



**STAFF REPORT
ACTION REQUIRED**

Renovation and Expansion of BMO Field

Date:	March 5, 2014
To:	Executive Committee
From:	City Manager Deputy City Manager and Chief Financial Officer
Wards:	Ward 19
Reference Number:	P:\2014\Internal Services\Cf\Ec14005Cf (AFS #19123)

SUMMARY

The purpose of this report is to seek approval for a City capital investment of \$10 million towards the cost of making the following changes to BMO Field at Exhibition Place:

- increasing the permanent seating capacity to 30,000 (existing permanent capacity is 21,566) and allowing for an additional 10,000 in temporary seating capacity for special events
- adding a partial roof that will cover the majority of the seats
- reconfiguring the field so that the stadium can host Canadian Football League ("CFL") games
- improving amenities within the stadium

The Federal and Provincial governments have expressed interest in matching the City's investment in order to provide a total public sector contribution of \$30 million. Maple Leaf Sports and Entertainment Ltd. ("MLSEL") will provide the balance (\$90 million) of the total estimated \$120 million funding required for the project.

MLSEL has agreed to modify the financial terms that govern income-sharing for the stadium in order to provide additional revenues to the City/Board and to reduce the potential variability in these revenues. As a result of these changes, City Finance staff forecast that, even under adverse market conditions, the proposed \$10 million investment will be fully recovered from incremental revenues generated during the term of the extended agreement with MLSEL.

RECOMMENDATIONS

The City Manager and the Deputy City Manager and Chief Financial Officer recommend that:

1. Council authorize staff to execute the Letter of Intent ("LOI") attached in Attachment 2 to this report and negotiate a project agreement, Toronto Argonaut facility use agreement and amendments to the BMO Field Project Agreement, Management Agreement and Facility User Agreements substantially on the terms and conditions set out in the LOI and such other terms and conditions as may be satisfactory to the Deputy City Manager and Chief Financial Officer, the General Manager, Economic Development & Culture and the Chief Executive Officer of Exhibition Place in a form satisfactory to the City Solicitor.
2. Council authorize staff to negotiate an agreement(s) with the Federal and Provincial governments for their contributions to the capital funding for this project on terms and conditions satisfactory to the Deputy City Manager and Chief Financial Officer, the General Manager, Economic Development & Culture and the Chief Executive Officer of Exhibition Place in a form satisfactory to the City Solicitor.
3. The balance of the funds in the Soccer Stadium Capital Maintenance Reserve Fund (XR3601) be transferred to Exhibition Place on December 31, 2014 so that these funds can be used to offset reduced parking income during the stadium expansion construction and also to fund the cost of additional wayfinding signage for the parking lots.
4. The \$10 million City contribution towards the proposed expansion of the stadium be debt-financed with full recovery from the guaranteed annual payment provided by MLSEL.

Financial Impact

Capital

The proposal calls for the City to contribute \$10 million (8.3%) towards the estimated \$120 million total cost of carrying out the proposed expansion and renovation of BMO Field. The balance of the costs are to be funded by Maple Leaf Sports and Entertainment Ltd. (\$90 million) and by the Federal (\$10 million) and Provincial (\$10 million) governments.

MLSEL will take on the role of construction manager and will bear the risk of construction cost over-runs including all environmental remediation costs.

Operating

As indicated in Table 1, Exhibition Place has forecast that the City will recover more than its \$10 million investment plus interest during the extended term of the agreement (extended from 2027 to 2037) from the incremental revenues that will result from the proposed expansion and renovation. Therefore, this capital investment can be treated as recoverable debt.

Table 1 - Summary of Proforma City/Board Incremental Net Revenues						
	2014	2015	2016	Total 2017 - 2025	Total Amount Full Term 2014-2037	Net Present Value 2014-2037
Guaranteed Payment	450,000	865,000	882,300	8,778,639	25,400,893	\$ 15,067,362
Add: Net Incremental Parking Income	-	232,042	234,362	2,217,583	5,967,250	\$ 3,562,906
Total New Revenues	450,000	1,097,042	1,116,662	10,996,221	31,368,143	\$ 18,630,268
Less: Existing Average Stadium Income	396,754	404,689	412,783	4,107,072	12,069,990	\$ 7,227,957
Total Incremental Revenues Before Financing Costs	53,246	692,353	703,879	6,889,149	19,298,154	\$ 11,402,311
Less: Principal & Interest on 20-Year \$10 million debt	-	-	748,908	6,740,168	14,978,151	\$ 9,210,105
Net Annual Incremental Income:	\$53,246	\$692,353	-\$45,028	\$148,981	\$4,320,003	\$ 2,192,206

There is a risk that this forecast will not be achieved but an analysis by City Finance staff indicates that the investment can be recovered even under less favourable market conditions than those assumed in the Exhibition Place forecast. Most of the incremental income (approximately 69%) that will flow to the City/Board will come in the form of an annual guaranteed payment from MLSEL and the remainder will come in the form of parking income which will vary with market demand and the number of events held at BMO Field.

