Consolidated Clause in Policy and Finance Committee Report 9, which was considered by City Council on October 26, 27, 28 and 31, 2005.

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Soccer Stadium at Exhibition Place

City Council on October 26, 27, 28 and 31, 2005, amended this Clause:

(1) by adding to Recommendation (2) of the Policy and Finance Committee, after the words "in consultation with the Mayor's Community Safety Youth Development Through Sport Working Group", the words "and ensuring that the overall plan includes a protocol which would allow for affordable usage of the new stadium facilities by local community groups", so that Recommendation (2) now reads as follows:

"(2) the General Manager, Parks, Forestry and Recreation, in consultation with the General Manager, Exhibition Place, be requested to develop an overall plan for the utilization of community access hours for the new soccer stadium, ensuring that the plan is consistent with the Strong Neighbourhoods Strategy and is developed in consultation with the Mayor's Community Safety's Youth Development Through Sport Working Group, and ensuring that the overall plan includes a protocol which would allow for affordable usage of the new stadium facilities by local community groups, and submit a report thereon to the Economic Development and Parks Committee for its meeting scheduled to be held on January 16, 2006.";

(2) by amending the recommendations contained in the report (October 19, 2005) from the Board of Governors of Exhibition Place, by:

(i) adding to Recommendation (2)(a), the words "and further, that all contributions agreed upon in the contribution agreement, including those by MLSEL, must be committed prior to the City making its contribution", so that Recommendation (2)(a) now reads as follows:

"(a) that a contribution agreement is entered into between the City and the Provincial and Federal governments which provides for the contribution of federal and provincial funding in the amount of $27.0M and $8.0M respectively on terms and conditions acceptable to the Deputy City Manager and Chief Financial Officer and the City Solicitor, including the specific requirement that contribution payments are made on a timely basis to ensure that construction expenditures do not exceed the $62.8M construction budget, and further, that all contributions agreed upon in the contribution agreement, including those by MLSEL, must be committed prior to the City making its contribution;"; and

(ii) deleting Recommendation (4) and inserting instead the following:

"(4) the City Solicitor be requested to report on the legality and appropriateness of declaring the proposed soccer stadium to be a municipal capital facility for the purposes of the municipality and public use, pursuant to Section 110 of the Municipal Act, 2001;",

(3) in accordance with the following staff recommendation contained in the Recommendation Section of the supplementary report (October 27, 2005) from the Deputy City Manager and Chief Financial Officer:

"If the recommendations in the report currently before Council from the Board of Governors of Exhibition Place are accepted, it is recommended that Council approve entering into a project agreement, management agreement and facility usage agreements substantially on the terms and preconditions outlined in the Letter of Intent ('LOI') attached to the [report of the] General Manager and CEO of Exhibition Place, as amended by the terms set out in Appendix 'A' to this report, and such other terms and conditions as required by the Deputy City Manager and Chief Financial Officer, the General Manager and CEO of Exhibition Place and the City Solicitor."; and

(4) to provide that construction of the proposed soccer stadium shall not require the demolition of the Food Building at Exhibition Place; and

(5) by adding the following:

"That:

(i) the Chief Building Official and General Manager, Building, in consultation with the General Manager, Transportation Services, be directed to ensure that the scoreboard and marquee sign is erected beyond the 45-metre setback from the F.G. Gardiner Expressway, and that consideration be given to restricting the video imaging aspect of the sign; and

(ii) in the event that this proposal between the Board of Governors of Exhibition Place, the City of Toronto and MLSEL and the CSA does not proceed, a similar offer be pursued with Parc Downsview Park Inc.."

This Clause, as amended, was adopted by City Council.

Council also considered additional material, which is noted at the end of this Clause.

The Policy and Finance Committee recommends that:

(1) City Council adopt the staff recommendations contained in the Recommendations Section of the report (October 19, 2005) from the Board of Governors, Exhibition Place; and

(2) the General Manager, Parks, Forestry and Recreation, in consultation with the General Manager, Exhibition Place, be requested to develop an overall plan for the utilization of community access hours for the new soccer stadium, ensuring that the plan is consistent with the Strong Neighbourhoods Strategy and is developed in consultation with the Mayor's Community Safety's Youth Development Through Sport Working Group, and submit a report thereon to the Economic Development and Parks Committee for its meeting scheduled to be held on January 16, 2006.

Action taken by the Committee:

The Policy and Finance Committee requested the Deputy City Manager and Chief Financial Officer to submit a report directly to Council for its meeting scheduled to be held on October 26, 27, 28 and 31, 2005, on the financial implications and risk exposure to the City in relation to the terms and conditions contained in the proposed Letter of Intent.

The Policy and Finance Committee submit the report (October 19, 2005) from The Board of Governors of Exhibition Place:

Purpose:

This report is submitted for the consideration of the Policy and Finance Committee at its meeting scheduled for October 20, 2005, and for subsequent approval by City Council.

Financial Implications and Impact Statement:

The recommendations in this report will result in a capital investment of $62.8M in the Exhibition Place site for a new soccer stadium. On the basis of the proformas provided by MLSE, the stadium operations will provide over the 20-year term a financial return to the Board of Governors of Exhibition Place of $9.99M net present value.

