



Prospects for Bidding on the 2022 Commonwealth Games

Date: May 29, 2017

To: Economic Development Committee

From: General Manager, Economic Development and Culture

Wards: All

SUMMARY

The Commonwealth Games is one of the world's premiere international sporting competitions, attended by more than 6,000 athletes and officials from the 70+ countries and territories of the Commonwealth of Nations. Held every four years, the Games are recognized for generating significant economic, cultural and community benefits for their host city. The Games are also a leader in access and equity for sport, as the first and only international event to fully integrate para-sports across its sporting program.

The 2022 Commonwealth Games were initially awarded to Durban, South Africa. However, in March 2017, the Commonwealth Games Federation (CGF) announced that Durban had lost the right to host the Games, citing serious financial concerns and questions about the city's ability to complete venue construction in time for the event. The CGF has since embarked on an expedited bidding process to name a replacement host city.

The Commonwealth Games Association of Canada, the national chapter of the CGF, responded to a call for expressions of interest from the CGF to explore the possibility of hosting the 2022 Games in Canada. Representatives of Australia, Malaysia and the United Kingdom have also indicated an interest in hosting the 2022 Games. The CGAC will now put forward candidate cities in Canada for consideration. Vancouver and Victoria are reported to be considering bids, and there is no limit to the number of cities that any one country can nominate. The CGF has asked that any prospective candidates declare their intention to bid by early July and submit a formal bid proposal by the end of August. The CGF hopes to name a host city by the end of the year.

Staff have reviewed the opportunity to bid on the 2022 Commonwealth Games using the evaluation criteria set out by the Mayor's Advisory Panel on International Hosting Opportunities. While hosting the Games has the potential to generate significant economic and tourism benefits for Toronto, staff are recommending that Toronto not pursue a bid at this time given the following major risks and constraints:

- **Lack of confirmed support from other orders of government:** The Mayor's Advisory Panel is clear that the support of the federal and provincial governments must be confirmed before making a bid for a major event such as the Commonwealth Games. This approach mitigates financial, operational and reputational risks to the City. Given the scale and complexity of the Games, a multi-party cost-sharing agreement between all three orders of government similar to that used during the 2015 Pan Am / Parapan Am Games would need to be in place to successfully host the 2022 Games in Toronto. A senior order of government would also be required to provide a deficit guarantee for the Games. Per the Federal Policy for Hosting International Sport Events, the Government of Canada does not guarantee against operating losses, leaving the Province to act as the guarantor.

At this time, it is not clear that Toronto can secure the required financial and logistical support from other orders of government. While the federal government has indicated that it would consider a potential bid from a Canadian city, there has been no confirmation that either the federal or provincial governments would offer financial support, or that the Province of Ontario would provide a deficit guarantee for the Games. There is also a risk that a request for investment in the Commonwealth Games could come at the expense of funding for other City priorities such as transit and housing.

- **Lack of certainty on the availability of resources to host the Commonwealth Games:** Costs to the host organization, net of revenues (ticket sales, sponsorship, etc.) would be expected to be very significant and therefore would require very significant subsidization. If the experiences of the Pan Am Games, the Glasgow Commonwealth Games and the expected experience of the upcoming Gold Coast Commonwealth Games are used, a substantial public sector operating subsidy will be needed to host the Games in Toronto, likely in the hundreds of millions of dollars. Any cost sharing arrangement involving all three orders of government will likely require a City contribution. No funding source currently exists for any meaningful amount of money from the City.

While there are many existing facilities in Toronto that could be used for the Commonwealth Games, capital investment could be required for athletes' housing and venue upgrades. The Pan Am Village has now been converted and passed on to the permanent residents. It may be possible to use university and college residences for temporary housing, but this is not clear. A new village could be part of a social housing project but the time to determine this is well beyond the few months needed to put in an official bid. Secondly, Toronto's existing track and field facilities could require capacity upgrades to meet the standards of the CGF. This may or may not be resolved within the timeline to submit a bid.

- **Lack of community engagement and consultation:** The Mayor's Advisory Panel strongly recommends that the City meaningfully involve local residents in the bid process to determine whether the event opportunity provides sufficient benefits and legacies for the community. At this time, no consultation has taken place to gauge community or business support for hosting the 2022 Commonwealth Games. Given time constraints, the City cannot conduct meaningful outreach and engagement before a decision is required on whether to proceed with a bid.

