

Authority to Enter Into Bid Agreements for the 2026 FIFA World Cup

Date: January 18, 2018

To: Executive Committee

From: General Manager, Economic Development and Culture

Wards: All

SUMMARY

The FIFA World Cup is one of, if not the world's premiere international sporting competition. Held every four years, the World Cup is recognized for generating significant economic, cultural and community benefits for its host cities and country, and increasing host cities' profiles on the world stage.

The national soccer associations of Canada, the United States of America and Mexico are leading a joint bid through the United Bid Committee (UBC) to host the 2026 FIFA World Cup in cities across North America. The 2026 FIFA World Cup will be the largest held to date, with a record 48 nations contesting the Cup at 80 matches over a 30-day period. Canada would automatically qualify for the tournament by virtue of being a host nation. Based on current discussions, Canada and Mexico would host 10 games each, with the remainder being played in the United States. The only other country bidding to host the Cup is Morocco.

Toronto has been named as one of four Canadian host city candidates, along with Vancouver, Edmonton and Montreal. 28 other candidate cities in Mexico and the United States are also being considered. It is anticipated that Toronto would host 3-5 games if the bid is successful, and if Toronto is selected by UBC and FIFA as a host city. The host nation(s) for the 2026 World Cup will be named by FIFA in June 2018, and individual host cities will be selected in 2021.

In order to be considered as a host city in UBC's bid, the City of Toronto is required to enter into a number of irrevocable agreements including Host City, Stadium and other ancillary agreements (the "Bid Agreements"), by February 5, 2018.

The key reasons for the City to participate in the 2026 FIFA World Cup include the substantial economic and global media impacts of the event; the opportunity for community engagement and legacies, drawing on Toronto's unique diversity; the potential to host the event with very limited financial and other risks due to the way the UBC bid is being organized with no new facilities, infrastructure or operating guarantee

being required; and that it builds on Toronto's successful track record of hosting the world at major events, without most of the impacts on residents since there are few games and sites involved.

There is one major unknown at this stage of the bidding process. The Mayor's Advisory Panel on International Hosting Opportunities is clear that the City must confirm the financial support of the federal and provincial governments prior to making a bid for a "mega event" like the FIFA World Cup. This is essential to mitigate financial risks to the City. While the Canadian Soccer Association and City staff have engaged in initial discussions with the federal and provincial governments, a decision or agreement has not yet been reached on financial support. A major component of this financial support is a provision to cover security costs. In the case of this highly visible and prestigious event, the costs for security cannot be accurately predicted at this time and the City has little control over major aspects of the security system. As such, the City should not proceed with entering a bid in which its financial costs for providing security are unknown or uncapped.

Due to the time sensitive nature of the bid opportunity, it is unlikely that a cost-sharing agreement will be reached prior to UBC's deadline for Toronto to sign the Bid Agreements and still have an opportunity for Council to then approve. Accordingly, this report recommends that the City's signing of the Bid Agreements be made conditional on confirmation of support from the federal and provincial governments, to be secured through a formal Multiparty Agreement or other acceptable arrangement. If a cost-sharing agreement with other orders of government cannot be reached, the City would either submit documents with caveats around financial support or withdraw from the bidding process.

RECOMMENDATIONS

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

1. City Council request that the Government of Canada and the Province of Ontario provide financial support to host the 2026 FIFA World Cup in Toronto, including a commitment to cover security costs.
2. Subject to the City Manager negotiating and executing a Multiparty Agreement or other acceptable arrangement confirming financial support from the federal and/or provincial governments that protects the City's interests, City Council authorize the City Manager to negotiate and execute the Bid Agreements for the FIFA 2026 World Cup, on terms and conditions satisfactory to the City Manager and the Acting Chief Financial Officer and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

There are no financial impacts to this report for at least four years. Toronto will not know whether it has been accepted as a host city until 2021. At that time the specifics of the financial arrangements will need to be determined. The commentary section below includes a discussion of the likely magnitude of the costs that could be incurred and a discussion of external sources of funding to offset these costs. The City would begin to incur costs of \$2 to \$3 million related to the 2026 FIFA World Cup in 2023 if UBC's bid is successful and if Toronto is subsequently selected as a host city.