Recommendations:

It is recommended that City Council:

(1) approve the entering into of a project (construction) agreement, a management agreement and facility usage agreements substantially on the terms and conditions outlined in the Letter of Intent ("LOI") between the Board, the City and MLSE and the CSA attached as Appendix "D" to this report and such other terms and conditions as required by City Council, the Deputy City Manager and Chief Financial Officer, the General Manager and Chief Executive Officer (CEO) of Exhibition Place and the City Solicitor;

(2) approve the proposed agreements and a contribution to the cost of construction of the Stadium of $9.8M, subject to the following preconditions as contained in the LOI:

(a) that a contribution agreement is entered into between the City and the Provincial and Federal governments which provides for the contribution of federal and provincial funding in the amount of $27.0M and $8.0M respectively on terms and conditions acceptable to the Deputy City Manager and Chief Financial Officer and the City Solicitor, including the specific requirement that contribution payments are made on a timely basis to ensure that construction expenditures do not exceed the $62.8M construction budget;

(b) that the parties are satisfied that the project can be undertaken for a budget of $62.8M, including all infrastructure, site preparation and environmental remediation costs; and

(c) that approval is obtained for a proposed sign to be visible from the Gardiner Expressway as required for the sale of naming rights for the facility;

(3) the LOI provides that, in the event that these preconditions are not satisfied and are not waived, the parties shall each have a right to terminate the agreements in which event, the parties shall remain responsible for their own costs incurred to the date of termination;

(4) declare the proposed soccer stadium to be a municipal capital facility for the purposes of the municipality and public use pursuant to section 110 of the *Municipal Act, 2001*, and pass a by-law to authorize the entering into of an agreement for the provision of the facility, and request the City Clerk to give notice of the municipal capital facility by-law as required under the *Municipal Act, 2001*;

(5) request that Exhibition Place staff take all necessary action to give effect hereto including providing notices to the present tenants of the Halls of Fame Building and the Snack Bar in accordance with the leases; and

(6) provide any additional financial information provided to City Council also be provided to the Board of Governors on an in-camera basis.

Background:

At its meeting of October19, 2005, the Board of Governors of Exhibition Place considered and recommends for approval a report from the General Manager and CEO entitled "Professional Soccer Stadium at Exhibition Place".

Comments:

The following is an extract of the aforementioned report entitled "Professional Soccer Stadium at Exhibition Place" which was considered by the Board of Governors at its meeting of October 19, 2005.

"Purpose:

This report provides the principal terms and conditions of an agreement to be entered into with Maple Leaf Sports and Entertainment Ltd. (MLSE) and the Canadian Soccer Association (CSA) with respect to the construction, management and use of a 20,000-seat soccer stadium at Exhibition Place.

Background:

At its meeting of May 2004, the Board approved of the Exhibition Place Development Plan which, as shown on the attached Appendix "A", provided for a development opportunity on a site immediately east of the Queen Elizabeth Exhibit Hall.

At its meeting of March 7, 2003, the Board received a presentation about a proposal by the Toronto Argonauts to build a 22,000 seat stadium at Exhibition Place. At its meeting of July 2003, the Board received a report outlining a proposal from the CSA which in discussion with the City were proposing a 30,000 seat soccer stadium at Exhibition Place.

Comments:

As noted above, Exhibition Place has been considered as the possible location of a stadium since 2003, generally in the vicinity of the area highlighted on Appendix "A" attached. The construction of this soccer stadium has always been dependent on funding by the various levels of government and the immediate justification for the provision of government funding has been the commitment by FIFA and CSA to hold the FIFA Men's Under 20 World Youth Championship in the Toronto stadium in 2007 followed by subsequent annual FIFA events. An economic impact analysis commissioned by the CSA indicated that the total direct spending impact of this Championship in six cities in Canada would be $12.3M and indirect and induced spending would be $5.4M with the impact on the Championship host city being $1.5M and $2.1M respectively.

As the Board is aware, since 2003, the proposed location and the partnerships involved in the development of a stadium in Toronto have varied. However, over the summer of 2005 there were discussions between Mayor Miller and Federal and Provincial Ministers about this project. These discussions have culminated in the proposal before the Board which involves capital contributions from all three levels of governments of $72.8M (including base land value) to cover 100 percent of the construction costs of a stadium (including land costs) and in addition, provides for operating agreements between the City, the Board, MLSE and CSA to construct, manage and use the stadium for a period of 20 years from substantial completion. The proposed location for the stadium is as shown on the site plan attached as Appendix "B" to this report.

The principal terms and conditions for the soccer stadium and major league soccer franchise are set out in the LOI attached as Appendix "D". Generally, the basic structure of the business arrangement being proposed is very similar the ones entered into by the Board and other sports teams in relation for the former Exhibition Place stadium. Some of the essential points of the business arrangement are as follows:

(i) cash investment of $62.8M with contribution of $35.0M from Federal and Provincial governments; $9.8M from City and $8.0M from MLSE and contribution of an additional $10.0M from MLSE in anticipation of revenues to be received by MLSE for the sale of naming rights;

(ii) 20,000-seat stadium (capable of expansion to 30,000 seats and capable of conversion to a football format) with luxury viewing suites, premier seating, FIFA specifications including artificial field turf, food and beverage concessions and an air supported winter field structure;

(iii) project (construction) agreement with MLSE to build the stadium on-time and on-budget with MLSE responsible for construction cost overruns;

(iv) ownership of the constructed stadium remains with the City;

(v) management Agreement for 20 years between City/Board and MLSE to manage the stadium on behalf of the Board and City;

(vi) requirement for MLSE to purchase a major league soccer franchise to be located in Toronto;

(viii) use Agreement for 20 years between the City/Board and MLSE for the stadium to be the home of the MLSE major league soccer franchise subject to payment of rent ;

(ix) participation Agreement for 20 years between the City/Board and CSA for the stadium to be the home for Canada's international soccer terms and be used annually to host international soccer events subject to payment of rent based on seven percent of gate receipts (less taxes);

(x) right of the City/Board to use the stadium a significant part of any available dates annually on a cost recovery basis only for the City, CNE, World's Fair and Olympics (subject to use for regularly scheduled major league soccer games and FIFA games) and for other public events;

(xi) right of the CNEA to use the stadium (subject to use for regularly scheduled major league soccer games and FIFA games) during the 18-day CNE period;

(xii) right of the CNEA to receive 25 percent of gross revenues from stadium food and beverage concessions during the 18-day CNE period;

(xii) City/Board retains the majority of incremental revenues from parking (except for the partial payment to the MLSE major league soccer franchise of 33.3 percent of gross parking revenues related to the 20 soccer games which increases to 40 percent in Year 11);

(xiv) City/Board shares equally with MLSE any net revenues earned by the stadium;

(xv) contribution of $400,000 annually (increased by CPI annually from Year six onward) from the stadium revenues to a capital reserve account to be held by the City; and

(xvi) MLSE will fund the first $250,000 of any operating shortfalls and thereafter, the City/Board and MLSE share equally in funding any annual operating shortfalls or annual shortfalls in capital expenditures.

