

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: November 30, 2019

SUBJECT: Community Stadium Recommendation

ORIGIN

Proposal by Maritime Football Limited Partnership (MFLP) to establish a Canadian Football League (CFL) Franchise and construct a multi-purpose stadium in the Halifax Regional Municipality (HRM).

July 17, 2018 motion

“That Halifax Regional Council direct the Chief Administrative Officer and staff to pursue discussions with Maritime Football Limited Partnership and the Province of Nova Scotia to explore opportunities and risks related to establishing a mixed-use development, a CFL franchise and stadium, in Halifax Regional Municipality and return to Regional Council with recommendations.”

Approved staff recommendation from October 30, 2018 Halifax Regional Council

It is recommended that Halifax Regional Council direct the CAO to:

1. Complete a thorough business case analysis on a proposal for a stadium, including a stadium district from MFLP
2. Engage with the Province to obtain legislative amendments to the Halifax Charter to allow for a tax agreement on a stadium, and the ability to contribute financially to the debt financing of a stadium through a Tax Incremental Financing model or otherwise, pending the outcome of the business case analysis.
3. Engage, collaborate and partner with the Province on potential new and incremental sources of revenue designated to contribute to the debt financing of the stadium.
4. Bring a report back to Council detailing the results of the business case review of a MFLP proposal with a recommendation to proceed or not to proceed as a funding partner in a new multi-use stadium. The business case review must include evaluations on the need, cost-benefit, risk, economic impact, partnership opportunities and current cost estimates.

.... RECOMMENDATION ON PAGE 2

**August 30, 2019 Community Stadium Proposal from Schooners Sports Entertainment (SSE)
Approved motion of October 22, 2019 MOVED by Councillor Karsten, seconded by Deputy Mayor Mancini**

THAT Halifax Regional Council direct the Chief Administrative Officer to return to Halifax Regional Council in December 2019 with a staff report of the stadium proposal received from Schooner Sports Entertainment on August 30, 2019, the report will address financing options and impact, transportation and development requirements, facility programming, municipal service and infrastructure gaps and community consultation.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter

Purpose of Act

2 The purpose of this Act is to

- (a) give broad authority to the Council, including broad authority to pass by-laws, and respect its right to govern the Municipality in whatever ways the Council considers appropriate within the jurisdiction given to it;
 - (b) enhance the ability of the Council to respond to present and future issues in the Municipality; and
 - (c) recognize that the functions of the Municipality are to
 - (i) provide good government,
 - (ii) provide services, facilities and other things that, in the opinion of the Council, are necessary or desirable for all or part of the Municipality, and
 - (iii) develop and maintain safe and viable communities.
- 2008, c. 39, s. 2.

Power to expend money

79 (1) The Council may expend money required by the Municipality for

- (ah) playgrounds, trails, including trails developed, operated or maintained pursuant to an agreement made under clause 73(c), bicycle paths, swimming pools, ice arenas and other recreational facilities;
- (ai) public grounds, squares, halls, museums, parks, tourist information centres and community centres;

RECOMMENDATION

It is recommended that Halifax Regional Council

- 1) Authorize the CAO to negotiate a Contribution Agreement substantially in accordance with terms outlined in Table 1 of this report, to provide for a one-time contribution of \$20M towards the cost of construction of a community stadium to be payable upon substantial completion of construction. The Contribution Agreement is to be subject to the selection of a site with optimal access to major transportation routes and necessary infrastructure acceptable to Regional Council and further; and
- 2) To return to Regional Council for approval of the site and the Contribution Agreement

BACKGROUND

Over the past two years HRM staff have been engaged in discussions with SSE regarding the possibility of a stadium and a CFL team for HRM. SSE has been awarded a conditional CFL franchise, "The Halifax Schooners". On October 30, 2018, staff presented Council with an update on discussions to date with the ownership group SSE (formerly known as Maritime Football Limited Partnership) regarding a CFL Stadium that had a 24,000 permanent seating capacity at Shannon Park, and a construction cost in the range of \$170M - \$190M. At this meeting Council directed staff to assess a proposal for a Stadium via a thorough business case analysis including analysis of a Tax Incremental Financing (TIF) model to possibly fund HRM's share of the debt financing costs.

The CAO and his staff team have been very clear over the last two years that HRM is not interested in stadium ownership, sharing ongoing capital and maintenance costs and that HRM would not take any risk with respect to the TIF or operation of the stadium.

DISCUSSION

Since the update to Council on October 30, 2018, SSE on August 30, 2019 presented HRM staff with a proposal for a community stadium in the cost range of \$100M - \$110M with 12,000 permanent seats and 12,000 temporary seats. A community stadium is a smaller scale stadium in terms of cost and reduced permanent seating that would have the capacity to accommodate a professional football team, major events as well as municipal and provincial recreation programming. At the October 30, 2018 meeting the CAO stated that it would take up to six months to do a thorough business case analysis and due diligence on a stadium proposal.

Subsequent to receiving the proposal from SSE, on October 22, 2019, a motion of rescission was tabled by Councillor Austin. After a thorough debate, HRM Council defeated the motion, and directed the CAO to return to Council in December 2019 with a staff report that will address financing options and impact, transportation and development requirements, facility programming, municipal service and infrastructure gaps and community consultation.