- **Lack of resources and expedited timelines to bid:** Normally, the bidding process for a major event such as the Commonwealth Games would take place over at least 1-2 years, allowing for a candidate city to complete full due diligence by assessing infrastructure requirements, identifying legacy opportunities, conducting a comprehensive cost-benefit analysis and consulting with community partners. While it is possible to complete a bid on an expedited timeline by the end of August, the City does not currently have any resources in place to do so and would incur significant unbudgeted costs for third-party support to complete the necessary work

RECOMMENDATIONS

The General Manager, Economic Development and Culture, recommends that:

1. Economic Development Committee receive this report for information.

FINANCIAL IMPACT

There is no financial impact associated with the adoption of this report.

If Toronto were to pursue a bid for the 2022 Commonwealth Games, the City would incur unbudgeted costs to prepare a bid on a condensed timeframe in 2017. The City does not have any staff or budget resources in place to complete a bid at this time. Costs related to bidding are estimated to be in the hundreds of thousands of dollars.

If Toronto is successful in making a bid, the City would incur very significant expenses related to event planning, operations and capital infrastructure over the next five years. Hosting the Commonwealth Games would be a major corporate initiative requiring coordination, support and resources from multiple City divisions and agencies. While exact costs are not known at this time, staff estimate that operating expenses would be comparable to the 2015 Pan Am / Parapan Am Games, with City expenditures in the tens of millions of dollars. Capital investment would also be required for projects such as a new Athletes Village, which are not currently part of the City's capital plan. It would be expected that operating and capital costs for the Games are cost-shared between all three orders of government, but no such support is confirmed at this time.

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

DECISION HISTORY

In June 2016, City Council adopted the recommendations of the Mayor's Advisory Panel on International Hosting Opportunities as a framework to evaluate opportunities to bid on and host major special events in Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX15.7>

In May 2017, the Economic Development Committee requested that the City Manager, in conjunction with the General Manager, Economic Development and Culture, investigate the potential opportunity for the City of Toronto to enter the bidding process for the 2022 Commonwealth Games and report back to the Economic Development Committee on the process and timeline if Council were to choose to proceed with supporting a bid.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.ED21.4>

COMMENTS

Economic and Tourism Impact of the Commonwealth Games

The Commonwealth Games is similar in scale to the Pan Am / Parapan Am Games. The 2015 Pam Am / Parapan Am Games were the largest multi-sport event ever held in Canada, drawing over two million attendees to sporting and cultural events across Southern Ontario. While the Commonwealth Games is slightly smaller than Pan Am in terms of the total number of sports and competitions, it draws a larger number of athletes, and both are recognized as top-tier international events that are only outranked in impact and prestige by mega events such as the Olympics, World Expo and FIFA World Cup.

The Commonwealth Games would be expected to generate significant economic and tourism benefits for Toronto. While further study is required to determine the economic impact of hosting the 2022 Games in Toronto, recent examples of past Commonwealth Games and the Pan Am Games offer an indication of potential economic benefits.

An economic impact study of the 2014 Commonwealth Games in Glasgow¹ - widely regarded as one of the most successful in history - estimated that the Games generated £740 million (\$1.302 billion CAD) in economic impact for Scotland and £390 million (\$687 million CAD) for Glasgow over a seven-year period from 2007-2014. An estimated average of 2,100 jobs per year nationally and 1,200 jobs per year in Glasgow were supported over this same time period, peaking in 2014. It should be noted that these figures are higher than what would be expected for Toronto, as there would be substantially fewer construction jobs given the minimal capital requirements for the 2022 Commonwealth Games. Over 690,000 unique visitors attended the Games, with hotel occupancy in Glasgow averaging 95% nightly.

¹ Source: Government of Scotland, *An Evaluation of Legacy from the Glasgow 2014 Commonwealth Games: Post Games Report*, July 2015. <http://www.gov.scot/Resource/0048/00482151.pdf>

The 2018 Commonwealth Games will be held in Gold Coast, Australia. The City of Gold Coast is projecting a total economic impact of \$2 billion AUD (\$2.02 billion Canadian), supporting 30,000 jobs². \$200 million worth of sporting and community infrastructure projects are planned for the event. Gold Coast estimates that the Games will be seen by a worldwide television audience of over 1 billion.