Economic Impacts

MLSEL has committed as part of its Letter of Intent with the City, to enter into a long-term stadium user agreement with the Toronto Argonaut football team (the "Argos"). This will provide the Argos with a new venue in which to host their home games in Toronto. According to the Argos, their lease at the Rogers Centre will expire in 2017, and moving into a more appropriately sized venue is vital to ensuring the long-term stability of the franchise in the City of Toronto.

MLSEL also anticipates that the expanded seating capacity of the stadium will allow the stadium to attract major new events to the City such as the Major League Soccer ("MLS") Cup, the MLS All Star Game and the NHL Winter Classic.

Together, the continued hosting of Toronto Argonaut games, as well as the potential hosting of other special events, is likely to result in considerable economic benefit for the City.

As indicated in Tables 2 & 3 below, a detailed quantitative analysis of the economic impact of this project has been prepared by PriceWaterhouseCoopers LLP for MLSEL and this analysis forecasts that the Federal and Provincial governments will each earn incremental tax revenues as a result of the stadium expansion that will greatly exceed the value of their proposed capital contributions to this project.

Table 2 – Estimated One-Time Impacts Associated with Stadium Expansion		
	Within Ontario	Within Canada
Spending	\$214.6 million	\$238.5 million
GDP	\$110.8 million	\$122.7 million
Person Years of Employment	1,310	1,435
Income	\$75.8 million	\$82.4 million
Provincial Tax Revenue	\$9.7 million	\$10.1 million
Federal Tax Revenue	\$11.1 million	\$12.1 million

Table 3 – Estimated Annual Impacts Resulting from Stadium Expansion		
	Within Ontario	Within Canada
Spending	\$4.8 million	\$5.4 million
GDP	\$2.6 million	\$2.9 million
Person Years of Employment	40	40
Income	\$1.8 million	\$1.9 million
Provincial Tax Revenue	\$8.2 million	\$8.2 million
Federal Tax Revenue	\$5.4 million	\$5.4 million
Visitor Spending	\$47.2 million	\$47.2 million

DECISION HISTORY

At its meeting of October 26, 27, 28 and 31, 2005, Council approved the contribution of land at Exhibition Place, together with a financial contribution of \$9.8 million, for the creation of the professional soccer stadium which is now known as BMO Field.

At its meeting of March 7, 2014, the Board of Governors of Exhibition Place approved the recommendations in a report from the Chief Executive Officer of Exhibition Place with respect to the expansion and renovation of the stadium proposed by Maple Leaf Sports and Entertainment Ltd. The Board of Governors also provided confidential instructions to staff.

ISSUE BACKGROUND

BMO Field is a 21,566 seat stadium owned by the City of Toronto but currently managed by Maple Leaf Sports and Entertainment Ltd. ("MLSEL"). The principal user of the stadium is the Toronto FC soccer team, which is a franchise member of professional Major League Soccer ("MLS"). The stadium also hosts amateur soccer matches

organized through the Canadian Soccer Association along with other events such as rugby matches.

A winter bubble was originally used at this stadium until 2009 to allow for amateur soccer use in the off-season. In 2009 City Council approved the relocation of this bubble to Lamport Stadium.

The construction of BMO Field was originally funded using the contributions set out below in Table 4:

Federal Government	27.0
Provincial Government	8.0
City of Toronto	
cash	9.8
land	10.0
MLSEL	18.0
Total:	72.8

MLSEL shares profits from the stadium with Ex Place generally based on terms originally approved by Council in October, 2005 (the terms were slightly amended when the winter bubble was moved to Lamport Stadium). Ex Place operates parking on the site and shares parking revenues with MLSEL for Toronto FC soccer events.