Benefits of the Stadium:

Through the contribution of $9.8M, the City will attract $35.0M of capital funding from the other levels of governments and $18.0M of private sector funding to allow for the construction of a stadium. The stadium in turn will attract a new major league sports franchise to Toronto and also be the home of Canada's international soccer teams and FIFA events.

The City will not only own the $62.8M stadium, but on an annual basis the City/Board, as of right, will have access to use the stadium for community uses for a significant part of the annual available dates. In addition, the stadium will be available for use by the City as an Olympic or World's Fair venue or as part of other international events the City may pursue.

The location of a 20,000-seat stadium at Exhibition Place will allow the Board either alone, or in concert with the City or Tourism Toronto, to bid on major events, such as World Youth Day that in 2002 was one of the main elements resulting in the extremely successful financial results shown by the Board. International events such as World Youth Day produce incremental revenues across the Exhibition Place grounds, within the National Trade Centre and in other tenanted buildings at Exhibition Place and are generally seen to be a "win-win" for all involved.

With respect to the CNEA, the terms of the LOI allow for use of the stadium by the CNEA for events during the CNE period. It also has the potential of increasing visitation to the CNE if there is a major league soccer game or a CSA/FIFA event during that period, perhaps attracting an audience to the grounds that would not normally have visited the CNE. In addition, the food and beverage concessions in the stadium will be open for the CNE visitors with 25 percent of the gross revenues being paid to the CNEA from these concessions.

As noted above, the ownership of the stadium remains with the City under the management of MLSE as agent for the Board. The Board will receive the majority of incremental parking revenues resulting from events held at the stadium save and except for the share of gross parking revenues being paid to MLSE for the 20 major league soccer franchise games to be played annually The financial model provided by MLSE to City Finance forecasts that events at the stadium will result in annual parking revenues of $0.620M and these revenues would increase over time so that the total net present value over the term would be $8.7M.

In addition to the parking revenues, the Board would also participate in 50 percent of the net revenues realized by the stadium. Again, the MLSE model indicates that the stadium will generate a small but growing annual surplus. Using the City's typical discount factor, City Finance have indicated that the Board's portion of this surplus has a total net present value of $1.3M. Accordingly, in total, the sum of the revenues in the MLSE model to be earned by the Board over the 20-year term is $9.9 M.

The risk to the Board/City, as noted above, is if the MLSE projections are not achieved, then 50 percent of the operating deficits and any shortfalls in the capital funding must be funded by the Board/City. MLSE has provided a one-time non-revolving fund of $250,000 to address operating shortfalls in the first instance. However, once the $250,000 fund is depleted, remaining operating shortfalls are to be funded equally by MLSE and the Board.

General Economic Benefits:

With respect to the economic impacts of the construction, employment and international soccer events, the CSA in 2003 provided the analysis attached as Appendix "C". Given the completion of the draft proposal now being presented to the Board and City, the CSA is in the process of revising the financial analysis based on the location of the stadium at Exhibition Place and the terms of the management agreements and uses proposed. However, based on the 2003 Deloitte and Touch study, some of the economic benefits of the stadium were as follows:

(i) total construction spending impact (direct, indirect and induces) is estimated to be $121.0M over a construction period of 18 months;
(ii) total operating direct spending impact is estimated to be $7.0M annually and increasing per annum by inflation;
(iii) direct and indirect employment impact during construction is estimated to be 750 jobs;
(iv) direct and indirect employment impact during operations is estimated to be 92 jobs;
(v) annual tenant and event revenue is approximately $15.7M with an impact for visitor spending for one international soccer event to be in the order of $22.7M; and
(vi) overall Tax Revenue impacts for the Federal and Provincial Governments during the construction period is $11.8M.

Municipal Capital Facility:

Given the public-private nature of the proposed project, which will result in the construction and operation of a soccer stadium which will be owned by the City of Toronto and dedicated to municipal purposes and public use, including professional soccer and other cultural and recreational events, I have been advised by the City Solicitor that it is appropriate that City Council declare the facility as a municipal capital facility and pass a by-law to authorize an agreement for the provision of the stadium to the Board and the City of Toronto.

Conclusions:

This report recommends approval by the Board of the essential terms and conditions of an agreement with MLSE and the CSA with respect to the construction, management and use of a 20,000-seat soccer stadium at Exhibition Place.

The construction and location of a $62.8M new 20,000-seat stadium at Exhibition Place is directly in line with the Board's direction to develop the entertainment-based uses on site. I believe that this major development will have positive synergies for the site as a whole, the National Trade Centre, our present tenants and possible future tenants (i.e., an aquarium, hotel)."

Conclusion:

This report recommends that City Council approve of the Professional Soccer Stadium at Exhibition Place.

Contact:

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Email: dyoung@explace.on.ca

List of Attachments:

Appendix "A"	Demonstration Plan
Appendix "B"	Site Plan
Appendix "C"	Deloitte and Touche – Executive Summary Economic Impact Analysis
Appendix "D"	Confidential Document – Letter of Intent
Appendix "E"	Maple Leaf Sports and Entertainment Ltd. – Presentation to the October 19, 2005 meeting of the Board of Governors

(A copy of the Appendices "A", "B", "C", "D" and "E" attached to the foregoing report was forwarded to all Members of Council with the October 20, 2005, agenda of the Policy and Finance Committee and a copy thereof is also on file in the office of the City Clerk, City Hall.)