The 2015 Pan Am / Parapan Am Games generated significant economic impact for Toronto through visitor spending. A report by Moneris Solutions showed that overall spending on international credit and debit cards in Toronto increased by 18.7% during the Games compared to the same period in the year prior, while spending by tourists at entertainment businesses increased by a remarkable 260.3% compared to 2014³.

The Commonwealth Games have supported a range of legacy projects in previous host cities, including the construction of world-class sporting and event infrastructure, transit investment and new affordable housing developments. Hosting a major event is an opportunity for a city to identify and pursue legacy projects that align with City-building priorities. Toronto could leverage the Games to fast-track new investment in such projects to maximize the benefits of event hosting for the City and its residents.

Cost Considerations

While additional work is needed to determine a full budget and impact analysis for the Games, the City's experience in hosting the 2015 Pan Am / Parapan Am Games can be used as a benchmark to project approximate costs to the City of bidding on and hosting the Commonwealth Games. Like the Pan Am Games, hosting the Commonwealth Games would be a corporate-wide initiative requiring commitments and coordination across multiple City Divisions and Agencies. Examples of cost categories include:

- **Event-related operating costs:** The City of Toronto provided a range of municipal services for Pan Am in accordance with a multi-party partnership agreement with the federal and provincial governments. Under this agreement, the City provided, at its own expense, planning and preparation support and normal service levels during the Games. The City was reimbursed for any incremental (i.e., above normal) services requested and delivered during the Games period. Excluding security related costs incurred by the Toronto Police Service, which were fully covered by the Province of Ontario, the total projected cost for municipal services provided by City divisions and agencies for the Games during 2014 and 2015 was \$13.704 million gross (\$5.451 million net).
- **Investment in cultural and community programming:** The City would need to consider making a strategic investment to maximize the community, cultural and legacy potential of the Games and engage residents and visitors in a City-wide celebration, similar to Pan Am's Host City Showcase Program. Elements of the Host City Showcase Program included the PANAMANIA festival at Nathan Phillips

² Source: City of Gold Coast, *GC2018 Benefits*, Accessed 2017.
<http://www.goldcoast.qld.gov.au/thegoldcoast/commonwealth-games-benefits-24257.html>

³ Source: Moneris Solutions, *Pan Am Games a win for Toronto businesses*, 2015.
<https://www.moneris.com/en/About-Moneris/News/Pan-am-games-a-win>

Square, a marketing and tourism program and various community-level initiatives. The total City expenditure for the Host City Showcase Program was \$18.071 million. This investment leveraged just under \$9.5 million in partner contributions to various showcase initiatives.

- **Capital investment:** The City's most significant financial contribution to the Games was a commitment of up to \$95.530 million for eleven capital projects. The capital investment included new construction and significant upgrades to Toronto's recreation infrastructure assets and areas of the public realm that served as venues and celebration sites during the Games. These projects were cost-shared with partners (primarily the Government of Canada), typically on a 56% (partner) / 44% (City) basis. The capital investment leveraged close to \$250 million in partner funding commitments.

It can be reasonably assumed that the City will need to incur higher costs for event-related operating expenses and a cultural component of the Commonwealth Games. The City was not asked to contribute to the operating deficit of the Pan Am Games, but it is reasonable to expect that this might be different for the Commonwealth Games in that neither the Federal nor Provincial government has taken a leadership role in championing a bid, which could lead to one or both of them offering to absorb most of the deficit (as happened with the Pan Am Games). The City's capital investment, however, is expected to be significantly lower. The Commonwealth Games can make use of many of the same sporting facilities that were used during the Pan Am / Parapan Am Games, reducing the total capital investment required by the City and other partners. Some overlay, such as temporary seating, may be required for venues to meet the capacity standards of the Commonwealth Games.

The City will need to consider an investment in housing for over 6,000 Commonwealth Games participants, as the Pan Am Athletes Village has been converted into housing. The City could explore alternative options to constructing an Athletes Village, such as making use of university dormitories, as is being done to house over 5,000 participants at four campuses for the 2017 North American Indigenous Games, though some investment in new construction is likely required nonetheless. Investment in housing is a potential legacy opportunity for hosting the 2022 Games.

Bidding costs are estimated to be in the hundreds of thousands of dollars. The City would be required to produce a full site plan, sporting program and budget as part of a bid proposal due at the end of August. The City does not currently have any staff or budget resources in place to produce these materials, and would likely require third-party support to complete the work on an expedited timeframe.