In late 2013 MLSEL approached City staff with a proposal to make the following changes to the stadium:

- increase the permanent seating capacity to 30,000 and allow for an additional 10,000 in temporary seating capacity for special events (the new seating configurations are presented in Attachment 1)
- add a partial roof that will cover the majority of the seats
- reconfigure the field so that the stadium can host Canadian Football League ("CFL") games
- improve amenities within the stadium

MLSEL is proposing an expansion to seating capacity in the stadium because they anticipate that attendance for FC games will increase as a result of their current efforts to improve the team's performance. They also expect that enhanced seating capacity will improve the stadium's ability to attract special events such as the National Hockey League's Winter Classic or soccer matches with major international soccer teams.

The ability to host CFL games has also become an important objective for BMO Field because the Toronto Argonaut ("Argos") CFL team has indicated that they are seeking a new location to hold their home games. The Argos have expressed a preference for

playing at a smaller, open-air stadium which they expect will provide a more attractive atmosphere for their fans.

MLSEL has proposed that the estimated \$120 million cost of the proposed renovation be funded on the basis set out in Table 5:

MLSEL	90.0
City of Toronto	10.0
Provincial Government	10.0
Federal Government	10.0
Total:	120.0

MLSEL is forecasting that construction of the first phase of the project (with an estimated cost of \$77 million), which will include the seating expansion and the lengthening of the field to meet CFL standards, can be completed by the beginning of the 2015 MLS soccer season. It is also MLSEL's intention to have the stadium available to host certain events for the 2015 Pan Am Games.

A second phase of construction (with an estimated cost of \$43 million), which will include construction of a partial roof, is to be completed by the beginning of the 2016 MLS soccer season.

In order to have sufficient time to recoup its additional investment, MLSEL has proposed that the term of the agreement be extended 10 years so that it will now expire on December 31, 2037 rather than December 31, 2027.

COMMENTS

Substitution of Guaranteed Payment for Existing Stadium Income-Sharing Arrangements

In negotiating the terms for the proposed City capital contribution of \$10 million, a key City objective was to realize reliable incremental revenues from the expanded stadium which can be used to recover this investment.

MLSEL has responded with an offer to provide a guaranteed annual payment of \$865,000 to the City (adjusted annually in accordance with the increase in the consumer price index) which would replace the current stadium revenue-sharing arrangements.

As shown in Table 6, Exhibition Place has realized an average annual income of approximately \$397,000 from the existing stadium income sharing arrangements over the last five years. The proposed guaranteed payment from MLSEL would, therefore, represent an increase over this average amount of approximately \$468,000 annually.

Table 6 - Income Received by Exhibition Place from 2009-2013 BMO Field Events						
	2009	2010	2011*	2012	2013	5-Year Average
Stadium Profit Sharing	\$ 377,868	\$ 323,965	\$ 530,811	\$ 334,125	\$ 417,000	\$ 396,754
Parking Income Sharing	\$ 466,627	\$ 425,021	\$ 458,089	\$ 510,655	\$ 432,503	\$ 458,579
	\$ 844,495	\$ 748,986	\$ 988,900	\$ 844,780	\$ 849,503	\$ 855,333

* - Incorporates Settlement with Canadian Soccer Association

Increase in Incremental Parking Revenue

MLSEL has also offered to modify the parking income sharing arrangements so that their share of these revenues for FC and Argo events would remain at 33-1/3% for the full term of the agreement. Under the original agreement, MLSEL's share of parking revenue for FC events was to increase to 40% after year 10.

MLSEL has forecast that the expansion project will generate considerable incremental parking revenue as a result of the proposed expansion and renovation project. MLSEL anticipates that attendance at Toronto FC games will increase substantially as a result of their recent efforts to improve the performance of the Toronto FC team (a number of high-profile player acquisitions have recently been announced) and as a result of greater seating capacity in the stadium.

In addition, as discussed above, one of the key objectives of the project is to make the field suitable for the hosting of the Toronto Argonaut football games. As a result, Exhibition Place will be able to generate new parking revenue from the 9 regular season Argo home games (plus one Exhibition Game) and also, potentially from Argo playoff games.

Finally, MLSEL anticipates that the changes to the stadium will help in attracting special events such as the MLS Cup, the MLS All Stars Game, and the NHL Winter Classic, which will also generate incremental parking income for the Board.

Altogether, MLSEL forecasts that the Board can generate approximately \$250,000 annually in new parking revenue, which, together with the increased stadium revenue, will be sufficient to recover the City's incremental \$10 million investment plus interest.