The following persons addressed the Policy and Finance Committee:

- Mr. Kevan Pipe, Chief Operating Officer, Canadian Soccer Association;
- Mr. Alan Kasperski, and filed a written submission with respect thereto; and
- Mr. Vijay Setlur.

The following Members of Council also addressed the Policy and Finance Committee:

- Councillor Mark Grimes, Etobicoke-Lakeshore;
- Councillor David Shiner, Willowdale; and
- Councillor Sylvia Watson, Parkdale-High Park.

City Council – October 26, 27, 28 and 31, 2005

Council also considered the following:

- *Report (October 27, 2005) from the Deputy City Manager and Chief Financial Officer [Communication 25(b)]:*

Purpose:

This report responds to a request by the Policy and Finance Committee to report directly to Council on the potential financial implications to the City/Board of entering into agreements with Maple Leaf Sports and Entertainment Ltd. (MLSEL) for the development, management and operation of a 20,000 seat soccer stadium at Exhibition Place.

Financial Implications:

Capital

If the recommendations in the report currently before Council from the Board of Governors of Exhibition Place are accepted, the City will be contributing $9.8 million (16%) towards the $62.8 million capital cost of constructing the stadium at Exhibition Place. The balance of the costs are to be funded by the Federal and Provincial governments ($27 million and $8 million respectively) and MLSEL ($18 million). In return for its contribution, MLSEL secures the right, over twenty years, to manage and participate in the revenue from the stadium, and the right to market the naming rights for the stadium to a third party. Staff have included this project in the preliminary 2006 Capital Budget.

Operating

The proformas submitted by MLSEL indicate that, over the twenty year term of the management agreement, the City/Board will recover its $9.8 million investment plus interest from incremental parking revenues and from the Board's share of the stadium's net revenues. Total revenues to the City/Board from these two sources are estimated at $17 million over twenty years or $10 million in present value terms.

In the event that the proforma projections are not achieved, the stadium operations may result in a deficit. MLSEL has agreed to fund operating deficits, if any, of up to a total of $250,000 during the term of the management agreement. The balance of any operating deficits, if any, is to be funded equally between the Board and MLSEL. The analysis carried out by Finance staff has identified a number of factors that may result in stadium operating deficits and reductions in overall net revenues that flow to the Board. However, even under a combined set of unfavourable circumstances it appears likely that the incremental revenue that the Board will receive from parking will exceed the Board's share of the stadium deficits.

Economic Impacts

The planned development of the stadium has directly assisted in Canada being awarded the rights to host the 2007 FIFA Under-20 World Soccer Championship. Deloitte and Touche has estimated that the increased tourism resulting from the staging of this event together with the construction of the stadium will result in a total positive economic impact of $166 million.

The anticipated financial returns together with the economic and community benefits appear to outweigh any potential financial exposure related to proceeding with the proposed project.

Recommendations:

If the recommendations in the report currently before Council from the Board of Governors of Exhibition Place are accepted, it is recommended that Council approve entering into a project agreement, management agreement and facility usage agreements substantially on the terms and preconditions outlined in the Letter of Intent ("LOI") attached to the General Manager and CEO of Exhibition Place report as amended by the terms set out in Appendix 'A' to this report and such other terms and conditions as required by the Deputy City Manager and Chief Financial Officer, the General Manager & CEO of Exhibition Place and the City Solicitor.

Background:

At its meeting of October 19th, 2005, the Board of Governors of Exhibition Place adopted the following recommendations in a report from the General Manager of Exhibition Place:

1. *The Board approve the entering into a project (construction) agreement, management agreement and facility usage agreements substantially on the terms and conditions outlined in the Letter of Intent ("LOI") between the Board, the City and MLSEL and the CSA attached as Appendix "A" to this report and such other terms and conditions as required by City Council, the Deputy City Manager and Chief Financial Officer, the General Manager & CEO of Exhibition Place and the City Solicitor;*

2. *The Board recommends that City Council approve the proposed agreements and a contribution to the cost of construction of the Stadium of $9.8M, subject to the following preconditions as contained in the LOI:*

    (a) *That a contribution agreement is entered into between the City and the Provincial and Federal governments which provides for the contribution of federal and provincial funding in the amount of $27.0M and $8.0M respectively on terms and conditions acceptable to the Deputy City Manager and Chief Financial Officer and the City Solicitor, MLSEL and the CSA, including the specific requirement that contribution payments are made on a timely basis to ensure that construction expenditures do not exceed the $62.8M construction budget;*

    (b) *That the parties are satisfied, by December 31, 2005, that the project can be undertaken for a budget of $62.8M, including all infrastructure, site preparation and environmental remediation costs; and*

(c) *That approval is obtained for a proposed sign to be visible from the Gardiner Expressway as required for the sale of naming rights for the facility;*

3. *The LOI provide that, in the event that these preconditions are not satisfied, the agreement shall be terminated and the parties shall remain responsible for their own costs incurred to the date of termination;*

4. *That City Council declare the proposed soccer stadium to be a municipal capital facility for the purposes of the municipality and public use pursuant to section 110 of the Municipal Act, 2001, and pass a by-law to authorize the entering into of an agreement for the provision of the facility, and request the City Clerk to give notice of the municipal capital facility by-law as required under the Municipal Act, 2001; and,*

5. *Request that Exhibition Place staff take all necessary action to give effect hereto.*

At its meeting of October 20th, 2005 the Policy and Finance Committee adopted the above recommendations from the Board of Governors of Exhibition Place and directed the Deputy City Manager and Chief Financial Officer to report directly to Council at its meeting of October 26-28 on the financial implications for the City should it agree to the terms and conditions outlined in the LOI.