Assessing the Prospects of Bidding on the 2022 Commonwealth Games

The Mayor's Advisory Panel on International Hosting Opportunities identified five key principles for the City to consider when determining whether to bid on a major special event. An overview of the bid opportunity for the Commonwealth Games assessed against these criteria is included below.

Evaluation Criteria	Score	Comments
<p>Start from a position of strength, emphasizing the need for shared commitment by all orders of government and the private sector prior to launching an event bid</p>	<p>Low</p>	<p>The Mayor's Advisory Panel strongly emphasizes that support from the federal and provincial governments is a prerequisite to pursuing a bid for a major event such as the Commonwealth Games. This approach mitigates risks to the City and positions a bid for success based on mutual cooperation and shared interests.</p> <p>At this time, it is unclear whether the federal and provincial governments are prepared to make a commitment to bringing the Games to Toronto in 2022. Similar to the Pan Am Games, a multi-party cost-sharing agreement between all three orders of government would be required to bid on and host the Commonwealth Games. As well, if the Games makes use of venues outside of Toronto, it would be expected that the Province plays a significant leadership role in organizing the event.</p> <p>The CGF also requires that a senior order of government provide a financial guarantee to offset any deficit incurred during the Games. The Government of Canada, per its Federal Policy for Hosting International Sport Events, will not undertake to guarantee deficit funding for a bidding or hosting project.</p> <p>Consideration must also be given to how hosting the Games would impact provincial and federal funding for other City-building priorities. Given the scale of investment in the Games required from other orders of government, there is a risk that government funding for other City projects could be delayed, deferred or cancelled should Toronto pursue a bid for the Games.</p>

Evaluation Criteria	Score	Comments
<p>Optimize Toronto as a host city and region, underscoring the importance of ensuring a strong hosting capacity through a responsible financial plan, diverse leadership team, and meaningful engagement with communities and partners across the Greater Toronto Area</p>	High	<p>Coming off the success of the 2015 Pan Am / Parapan Am Games, Toronto is well positioned to host a major international sporting event like the Commonwealth Games. Toronto is recognized internationally for its top-tier sporting facilities and hosting capacity. Staff have a high degree of confidence that Toronto could successfully host an international event of this scale and prestige, provided that the required resources are in place.</p>
<p>Advance key City-building priorities by leveraging a major event to advance areas such as transit, affordable housing, and other civic infrastructure</p>	High	<p>Hosting the Commonwealth Games is an opportunity for Toronto to advance legacy projects that align with key City-building priorities. Most notably, a new Athletes Village, designed to provide temporary accommodation for over 6,000 guests, could be converted into affordable housing after the Games. Other potential legacies include job creation, an enhanced international tourism profile and opportunities for collaboration with the member states of the Commonwealth of Nations.</p>
<p>Responsibly manage hosting costs, resources and risks by minimizing the City's financial exposure, and mitigate risks related to bidding on and hosting a major event</p>	Low to Medium	<p>While the Commonwealth Games could make use of existing Pan Am sporting facilities to minimize capital expenditures, a significant investment in event operations and support is nonetheless required to successfully host an event of this scale. No funding source has been identified and the City does not currently have any resources in place to support the development of a bid or event planning and production.</p>

Evaluation Criteria	Score	Comments
<p>Generate benefits and legacies for all Torontonians to ensure that a major event has a wide-ranging, positive impact for communities across the City</p>	<p>Insufficient information</p>	<p>No consultation has taken place to determine the level of community and business support for hosting the 2022 Commonwealth Games. Meaningful engagement and outreach is required to assess community support for a bid and identify benefits and legacies. Given time constraints, it is highly unlikely that the City can conduct meaningful consultation before a decision is required to proceed with a bid.</p>

The opportunity to bid on the 2022 Commonwealth Games scores highly when assessed against criteria related to impact and the City's hosting capacity. As one of the world's largest international sporting events, the Games would generate considerable economic impact for Toronto and enhance the City's brand as a leading jurisdiction for international event hosting. However, given risks and constraints related to intergovernmental support for a bid and the financial impact of hosting the event on the City's long-term fiscal plan, staff cannot recommend pursuing a bid to host the 2022 Games at this time.

CONTACT

Mike Williams
 General Manager, Economic Development and Culture
 416-397-1970
Mike.Williams@toronto.ca

SIGNATURE

Mike Williams
 General Manager, Economic Development and Culture