



**STAFF REPORT
ACTION REQUIRED**

**Revised Project Phasing for Renovation and Expansion
of BMO Field**

Date:	June 6, 2014
To:	City Council
From:	City Manager
Wards:	Ward 19
Reference Number:	AFS #19857

SUMMARY

The purpose of this report is to seek Council's approval for a revised Letter of Intent ("LOI") with Maple Leaf Sports and Entertainment Ltd ("MLSEL") for the expansion and renovation of BMO Field. MLSEL has requested that the LOI originally approved by Council in April of this year be amended with a revised construction phasing plan. This revised plan would allow the first and second phases of the project to proceed while negotiations continue with the Federal and Provincial governments regarding their potential contributions towards the third phase of the project, which makes the facility suitable for Canadian Football League ("CFL") events.

Under the new plan, the project will proceed in the phases summarized below:

Phase	Description	Original Forecast Date of Completion	Revised Forecast Date of Completion
1	Permanent seating capacity expanded to 30,000	May 1, 2015	May 1, 2015
2	New roof canopy	May 1, 2016	May 1, 2016
3	Reconfiguration of north and south seating areas, new CFL dressing rooms, provision for temporary expansion of seating to 40,000	May 1, 2016	May 15, 2017

The expansion of the permanent seating from 20,000 to 30,000 and the construction of the new roof canopy will proceed as originally scheduled and will have a budgeted cost of at least \$100 million. Of this amount, \$10 million, is to be funded by the City (as per the original LOI approved by Council in April, 2014) with the balance funded by MLSEL.

Under the terms of the revised LOI, MLSEL has committed to proceed with Phase 3 if the Federal and Provincial governments, and/or some other party, are able to provide commitments for a further \$20 million in funding and if a commitment from the Toronto Argonauts for the long-term use of BMO Field as their official home facility can be obtained by May 15, 2017. If these additional commitments are not forthcoming, Phase 3 of the project may not be implemented.

Despite the revised phasing, MLSEL has committed and guaranteed the same revenues to the City as per the original agreement.

RECOMMENDATIONS

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

1. Council authorize staff to negotiate a project agreement, funding contribution agreement, Toronto Argonaut facility use agreement and amendments to the BMO Field Project Agreement, Management Agreement, Toronto FC Team License and Facility User Agreements substantially on the terms and conditions set out in the amended and restated Letter of Intent ("LOI") attached in Appendix 1 to this report and such other terms and conditions satisfactory to the Deputy City Manager and Chief Financial Officer, the General Manager & CEO of Exhibition Place in a form satisfactory to the City Solicitor.

Financial Impact

In each year that Phase 3 is not implemented, the revised LOI requires MLSEL to increase the guaranteed annual payment to the City by an amount equal to the additional annual revenues that Phase 3 was forecast to have generated for the City/Exhibition Place (i.e. the revenues that would have been generated from parking fees at Toronto Argonaut games).

This means that the forecast financial outcome would not change for the City due to the revised phasing plan if Phase 3 is not implemented. The City remains financially whole as a result of the proposed change to the LOI. Under this scenario, the potential variability in income would actually be reduced because the City/Exhibition Place would not be exposed to the risk that parking revenues at Toronto Argonaut games could be lower than forecast. The proportion of the incremental revenues that is provided in the form of guaranteed rent from MLSEL will increase from 69% to 79%.

As previously described in the March, 2014 staff report, it is forecast that the City/Board will realize a net incremental financial benefit of \$4.3 million over the 2014-2037 lease period or \$2.2 million in present value terms. The amount is in addition to the full recovery of the initial \$10 million capital investment plus the interest on this investment.

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 April 1, 2014, City Council approved the recommendations in a report from the City Manager and the Deputy City Manager and Chief Financial Officer regarding a proposed \$10 million investment by the City in the proposed expansion and renovation of BMO Field.

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.

MLSEL shares profits from the stadium with Exhibition 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 in 2009). Exhibition 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 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 plan for the expansion also incorporates the ability to host CFL games. This capability has become an important objective because the Toronto Argonaut ("Argos") CFL team have 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 proposed that the estimated \$120 million cost of the proposed renovation be funded on the basis set out in Table 5:

Table 5 – Summary of Proposed Capital Contributions to Stadium Expansion and Improvement Cost (\$ millions)	
MLSEL	90.0
City of Toronto	10.0
Provincial Government	10.0
Federal Government	10.0
Total:	120.0

As discussed above, Council made a commitment, through its adoption of the original LOI at its meeting of April 1, 2014, to provide a \$10 million capital contribution to the project.

COMMENTS

Following Council's approval of the original LOI in April, it has become clear that, because of the upcoming Provincial election, and other factors, the Provincial and Federal governments are currently unable to provide the requested funding commitments to this project.

MLSEL has indicated that they must initiate construction very soon if they are to complete the seating expansion prior to the commencement of the 2015 Pan Am Games. They have also indicated that they are unwilling to commit to constructing the full project without firm funding commitments for the \$20 million amount that was being sought from the Provincial and Federal governments.

Therefore, MLSEL has proposed an amendment to the LOI that breaks the project up into three phases and which makes commencement of Phase 3 (making the stadium suitable for CFL events) conditional on the availability of this \$20 million funding amount and a commitment from the Toronto Argonauts for the long term use of BMO Field as their official home facility. If Phase 3 is not implemented, this amended LOI also commits MLSEL to compensating the City/Exhibition Place for the incremental parking revenue amount that the City/Exhibition Place was otherwise forecast to receive as a result of the construction of Phase 3 and participation by the Argos. Therefore, there would be no

negative financial impact on the City/Exhibition Place as a result of not implementing Phase 3.

The new 3-phase plan no longer completely ensures that the Argos will be accommodated at BMO Field as a condition of expansion. However, it does hold open the possibility for accommodating the Argos if the Federal and Provincial governments, and/or some other parties such as private sponsors, are prepared to make a \$20 million contribution to the project. This \$20 million funding amount being requested by MLSEL is considerably smaller than the cost of constructing a new stadium suitable for CFL events in some other location.

By agreeing to the amended LOI, the City will be ensuring that MLSEL's proposed \$90 million investment will still be made in the stadium. As previously described in the March, 2014 staff report, it is also forecast that the City/Board will realize a net incremental financial benefit of \$4.3 million over the 2014-2037 lease period or \$2.2 million in present value terms. The amount is in addition to the full recovery of \$10 million capital investment plus the interest on this investment.

CONTACT

Joe Farag, Director of Corporate Finance; Tel: 416-392-8108; Email: jfarag@toronto.ca

Ward Earle, Director of Municipal Law; Tel: 416-397-4058; Email: wearle@toronto.ca

Eric Arm, Senior Financial Analyst; Corporate Finance; Tel: 416-397-4479;
Email: earm@toronto.ca

SIGNATURE

Joseph P. Pennachetti
City Manager

ATTACHMENTS:

Attachment 1 - Draft Amended and Restated Letter of Intent from Maple Leaf Sports and Entertainment Ltd.

G:\TFS\ADMIN\Report Submission\2014\Bmo Stadium Renovation 3 Phase Draft Updated June 5.Docx

ATTACHMENT 1 – AMENDED AND RESTATED LETTER OF INTENT
FOR EXPANSION OF BMO STADIUM