Financial Terms of the Soccer Stadium Project

Capital Funding

As discussed above, the construction of the proposed 20,000 seat stadium is currently estimated to require a capital investment of $72.8 million (including base land value). This capital investment is to be funded as shown in Table 1.

Table 1 – Summary of Capital Contributions to Stadium Development Cost ($ millions)	
Federal Government	*27.0*
Provincial Government	*8.0*
City of Toronto	
cash	*9.8*
land	*10.0*
MLSEL	*8.0*
*Naming Rights**	*10.0*
Total:	*72.8*

** MLSEL has committed to purchasing the naming rights for $10 million and then marketing them to a third party*

In order to support the creation of a venue for the 2007 FIFA Men's Under-20 World Youth Championship, the Federal and Provincial governments have committed to $35 million in grant funding towards the stadium's construction cost.

MLSEL has committed to providing a further $8 million of the capital funding in order to create a home venue for a professional Major League Soccer (MLS) team that MLSEL intends to acquire. The project would also result in facility management fees for MLSEL as a result of their proposed management agreement for the facility. MLSEL has also committed to purchasing the naming rights for $10 million. The remainder of the funding is to be raised through contributions from the City/Board of the required land at Exhibition Place and $9.8 million in cash.

Construction of the Stadium

As part of the LOI, MLSEL will take on the role of construction manager and will commit to the City/Board, as owner of the Stadium, to undertake the design-build construction of the Stadium. The project agreement will grant the City/Board considerable rights in respect of the review of the design and the construction. MLSEL will be obligated to deliver a completed Stadium on-time and on-budget.

Financial Arrangements for the Operation of the Stadium

The financial arrangements for the operation of the stadium will be governed by the management agreement with MLSEL and agreements with each of the major stadium users.

Agreements with Major Stadium Users

The terms for the principal user agreements with MLSEL (for the MLS team) and the Canadian Soccer Association (CSA) are incorporated into the proposed LOI. As part of these agreements, MLSEL and CSA will each receive significant shares of the revenues collected at the stadium during their events. These revenues are to be divided as summarized in Table 2.

In addition to sharing revenues with the stadium and the Board, the CSA and MLSEL will both also be responsible for customary direct event day costs.

Table 2 – Allocation of Revenues Between Stadium, Board and Principal Users

Category	*MLSEL (as owner of the MLS team)*	*Canadian Soccer Association (CSA)*	*Stadium*	*Board*
Ticket Revenue	*93%* at MLS games*	*93% at CSA games*	*7%**	*0%*
Sponsorship	*82.5% of all gross sponsorship for MLS team and stadium*	*0%*	*17.5% of all gross sponsorship for MLS team and stadium*	*0%*
Parking	*1/3 of gross at MLS games for 1st 10 years, 40% thereafter*	*0%*	*0%*	*100% of parking revenues with exception of MLSEL share at MLS team games*
Food & Beverage	*25% of gross at MLS games*	*25% of gross at CSA events*	*Net revenue remaining after MLSEL, CSA shares and costs*	*25% of gross to CNEA during CNE period*

Table 2 – Allocation of Revenues Between Stadium, Board and Principal Users

Category	MLSEL (as owner of the MLS team)	Canadian Soccer Association (CSA)	Stadium	Board
Merchandise	85% of gross merchandise revenues (MLS will provide merchandise)	85% of gross merchandise revenues (CSA will provide merchandise)	Remaining net revenue after MLSEL, CSA shares and cost of operating concession	0%
Luxury Suites	45%	0%	55% of suite revenue	0%
Club Seats	45%	0%	55%	0%

**- stadium is to receive 7% of ticket revenue or a maximum of $15,000 per game*

Management Agreement with MLSEL

Through the management agreement, MLSEL, the City/Board, and to a lesser extent the CSA, would participate in the sharing of the stadium's potential financial outcomes. Net revenues generated by the stadium are to be distributed in the following priority:

1. *to the City/Board and MLSEL to the extent of any prior contributions to excess operating costs;*

2. *to the City/Board $250,000 and MLSEL $250,000;*

3. *thereafter, to:*

   - *CSA, 33% as a rebate of its user fees, up to the amount of such fees for the year in question; and*

   - *the City/Board and to MLSEL the balance (50:50).*

In addition to sharing in stadium net revenues with the Board/City, MLSEL would also receive an annual management fee of $200,000.

In the event that stadium revenues are less than stadium expenses, shortfalls are to be made up as follows:

1. *MLSEL shall be responsible for a cumulative total of up to $250,000 of deficits during the full term of the agreement; and*

2. *thereafter, the City/Board shall contribute equally.*

<u>Potential Benefits From the Project</u>

As discussed above, the Federal and Provincial governments have provided financial commitments to the project because of a desire to facilitate the staging of the FIFA Men's Under-20 World Youth Championship. If the proposed stadium is built, it will be the main focus *of activity for this championship with the championship and FIFA headquarters along with the main media centre located nearby in downtown Toronto. The opening match featuring Canada will be held at the stadium, followed by a full set of opening round matches, a round of sixteen elimination matches, as well as quarter and semi-final games (the location of the final match is still to be determined). The balance of the matches will be held in Montreal, Ottawa, Edmonton, Vancouver and Victoria.*

According to the CSA, 500,000 paid spectators attended the previous World Youth Championship in the Netherlands this past summer and there was a worldwide television audience for the 2003 event in the United Arab Emirates of 496 million viewers.

A study carried out for the CSA by Deloitte and Touche has indicated that the staging of this event will result in significant economic benefits to the City of Toronto through increased visitation and its related impact on local spending. According to this study, there would be an overall economic impact of approximately $166 million.

Furthermore, the CSA has indicated that the availability of a soccer-specific stadium built to FIFA standards will improve the CSA's ability to attract future FIFA events such as the 2011 FIFA Women's World Cup.