Exhibition Place staff have prepared their own forecast of parking revenue that results in a forecast amount of incremental income that is similar to the figure prepared by MLSEL. The Exhibition Place forecast assumes average attendance of 25,000 at Toronto FC games and 22,500 for Toronto Argo games. Table 7 provides an overall pro-forma forecast of the total incremental project revenues based on the Exhibition Place parking revenue forecast.

Table 7 - Summary of Proforma City/Board Incremental Net Revenues						
	2014	2015	2016	Total 2017 - 2025	Total Amount Full Term 2014-2037	Net Present Value 2014-2037
Guaranteed Payment	450,000	865,000	882,300	8,778,639	25,400,893	\$ 15,067,362
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As the figures on Table 7 indicate, the City/Board will realize a net incremental financial benefit of \$4.3 million over the 2014-2037 period or \$2.2 million in present value terms if the Board's parking forecast is realized. This means that the forecast value of the total future incremental revenues (the guaranteed annual payments from MLSEL plus incremental parking revenues minus existing revenues) is \$4.3 million (or \$2.2 million in net present value terms) higher than sum of the initial \$10 million capital investment plus the interest on this investment.

Financial Risk and Risk Mitigation

MLSEL has reduced the potential financial risk associated with the project by agreeing to the following elements incorporated within the LOI:

- Agreeing to take on all risk of capital cost over-runs for the expansion and renovation project
- Agreeing to take on all risk with respect to the operations of the stadium and committing to provide the City with a guaranteed annual payment in lieu of the current arrangements in which the City's portion of stadium revenues is tied to actual financial performance
- Agreeing to extend the terms of the agreements by an additional ten years, which should ensure that the City/Board will recover its additional investment and also generate a positive return on their original investment in the facility

As a result of these changes, the City/Board will only face revenue realization risk with respect to parking. Potential variability in parking revenues will result from failure to realize the forecast levels of attendance or from failures to maintain the forecast number of events each year.

One further element of parking revenue risk is related to the availability of parking inventory. As additional events are scheduled on the Exhibition Place grounds (and more activity potentially returns to Ontario Place), there is a greater risk that major events will overlap and there will not be sufficient on-site parking available to meet all of the demand.

In preparing their own forecast of parking revenue, Exhibition Place staff have attempted to make conservative assumptions regarding attendance, events and the impact of overlapping event schedules.

However, Finance staff have examined, as shown in Table 8, the impact of more and less conservative assumptions regarding average event attendance on the overall outcome for the project.

Table 8 indicates that the overall outcome is likely to remain positive even if more conservative assumptions are used for average attendance. For instance, even if there is no increase in Toronto FC attendance (ie. average attendance remains at the 2013 average of 15,000) and average Argo attendance drops considerably from last season's average of 22,500, the overall outcome will still remain positive.

Table 8 - Net Present Value Outcomes Under Different Average Attendance Assumptions					
(\$ millions)					
		15,000	20,000	25,000	30,000
Average FC Attendance	→	15,000	20,000	25,000	30,000
		0.2	1.2	1.9	2.4
		0.5	1.5	2.2	2.7
		0.8	1.7	2.4	2.9
Average Argo Attendance	↑	- Exhibition Place staff assumptions			

This is because the majority of the incremental revenues to the City/Board are in the form of the guaranteed payment from MLSEL, which is not impacted by market demand. In addition, while the parking forecast prepared by Exhibition Place is based on a substantial increase in FC attendance, Ex Place staff also assumed that a portion of parking demand could not be met because demand from other events consumed the available spaces. Therefore, a lower assumed average attendance level did not result in a proportional reduction in parking revenues.

Community Use

The proposed renovation and expansion project will not have any impact on the terms for community use that were approved by Council in 2009 after the winter bubble was relocated to Lamport Stadium. At that time the community use terms were changed to

provide for a minimum of 12 hours per week of use for community sports purposes during the months of April to October. In addition, the new agreement will maintain the availability of the stadium for the City of Toronto (14 days), the CNE (18 days), Ontario Soccer Association (6 days), Canadian Soccer Association (6 days) and other events as set out in the Management Agreement.

