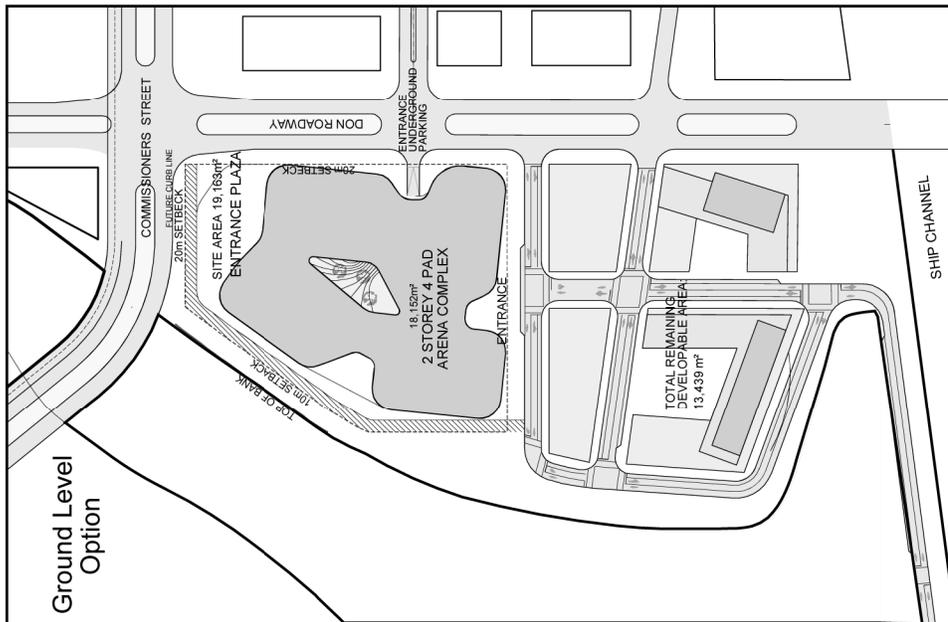
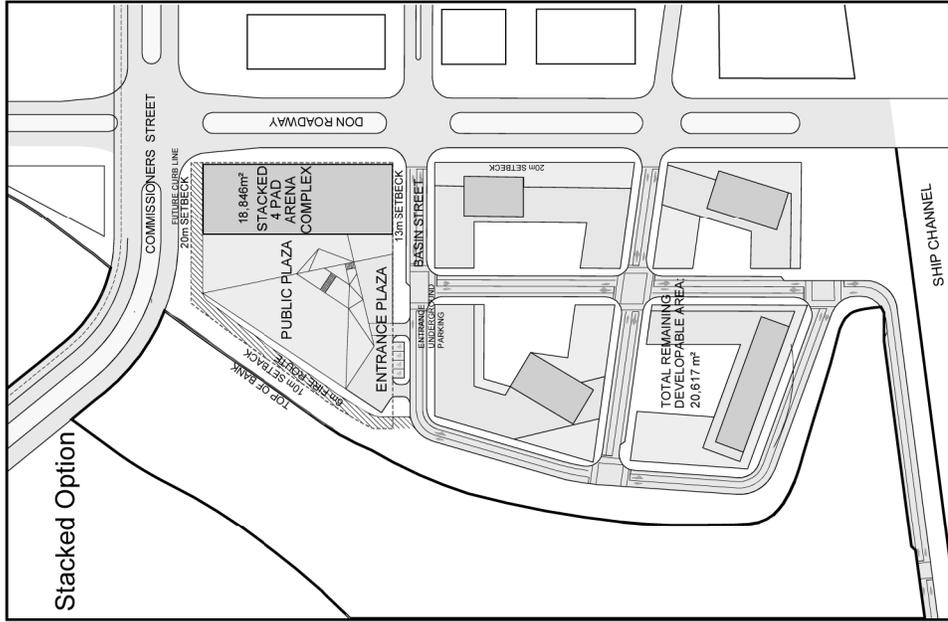
## ATTACHMENT 2

<b>Survey of Recently-Built Municipal Four-Pad Arenas</b>				
<b>Name</b>	<b>Location</b>	<b>Description</b>	<b>Capital Cost</b>	<b>Financing</b>
Mastercard Centre for Hockey Excellence	Toronto	<ul style="list-style-type: none"> <li>• 4NHL-sized rinks, 1 of which is expandable to Olympic size</li> <li>• 272,000 sq. ft.</li> <li>• 200 seat restaurant</li> <li>• Completed in 2009</li> <li>• Operated by Lakeshore Lions Club</li> </ul>	\$45 million	<ul style="list-style-type: none"> <li>• \$41.5 million borrowed from bank and \$34 million of this amount is guaranteed by City</li> <li>• \$2.2 million loan from Giffels Design-Build</li> <li>• \$1 million loan from Better Buildings Partnership</li> </ul>
Gale Centre	Niagara Falls	<ul style="list-style-type: none"> <li>• 4 NHL-sized pads</li> <li>• 204,000 sq. ft.</li> <li>• 2,280 spectator seats</li> <li>• 942 at-grade parking spots</li> <li>• Completed in June, 2010</li> <li>• Operated by City</li> </ul>	\$38 million	<ul style="list-style-type: none"> <li>• Municipal debentures</li> <li>• Section 37 contributions</li> <li>• Revenues from sale of existing arena sites</li> <li>• Overall facility naming rights sold for \$1 million</li> <li>• Naming rights to ice pads sold for total of \$500K</li> </ul>
Invista Centre	Kingston	<ul style="list-style-type: none"> <li>• 4 NHL-sized pads</li> <li>• 1,650 spectator seats</li> <li>• LEED Silver</li> <li>• Fitness Centre</li> <li>• Completed in 2008</li> <li>• Operated by City</li> </ul>	\$34 million	<ul style="list-style-type: none"> <li>• \$19 million borrowed against future user fee revenue</li> <li>• \$11.1 million from capital reserve fund/tax base</li> <li>• \$2 million from development charges</li> <li>• \$1 million from facility reserve fund</li> <li>• \$0.5 million from parkland reserve fund</li> </ul>
Legends Centre	Oshawa	<ul style="list-style-type: none"> <li>• 4 NHL-sized pads</li> <li>• leisure pool</li> <li>• Gymnasium</li> <li>• Fitness centre</li> <li>• Library branch</li> <li>• Completed in 2006</li> <li>• Operated by City</li> </ul>	\$40 million	<ul style="list-style-type: none"> <li>• Municipal debenture funding</li> </ul>
Sixteen Mile Sports Complex	Oakville	<ul style="list-style-type: none"> <li>• 3 NHL-sized pads and 1 Olympic-sized pad</li> <li>• 144,000 sq. ft.</li> <li>• 2,250 spectator seats</li> <li>• 150-seat restaurant</li> <li>• Scheduled to open in Sept., 2010</li> <li>• Operated by City</li> </ul>	\$38 million	<ul style="list-style-type: none"> <li>• Development charges</li> <li>• Municipal debenture funding</li> </ul>

Source: Municipal and/or facility websites and publications, and research from Deloitte Touche

# ATTACHMENT 3

## Floor Plans



85, 95 Commissioners Street

Ground Level Option and Stacked Option Floor Plans

**ATTACHMENT 4**  
Ground Level Option and Stacked Option Views



85, 95 Commissioners Street

Ground Level Option and Stacked Option Views