A substantial portion of the stadium's available operating days are also to be made available for community use for fees that will only reimburse the stadium for incremental operating costs. Community events and uses that are projected to take place within this venue include university and college soccer matches along with high school, youth and children's games and tournaments.

Finally, there is the potential for the stadium to generate a positive financial return on its capital investment. The proformas submitted by MLSEL (see Table 3) indicate that the present value of the revenues to be generated from the project will exceed the value of the City's $9.8 million cash investment. Should additional events be added to the stadium's schedule in the future, there is the potential for a significant surplus.

Table 3 Summary of Proforma Board/City Revenues

	Over 20 Years			Year 1	
	Present Value	Total Amount	Average Annual	Amount	% of Total
Revenues					
Ticket Sales/Facility Rental	$15,444,820	$25,403,460	$1,270,173	$1,380,080	35%
Club Seats, Luxury Suite Rental	$8,267,324	$13,929,137	$696,457	$533,500	14%
Sponsorship	$11,175,348	$18,809,262	$940,463	$700,000	18%
F&B, Merchandise Sales	$21,070,572	$36,447,110	$1,822,356	$1,299,122	33%
Total Stadium Revenues	$55,958,065	$94,588,969	$4,729,448	$3,912,702	100%
Expenses					
Personnel Costs	$14,317,388	$24,000,119	$1,200,006	$918,750	27%
Other Operating Costs	$30,033,123	$50,546,149	$2,527,307	$1,911,626	56%
Capital Reserve Contribution	$5,776,490	$9,662,753	$483,138	$400,000	12%
Management Fee	$3,192,957	$5,374,075	$268,704	$200,000	6%
Total Stadium Expenses	$53,319,958	$89,583,095	$4,479,155	$3,430,376	100%
Net Stadium Income	$2,638,107	$5,005,874	$250,294	$482,326	
Board Share of Stadium Income	$1,319,054	$2,502,937	$125,147	$241,163	23%
Board Parking Revenues	$8,693,224	$14,145,233	$707,262	$792,113	77%
Total Board Income	**$10,012,277**	$16,648,170	$832,409	$1,033,276	100%

Financial Risk and Risk Mitigation

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

- *Agreeing to acquire the naming rights for the facility for $10 million (which MLSEL will then sell to a third party) so that this amount can be committed towards the construction costs*

- *Committing to fund the first stadium operating deficits to a cumulative total of $250,000, with a clawback provision during the term of the agreement*

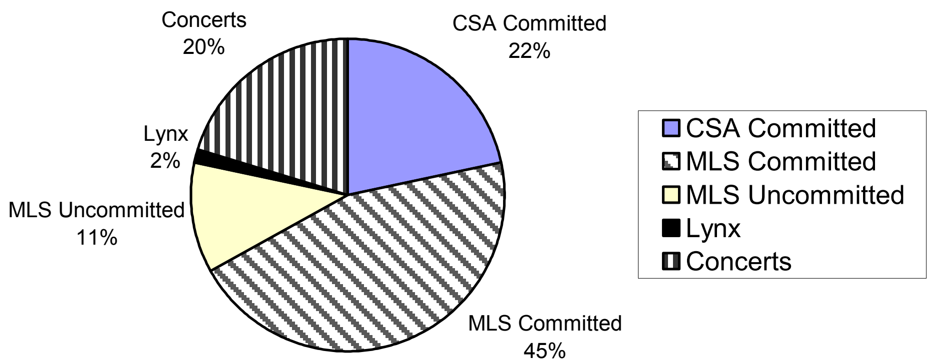
- *Committing to fund 50% of any remaining operating deficits*

The revenue risk is also mitigated through MLSEL's commitment in the LOI to having their MLS team play a minimum of sixteen games at the stadium during the term of the agreements. MLSEL, which owns the Air Canada Centre, the Toronto Maple Leafs, the Toronto Raptors, appears to have considerable resources available to ensure that its LOI commitment will be met through the term of the agreement.

In addition, the LOI also commits the CSA to six events annually on the stadium's schedule.

As shown in Fig. 1, the committed MLS and CSA events account for 67% of the total projected annual attendance assumed in the financial model.

Fig. 1 - Breakdown of Forecast Paid Attendance



Other Event Schedule Risk

The concerts appear to be the least secure of the forecast events for the stadium. In attempting to attract concerts, the stadium will be competing with a number of other nearby venues such as the Molson Amphitheatre at Ontario Place (9,000 covered seats plus 7,000 outdoor seats), the Rogers Centre (55,000 seats) and the Air Canada Centre (19,800 seats). The proposed stadium will likely be at a cost disadvantage compared to the Molson Amphitheatre and the Rogers Centre as it will be bound by the International Alliance of Theatre and Stage Employees (IATSE) union contract terms that currently apply at Exhibition Place. Exhibition Place staff have advised that generally the IATSE costs would be substantially higher for technical set-ups and productions for a concert promoter than non-unionized venues.

If, as a worst case, no concerts were attracted to the stadium, the model indicates that the present value of the City/Board's projected parking and stadium revenues would be reduced from $10 million to $5.9 million.

Attendance Risk

As shown on Table 4, the MLSEL financial model is based on an average attendance at Toronto MLS games of 14,000 per game. This projected attendance is greatly in excess of the attendance figures achieved by the American Professional Soccer League Toronto Blizzard team which relocated from Varsity Stadium to Lamport Stadium in 1993 as a result of poor attendance (the team was eliminated at the end of 1993).

However, there appears to have been a very significant increase in the overall level of interest in soccer over the past ten years. According to the CSA, membership in their Association has increased by over 100% during this period.