Similar to the Pan Am Games and other major events of this scale, it is expected that hosting costs would be shared with the provincial and federal governments, and there is potential for contributions from private sector partners and sponsors. Event Service Delivery Costs of \$6 to \$10 million are expected to be shared with other orders of government as well as the Fan Festival and Host City Showcase costs of \$15 to \$25 million. A 15% contingency of \$7 million is also included in the overall estimate of \$30 to \$45 million. While initial discussions with other orders of government have taken place, no cost-sharing arrangement has been agreed upon as of the writing of this report.

It is assumed that a cost-sharing agreement would include a provision for other orders of government to cover security and policing costs, as has been the practice for other recent major special events such as the 2015 Pan Am/Parapan Am Games and the 2010 Vancouver Winter Olympics.

If UBC's bid is successful, the City would need to prepare a detailed funding plan by the end of 2021 to source its share of the local costs.

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

DECISION HISTORY

In April 2014, City Council directed the Deputy City Manager, Cluster A, and the General Manager, Economic Development and Culture, to consider opportunities to co-host major events with other cities in Canada and the United States, such as a joint bid to host the 2026 FIFA World Cup, as part of the development of a new event hosting and bidding strategy for Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.MM50.30>

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 "mega events" such as the Summer and Winter Olympics, FIFA World Cup and World Expo in Toronto.

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

COMMENTS

Event Overview and Bid Background

The FIFA World Cup is an international soccer competition contested by the senior men's national teams of the members of the Fédération Internationale de Football Association (FIFA), the sport's global governing body. It has grown to become one of the world's most followed and most watched sporting events, reaching an audience of 3.2 billion people for the 2014 FIFA World Cup held in Brazil. Upcoming FIFA World Cups will be held in Russia in 2018 and in Qatar in 2022.

The competition is played in stages over a 30-day period - first, an initial group stage consisting of a round-robin tournament to determine finalists, and secondly a "knockout" stage in which the top teams from the group stage compete for the trophy. In 2026, the FIFA World Cup will be contested by a record 48 nations, up from the current 32 participants. The 48 participating nations will include the tournament's host nation(s), along with the top-ranked FIFA teams from the three preceding years.

The national soccer associations of Canada, the United States of America and Mexico formed the United Bid Committee (UBC) to advance the first-ever multi-country bid to host the FIFA World Cup in 2026. UBC is proposing to use existing sporting facilities across the continent to host the Cup, dramatically reducing the required capital investment compared to previous iterations of the tournament. Based on current discussions, Canada and Mexico would host 10 games each under the shared hosting model, with the remainder held in stadiums in the United States.

The Canadian Soccer Association (CSA) formed a Host City Bid Advisory Group in Toronto to initiate discussions about hosting a portion of the 2026 FIFA World Cup in Toronto and to prepare an initial information package. The group is co-chaired by Mayor John Tory and Larry Tanenbaum, Chairman of Maple Leafs Sports and Entertainment (MLSE) and includes Councillor Palacio as the Mayor's lead on FIFA 2026, Councillor Grimes as the Chair of Exhibition Place, Johanne Belanger, CEO of Tourism Toronto, and staff from MLSE and the City. The Host City Bid Advisory Group submitted an information package to the United Bid Committee in summer 2017 that included details on Toronto's sporting facilities and successful history of hosting major international events.

In October 2017, the United Bid Committee announced that it had shortlisted Toronto as a potential Canadian host city, along with Vancouver, Montreal and Edmonton. The United Bid Committee will submit a formal bid to FIFA in March 2018, which will include a list of 32 potential host cities.