Community Feedback

A meeting of the Exhibition Place Community Liaison Committee was held on March 5, 2014, and was attended by residents of the local community, representatives of major show/events on the grounds, supporters of the Toronto FC soccer team, and Exhibition Place tenants. Some of the issues raised at the meeting were as follows:

Traffic and Transit Service

- Traffic flow to and from the grounds is constricted as a result of limitations in the local and arterial road network
- A number of major shows requested that City Planning commit to carry out traffic studies as part of the expansion
- TTC/GO facilities and service need to be improved in order to increase TTC/GO use by attendees at both BMO Field events and other events on the grounds
- Some participants requested the return of dedicated TTC express bus service from outlying areas to the grounds on maximum capacity dates.

Parking and Event Scheduling

- Parking inventory at Exhibition Place is continually being diminished at the same time that activities on the grounds are increasing
- Gridlock on the grounds caused by multiple high-parking-use events happening at one time are resulting in loss of revenues to event producers and negative public opinion
- Some tenants are requesting that the Board blackout MLSEL use of the stadium on certain dates when parking demand is already at capacity
- There is a lack of wayfinding on the grounds and need for better wayfinding on major arterial roadways
- MLSEL indicated that the National Home Show will not be impacted in 2015 and 2016 by BMO Field games as the Toronto FC will not be playing at home in March during the construction period.

Site Plan Control Process

Exhibition Place and the BMO Field improvements are regulated by the City's Site Plan Control process and all issues raised at the Community Liaison Committee meeting will be considered during this process. The process commences with an application by MLSEL to the City which cannot happen until MLSEL has finalized a proposed design which is likely to happen by the end of April. All materials submitted by MLSEL are

public documents and can be obtained by the public. Exhibition Place will also establish on its website access to any documentation and update on timelines.

The Site Plan Process takes from four to six months with building permits being issued once all approvals have been received and MLSEL entering into agreements setting out conditions for development.

Summary of Principal Agreement Terms

Timing

- Term of agreement extended 10 years so term expires in 2037 rather than 2027
- Phase 1 of construction (seating expansion and stadium renovation) to be carried out between July 1, 2014 and May 1, 2015
- Phase 2 of construction (partial roof) to be carried out between May 1, 2015 and May 1, 2016

Financial Terms Between MLSEL and City/Board

- City's contribution to capital cost is limited to a total of \$10 million – MLSEL takes all risk of capital cost over-runs
- MLSEL commits to spend a minimum of \$115 million (current estimated cost is \$120 million) in total on the capital project
- Existing stadium revenue sharing arrangements replaced with a Guaranteed Annual Payment of \$865,000 per year from MLSEL to the City which will be adjusted annually in accordance with the Consumer Price Index
- MLSEL share of gross parking revenues for Toronto FC and Toronto Argonaut games to remain at 33-1/3% for term of agreement (existing agreement called for this share to increase to 40% after 10 years)
- Balance remaining in the Stadium Capital Maintenance Reserve to be transferred to Exhibition Place at the end of 2014 (the balance is not to be reduced below \$400,000) in order to offset any reduction in parking revenues during construction and to fund additional parking wayfinding signage
- MLSEL responsible for all stadium operating costs and capital maintenance costs
- MLSEL will provide City/Board with a letter of credit 5 years prior to the end of the term for the estimated cost of the capital maintenance works identified in a condition assessment – the letter of credit will be reduced as MLSEL carries out the works necessary to return the stadium to City in 2037 in a condition that is "suitable for use as a Tier II level sports and entertainment facility"

Pre-Conditions for Final Agreement

- Commitments shall be secured from the Federal and Provincial governments for their respective \$10 million capital contributions
- Both the City and MLSEL must be satisfied with any terms required by the Federal and Provincial governments in return for their capital contributions

- MLSEL shall secure a commitment from the Toronto Argonauts for the long-term use (i.e. 20 years) of the stadium as the home facility for the Argos
- MLSEL shall reach an agreement with the Canadian National Exhibition Association (CNEA) with respect to construction disruption and removal of lands or building from use by the CNEA, including negotiating a satisfactory arrangement in lieu of the 2 years notice requirement regarding any redevelopment of the Ex Place grounds

Other:

- MLSEL responsible for securing all Planning approvals
- Event timing constraints placed on MLSEL in order to minimize impacts on other special events at Exhibition Place

CONTACT

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SIGNATURE

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ATTACHMENTS:

Attachment 1 -Drawings of Proposed Stadium Expansion
Attachment 2 - Draft Letter of Intent from Maple Leaf Sports and Entertainment Ltd.