The projected attendance for the MLS team also appears relatively conservative in comparison with the attendance currently being experienced by MLS teams in other large North American cities similar to Toronto. Given soccer's global appeal and the highly multicultural composition of Toronto's population, attendance in Toronto appears likely to surpass the attendance of the poorest performing MLS teams in locations such as Dallas and Kansas City. However, if the *actual attendance achieved is only the same as currently experienced by the New England Revolution team (12,600 per game), the present value of the City/Board's revenues from the project would be reduced by approximately $1 million relative to the MLSEL proforma figures.*

Table 4 - MLS Average Game Attendance Summary
(2005 Season April-October)

Los Angeles Galaxy	24,017	
Real Salt Lake	18,318	
Chicago Fire	17,238	
Chivas USA	17,059	(Los Angeles area)
D.C. United	16,277	
Metrostars	15,077	(New York/New Jersey)
Toronto (forecast 2007)	14,000	
Colorado Rapids	13,638	
San Jose Earthquakes	13,037	
Columbus Crew	12,916	
New England Revolution	12,572	(Boston area)
FC Dallas	10,733	
Kansas City Wizards	9,691	
Average:	**14,967**	

The CSA has indicated that the estimated attendance of 18,000 per game forecasts used in the model for CSA events is based on attendance recently achieved at national team events in Edmonton and Ottawa. According to the CSA, this attendance level for six games a year is easily achievable given that their previous events did not benefit from the availability of a downtown soccer-specific stadium or the marketing resources that MLSEL will provide for this project.

Parking Forecast Risk

As is shown in Table 3, the financial model indicates that the Board would receive 87% of its forecast revenues (in present value terms) from the project in the form of incremental parking revenues. The Board's financial return depends highly on assumptions regarding the percentage of attendees that bring cars to the grounds. The model assumes that one car will be parked for every four attendees.

Exhibition Place has advised that the experience at the Ricoh Centre during the 2003-2004 hockey season was that one car was parked for approximately every seven attendees at the Ricoh Coliseum during the 2003-2004 season. However, these lower parking figures may be the result of a large portion (approx. 52%) of the attendees at Roadrunner games (such as members of youth hockey leagues) having received their tickets for free. These attendees may be more likely to travel by public transit or in more heavily utilized vehicles.

If the MLSEL model is adjusted to assume a parking ratio of one car for every five attendees (the ratio originally forecast in the Ricoh Coliseum proformas) the present value of the Board's revenues would be reduced by approximately $2.4 million.

Other Revenue Risk

One of the other areas in which the MLSEL model appears to be potentially more optimistic than the model for the Coliseum is in the forecast of total sponsorship revenues. The original CRC estimates for sponsorship prepared by Core Media were considered reasonable for a Tier 2 sports franchise. Core Media had forecast that total combined annual sponsorship for the Roadrunners and the Coliseum (excluding naming rights) would have a value of approximately $2.4 million.

MLSEL has forecast total sponsorship revenues for the MLS team and the stadium of $4 million. If the actual sponsorship amounts raised only match the levels forecast by Core Media for the Roadrunners, the shortfall will reduce the Board's revenue participation from the stadium by approximately $175,000 annually. This would reduce the present value of the Board's overall revenues by approximately $2.7 million.

Overall Impact of Revenue-Related Risk Factors

It is difficult to predict the probability that each of the revenue risk factors will materialize. However, in order to evaluate the City/Board's outcome under relatively unfavourable conditions, the MLSEL model was run with the following combined set of changes:

- *Elimination of concert events (resulting in a 20% reduction in total forecast stadium attendance)*
- *10% Reduction in forecast MLS attendance*
- *20% reduction in the ratio of cars parked per attendee*
- *50% reduction in sponsorship revenue*

The resulting impact is summarized in Table 5.

Table 5 Combined Adverse Impact Scenario

	Over 20 Years			
	Present Value	Total Amount	Average Annual	Year 1
Revenues				
Ticket Sales/Facility Rental	$14,267,579	$23,510,592	$1,175,530	$1,287,705
Club Seats, Luxury Suite Rental	$8,267,324	$13,929,137	$696,457	$533,500
Sponsorship	$5,587,674	$9,404,631	$470,232	$350,000
F&B, Merchandise Sales	$15,782,309	$27,687,947	$1,384,397	$929,021
Total Stadium Revenues	$43,904,887	$74,532,307	$3,726,615	$3,100,226
Expenses				
Personnel Costs	$14,317,388	$24,000,119	$1,200,006	$918,750
Other Operating Costs	$29,112,462	$48,991,378	$2,449,569	$1,856,626
Capital Reserve Contribution	$5,776,490	$9,662,753	$483,138	$400,000
Management Fee	$3,192,957	$5,374,075	$268,704	$200,000
Total Stadium Expenses	$52,399,296	$88,028,324	$4,401,416	$3,375,376
Net Stadium Income	($8,494,410)	($13,496,018)	($674,801)	($275,150)
Board Share of Stadium Income	($4,122,205)	($6,623,009)	($337,400)	($25,000)
Board Parking Revenues	$4,875,812	$8,056,786	$402,839	$482,435
Total Board Income	**$753,607**	$1,433,777	$65,439	$457,435

Even under this relatively pessimistic scenario, the Board is expected to realize a very modest surplus over the term of the agreement.

Cost Escalation Risk

One of the other risks typically faced is inflation in the construction cost for the facility. However, MLSEL has taken the responsibility of managing this risk. MLSEL will be obligated to deliver a completed Stadium on-time and on-budget.

However, the possibility for operating cost inflation will exist and the Board/MLSEL will be exposed to increases in typical building operation costs such as the cost of utilities.

Other Precedents for Public-Private Soccer Stadium Partnerships

As shown in Table 6, it has been common for other soccer stadiums used in Major League Soccer to have received a substantial amount of public support.