A key component of submitting a bid is the signing of formal FIFA Bid Agreements, including the Host City Agreement (to be signed by the City), Stadium Agreement (to be signed by the City, as the owner of BMO Field), Training Facilities and Base Camp Agreement (to be signed by the Canadian Soccer Association, as these facilities could be in or outside Toronto and have multiple owners), Airport Agreement (to be signed by the Greater Toronto Airports Authority) and a series of government guarantees, which

will primarily be signed by the federal government, with the possibility of some being signed by the provincial government and potentially by the City of Toronto on a very limited basis. The City of Toronto must enter into the Bid Agreements by February 5, 2018 in order to be included in UBC's bid. The agreements are FIFA's standard form agreements, including the requirement that they are to be governed by Swiss law, and are non-negotiable in recognition of the competitive award process and benefits accruing to the host cities and host country.

The only other country expected to submit a bid is Morocco. FIFA will announce the winner in June 2018. If UBC is selected as the host of the 2026 FIFA World Cup, FIFA will then begin the process of evaluating host city candidates. It is expected that the host cities will be named in 2021.

At the present time, 32 North American cities have been invited to bid with the expectation that about 12 to 16 will be selected if the United Bid Committee is successful. The other three Canadian cities have indicated that they will recommend to their Councils that those cities enter into the Agreements on the same basis as is being recommended here.

Why Bid?

Given the very prominent role that the FIFA World Cup has for the world's soccer fans, arguably the most popular sport in the world, being part of hosting a World Cup can bring many advantages:

- **Substantial economic and media impact:** The Boston Consulting Group (BCG) estimates that hosting 3-5 FIFA World Cup matches could generate approximately \$210 million in direct and induced economic impact for a city similar in size to Toronto. BCG also projects that the matches would support around 1,000 new jobs.

In addition, as one of the world's most-watched television events, the FIFA World Cup offers an unparalleled opportunity for global media exposure. BCG estimates that each televised match would provide the host city with the equivalent of over \$4 million in global advertising value.

- **Opportunity for community engagement and legacy:** Hosting a major international event like the FIFA World Cup can create benefits and legacies for all Torontonians. As part of the bidding process, the City can consider how to leverage the FIFA World Cup to advance key city-building priorities that could include a greater focus on health and fitness, a celebration of the City's globally leading multi-cultural mosaic, strengthened ties with the countries that play here and other legacies that could be developed through future consultation with Torontonians.

A key component of hosting the FIFA World Cup is the creation of a free "Fan Zone" open to the public for the full 30-day duration of the Cup. The Fan Zone, likely to be held at Nathan Phillips Square, would be a hub for community engagement and celebration, featuring live broadcasts of games, artistic and musical performances,

food and more. It will allow all Torontonians and visitors to the city to take part in the excitement of the event at no cost to attendees.

- **Ability to host the event with limited financial and operational risk:** The joint bid is a unique approach that will allow Toronto to leverage the benefits of hosting a major international event while minimizing financial and operational costs or risks, with one notable exception discussed below. No major new infrastructure or new event facilities are needed, though some may need some updating at a very modest cost. As well, the host city is not required to establish a local organizing committee or indemnify the event against a loss since FIFA will run the competition themselves. No new major infrastructure is needed.

However, there is one major unknown at this stage. The Mayor's Advisory Panel on International Hosting Opportunities is clear that the City must confirm the financial support of the federal and provincial governments prior to making a bid for a "mega event" like the FIFA World Cup. This is essential to mitigate financial risks to the City. While the United Bid Committee and City staff have engaged in initial discussions with the federal and provincial governments, a decision has not yet been reached on financial support for the event, including security costs. In the case of this highly visible and prestigious event, the costs for security cannot be accurately predicted and the City has little control over major aspects of the security system. As such, the City should not proceed with entering a bid in which its financial costs for providing security are unknown or uncapped. This has typically been done by either or both of the federal and provincial governments.

- **The successful track record of Toronto in hosting global events and the small impact hosting would have on the daily lives of Torontonians:** Toronto has the demonstrated capacity to successfully host major sporting events of a global scale (PanAm Games, Invictus Games) and can do so once again for the 2026 FIFA World Cup. Further, given that there are only a few games and some practice facilities in operation, the disruption to the city will not on the scale that it was for the PanAm Games. It will be comparable to having four World Series games and a 30-day event at Nathan Philips Square.

Evaluation of the FIFA 2026 Bid Opportunity

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 2026 FIFA World Cup assessed against these criteria is included below.

Overall, the bid opportunity scores very highly using this criteria. The bid builds on Toronto's existing event hosting strengths, creates a foundation for economic, social and cultural legacies, and can be delivered within acceptable levels of financial and operational risk.

At the same time, the Mayor's Advisory Panel strongly emphasizes that support from the federal and provincial governments and the private sector is a prerequisite to

pursuing a bid for a mega event such as the FIFA World Cup. This approach mitigates risks to the City and positions a bid for success based on mutual cooperation and shared interests. As such, this report recommends that the City execute the Bid Agreements, conditional on confirmation of financial support from the federal and provincial governments in the form of a Multiparty Agreement or other appropriate arrangement.

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>To be confirmed.</p> <p>The bid will only go forward if the federal and provincial governments commit sufficient resources in a way that limits the City's liabilities to an acceptable level.</p>	<p>Toronto's bid is strongly supported by private sector partners. Maple Leaf Sports and Entertainment have championed the proposal and have committed to the use of BMO Field for the games. It is anticipated that other partners and sponsors can be secured if Toronto is selected as a host city.</p> <p>While the Canadian Soccer Association and City staff have both engaged in discussions with federal and provincial governments, no agreement has been reached on their financial support for the 2026 FIFA World Cup at this time. Similar to the Pan Am Games, a multi-party cost-sharing agreement or other appropriate arrangement between all three orders of government would be required to host the 2026 FIFA World Cup.</p> <p>Confirmation of government support for the bid, including a commitment of financial support, is recommended as a mandatory condition for the City to sign the Bid Agreements.</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>	<p>High</p>	<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 FIFA World Cup. Toronto has successfully hosted sporting events of similar scale to individual World Cup matches, such as the 2016 NBA All-Star Tournament, and individual games as part of the 2007 FIFA Under 20 World Cup.</p> <p>Toronto is recognized internationally for its top-tier sporting facilities and hosting capacity. In addition to BMO Field, Toronto has a number of smaller soccer fields that could be used as training facilities and base camps for visiting national teams, though these may require upgrades in order to meet FIFA playing standards. 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>	<p>High</p>	<p>Hosting the 2026 FIFA World Cup is an opportunity for Toronto to advance legacy projects that align with key city-building priorities. Potential legacies will be considered in detail during the development of the bid and further refined if the bid is successful, but could include enhanced community soccer facilities, job creation, a greater international tourism profile, advancement of environmental priorities, and opportunities for collaboration with FIFA member states.</p>

Evaluation Criteria	Score	Comments
<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>	<p>High</p>	<p>As one of the host cities in a joint bid, Toronto could be expected to reap considerable economic and community benefits from the World Cup, while limiting the amount of investment and risk by sharing hosting responsibilities with other cities. Since there are very little capital costs expected, the financial risk is minimal assuming the provincial and/or federal governments absorb security costs.</p> <p>The City will begin to incur costs for the 2026 FIFA World Cup in 2023-24, if Toronto is chosen as a host city. Prior to then, the City will need to identify a funding source for expenditures which would be incurred in the lead-up to and during 2026.</p> <p>While some FIFA events have been the subject of negative media attention in recent years, the organization has implemented strong management and ethics controls to mitigate the risk of such issues arising in the future.</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>High</p>	<p><i>Accessibility</i> The FIFA World Cup mandates that host nations produce accessible, barrier-free events. As well, to ensure that the FIFA World Cup is open to all residents and visitors, FIFA requires that each host city produce a free "Fan Zone" that is open to the public for the full duration of the event. Toronto's Fan Zone would likely be held at Nathan Phillips Square and serve as a community hub for live broadcasts, performances and other activities. Running for the full 30 days of the World Cup, the Fan Zone would allow all Torontonians to take part in the excitement of being a host city and celebrate the achievements of the teams and nations in competition.</p> <p><i>Legacy</i> While specific legacy opportunities have not yet been identified, there is considerable potential to advance social, economic, environmental and cultural opportunities through the hosting of the event. As a next step, if Council authorizes the signing of the Bid Agreements, City staff would consult with stakeholders to develop a shared vision and potential legacies for the 2026 FIFA World Cup.</p>