Table 6 – Soccer Stadium Public/Private Funding Deals (millions)

Stadium	Capital Cost*	Private Funding %	Public Funding %
Pizza Hut Park (Dallas)	$US 80	31	69
PaeTec Park (Rochester)	$US 22	17	83
Bridgeview Soccer (Chicago)	$US 85	0	100
SAS Stadium (Carolina)	$US 16.2	10	90
Home Depot Centre (Los Angeles) **	$US 125	100	0
Harrison Stadium (New Jersey)	$US 180	50	50
Columbus Crew	$US 31	100	0
Commerce City (Colorado)	$US 64	19	81
Average	$US 68	**41**	**59**
Toronto Proposed Stadium	$CAN 62.5	29	71

** capital cost does not incorporate value of land*
*** - a large multi-activity complex that includes a soccer stadium*

Within this context, the proposed municipal involvement in the financing of the Coliseum project is not unusual. As these types of buildings do not generate sufficient operating revenue to support their cost of construction and provide a return on equity, sports and entertainment *facilities are rarely 100% privately financed. In addition, public policy objectives result in restrictions on the freedom that a prospective private lender would have in making use of a building put up as loan collateral.*

Protections in the Event that Council Elects to Proceed

One of the principal issues to be addressed in developing the detailed terms of the agreements with MLSEL is to ensure that there is a true separation between the multiple roles that MLSEL will be taking on as part of the project. These agreements should strive to eliminate potential conflicts of interest that MLSEL may face as manager of the soccer stadium, owner of the MLS soccer team and owner of other competing concert facilities. For instance, there should not be incentives for MLSEL to direct sponsorship funds to the MLS team rather than to the stadium. MLSEL should also not give preference to staging concert events at its wholly owned venue, the Air Canada Centre, over staging these events at the proposed stadium.

Conclusions

If the recommendations in the report currently before Council from the Board of Governors of Exhibition Place are accepted, the City will be contributing $9.8 million towards the $62.8 million capital cost of constructing the stadium at Exhibition Place. The balance of the costs are to be funded by the Federal and Provincial governments ($27 million and $8 million respectively) and MLSEL ($18 million).

The proformas submitted by MLSEL indicate that over the twenty year term of the management agreement the City/Board will recover this investment plus interest from incremental parking revenues and from the Board's share of the stadium's net revenues. Total revenues to the City/Board from these two sources are estimated at $17 million over twenty years or $10 million in present value terms.

In the event that the proforma projections are not achieved, the stadium operations may result in a deficit. The analysis carried out by Finance staff has identified a number of factors that may result in stadium operating deficits and reductions in overall net revenues that flow to the Board. However, even under a combined set of unfavourable circumstances it appears likely that the incremental revenue that the Board will receive from parking will exceed the Board's share of the stadium deficits.

The planned development of the stadium has directly assisted in Canada being awarded the rights to host the 2007 FIFA Under-20 World Soccer Championship. Deloitte and Touch has estimated that the increased tourism resulting from the staging of this event together with the construction of the stadium will result in a total positive economic impact of $166 million.

The anticipated financial returns together with the economic and community benefits appear to outweigh any potential financial exposure related to proceeding with the proposed project.

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List of Attachments:

Appendix A – Summary of Substantive Amendments to the Letter of Intent

APPENDIX 'A'

Summary of Substantive Amendments to the Letter of Intent

Further negotiations between the parties have resulted in clarifications and wording changes to the terms of the revised Letter of Intent as attached to this report. Staff have identified the following points which are brought to the attention of Council as negotiated changes from the terms of the original Letter of Intent as follows:

1. ***Due Diligence:*** *Due diligence costs incurred during the pre-construction shall, in the event that the parties decide not to proceed with construction, be shared equally amongst the City/Board and MLSE provided such due diligence is related to investigations of the site conditions, are approved in advance by the Board, have a total cost of no more than $50,000, and the Board is supplied with any reports related to such investigations.*

2. ***Precondition on Funding:*** *In addition to the Board/City, MLSE shall also be satisfied with the terms of any Provincial/Federal contribution agreement prior to commencement of construction.*

3. ***Additional Precondition Re: Unforeseen Costs during Construction:*** *As the parties have been unable to agree on the allocation of risk due to unforeseen/undisclosed complications (i.e. environmental/site preparation/infrastructure) each of which cannot be dealt with by merely changing the scope of the project within acceptable guidelines, it is proposed that another precondition to commencement of construction be added to the LOI to allow the parties the opportunity to conduct due diligence and further discuss this issue to see if agreement can be reached prior to the next meeting of City Council.*

4. ***Soft Costs:*** *Soft costs to be included in the construction budget shall not include the costs of negotiating and finalizing the LOI.*

5. ***Sponsorship Revenues:*** *City/Board will receive 17.5% of gross revenues (as opposed to a percentage of net revenues) to a cap of $750,000 per year, indexed to C.P.I. This is a change from 20% of net revenues with a cap of $900,000, but results in the same projected return without the requirement for complicated auditing procedures.*

6. ***Argos Clause:*** *The "favoured nations clause" restrictions on the Argos shall include the stipulation that in no event shall an agreement with the Argos result in MLSE having to make additional capital cost contributions or fund capital cost shortfalls. The Argos shall not receive a share of parking revenues from their games which is as favourable or more favourable than that enjoyed by the Team. The Argos may participate in suite or sponsorship revenues where such are incremental revenues derived from the Argos' use of the Stadium, provided that the sharing shall not result in an adverse effect on receipts allocated to the Team or Stadium.*

- *Communication (October 26, 2005) from Alan Kasperski, FieldSports [Communication 25(a)].*

- *Confidential Appendix D (October 2005) attached to the report (October 19, 2005) from the Board of Governors of Exhibition Place. [Confidential Communication C.13(a)]. This Appendix was made public in its entirety at the Council meeting, and is on file in the City Clerk's Office. The URL is:*

  http://www.toronto.ca/legdocs/2005/agendas/council/cc051026/pof9rpt/confid-pof9-36-Appendix-D-public-Oct-26-2005.pdf