Estimated Cost of a Successful Bid in 2023-2026

Excluding security costs, it is estimated that the total funding required in Toronto from the three orders of government and the private sector to host 3-5 games is between \$30 - 45 million, including a 15% contingency. This includes the following types of costs:

Category	Estimated Costs
<p>Planning and Preparation Costs Includes activities undertaken to support operational needs in advance of the 2026 FIFA World Cup, starting in 2023.</p>	<p>\$2 - 3 million</p>
<p>Event Service Delivery Costs Includes costs related to increased City service levels during the 2026 FIFA World Cup. <i>*costs to be shared with other orders of government.</i></p>	<p>\$6 - 10 million</p>

Category	Estimated Costs
<p>Fan Festival and Host City Showcase Includes costs related to fan festival and other special projects to engage residents and visitors. <i>*costs to be shared with other orders of government and sponsors. Costs can be scaled based on resources available.</i></p>	\$15 - 25 million
Contingency (15%)	\$7 million
Total Estimated Costs	\$30 - 45 million

It is assumed that security and policing costs would be borne by the federal and/or provincial government, as has been the practice for other recent major special events such as the 2015 Pan Am/Parapan Am Games and the 2010 Vancouver Winter Olympics. As security and policing costs would presumably not be the responsibility of the City, they are excluded from the table above. Security and policing costs would be substantial for an event of this scale and are impossible for the City to fully estimate at this time given unknown levels of risk and the global security situation in 2026.

Next Steps

If Council adopts the recommendation in this report, the City Manager will be authorized to negotiate and execute the Bid Agreements that would allow Toronto to be included in UBC's bid. Executing these agreements would be conditional on the confirmation of financial support from the federal and provincial governments in the form of a Multiparty Agreement or other acceptable arrangement. If a cost-sharing agreement cannot be reached in time, Toronto would either submit documents with caveats around financial support from other orders of government or withdraw from the bidding process.

It is contemplated that the Multiparty Agreement would be signed by all prospective host cities in Canada, including Toronto, Montreal, Edmonton and Vancouver, as well as their respective provincial governments, the federal government, and potentially the four main airport authorities for the candidate cities. This approach allows for common terms and conditions for any Canadian city being considered in UBC's bid. However, it will be very challenging to reach a Multiparty Agreement in time for the bid to be submitted and some other method of protecting the City's interests may need to be found. The City is part of an intergovernmental committee with representatives of the four cities, the four provinces and the federal government working on these issues.

As well, City staff will continue to work with partners at the UBC and other orders of government to prepare and finalize the bid proposal. An interdivisional working group, chaired by the General Manager, Economic Development and Culture, has been formed to guide this process for the City of Toronto. The working group includes representation from the City Clerk's Office, City Manager's Office (Equity, Diversity and Human Rights and Strategy and Corporate Policy), City Planning, Corporate Security, Economic Development and Culture, Environment and Energy, Exhibition Place, Facilities Management, Financial Planning, Legal Services, Municipal Licensing and Standards,

Office of Emergency Management, Parks, Forestry and Recreation, Solid Waste Management, Toronto Fire Services, Toronto Paramedic Services, Toronto Police Services, Transportation Services and the Toronto Transit Commission.

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