The SSE submission proposed construction of the stadium on lands within the Shannon Park site. However, the CAO and his team do not recommend that Regional Council provide a one-time contribution for a stadium at that site. The reasons for not supporting the Shannon Park site are detailed in the discussion section of this report and summarized below:

- The site is not conducive to a robust transportation plan. The site is severely encumbered by a CN rail line and the MacKay Bridge, and would require an extensive public transportation infrastructure investment;
- The proposal for Shannon Park as a site does not include an associated developer. Thus, there is not proper analysis and advice on what infrastructure is needed from a transportation and storm/waste water perspective;
- A community stadium at Shannon Park would possibly necessitate HRM investment in a new ferry terminal and ferries. A new ferry terminal is estimated at \$15M - \$20M, and would require 3 new ferries which would cost approximately \$15M - \$20M. The demand for infrastructure could change HRM's investment in terms of investing in the construction costs of a new stadium vs investment in public infrastructure such as a ferry terminal and ferries.
- The absence of a developer and a master development plan makes it very difficult for staff to assess the potential of a TIF model;
- Canada Lands has completed significant community consultation and development of a master plan for Shannon Park which includes affordable housing;

Rationale for One Time \$20M Contribution to Community Stadium:

- Council has been clear in its direction to the CAO that funding opportunities should be identified where municipal investment is leveraged with other government funding and/or private sector funding. In the case of the community stadium, SSE is putting a \$30M investment into a community stadium. The province has indicated a willingness to pursue new sources of revenue associated with this proposal.
- In 2011 Council was willing to invest \$20M in a \$60M, 14,000 permanent seating capacity (expandable to 20,000) community stadium as part of the FIFA 2015 Women's World Cup bid, predicated on investment from the Province, Federal government and the public sector and that HRM would own and operate. This initiative did not have a CFL team as an anchor tenant or an ownership group associated with the community stadium.
- In July 2014 Council approved a Strategic Capital plan that identified a multi-use stadium as a project that Council would like to see in HRM. The project was estimated as a \$60 million project and would be funded through a partnership arrangement with an estimated contribution of \$20 million by HRM.
- The current proposal by SSE has the potential for a \$100M - \$110M community stadium to be built with a CFL team as an anchor tenant at an HRM investment of \$20M, with no ownership and operating risk.

Table 1: Term Sheet for Stadium Contribution Agreement

HRM Stadium Construction Cost Contribution	One-time contribution of \$20M. Payable to Stadium Co or the lender
Location	A site with optimal access to major transportation routes and necessary infrastructure acceptable to Regional Council
Stadium	330,000 sq. ft. community stadium as per Phase 1 Stadium Design and Capital Costs as described in Schedule C to SSE proposal
Timing of Payment	HRM's one-time contribution would be payable upon both Substantial Completion and successful commissioning of the stadium being completed, and as per the key conditions of this term sheet. Payment would be estimated to occur in fiscal 2022-23 or 2023-24
Ownership	No HRM ownership
Loan Guarantee	No loan guarantee by HRM
Ongoing Capital, Operating, Maintenance Costs	No HRM participation or cost sharing in capital, operating or maintenance costs of the stadium
Municipal Taxes	All property taxes would be payable by Stadium Co. and considered as repayment for HRM's investment.
Ticket Surcharge	No HRM revenue sharing on ticket surcharge revenue

<p>Transportation Costs</p>	<p>Any transportation costs associated with stadium games and events must be provided on a cost recovery basis. The CAO has the authority to negotiate cost recovery agreements for transportation services.</p> <p>The proponent is responsible for any traffic or transportation improvement costs determined through a traffic study in the same manner as any other developer</p>
<p>Other Municipal Costs</p>	<p>Other municipal costs associated with stadium events such as staff time, HRFE costs, HRP costs, etc. are to be recovered and the CAO has the authority to negotiate a cost recovery for such costs</p>
<p>Permits & Fees</p>	<p>CAO has authority to negotiate forgiveness of fees for deed transfer tax, development permits and charges through</p> <ul style="list-style-type: none"> • seeking legislative changes • through increasing HRM's construction contribution by up to \$1M • rebating the fees collected from SSE after they are paid to HRM <p>Note: HRM does not have authority to negotiate forgiveness for Halifax Water fees</p>
<p>Recreation Programming</p>	<p>CAO has authority to negotiate recreation programming and scheduling at the community stadium subject to budget capacity and cost recovery</p>
<p>TIF</p>	<p>Contribution agreement will not include a TIF or a TIF zone</p>
<p>Key Conditions</p>	<p>Negotiation of a funding agreement based on this term sheet and satisfactory to Regional Council;</p> <p>Site satisfactory to HRM Council having regard to municipal infrastructure and transportation operating costs;</p> <p>A comprehensive Transportation Plan and Traffic Impact Study in support of the proposed site;</p> <p>Stadium site and construction must comply with all provincial and municipal planning laws and standards as well as meet all federal and provincial environmental laws and standards;</p> <p>Any proposed site would need to be supported by a full community concept plan which lays out streets and land uses along with a master site servicing plan in the same manner as any developer.</p>

The following sections address direction to the CAO and motion of October 22, 2019.

Financing Options and Impact:

Financial Options Proposed by SSE

Schooner Sports Entertainment (SSE) has organized its stadium proposal through a parent corporation and two subsidiaries. The first, Team Co, provides the football franchise. The second, Stadium Co, operates, maintains and pays the debt on the stadium. In its original proposal SSE suggested three possible funding approaches (with two variants) for HRM's participation. SSE has subsequently submitted a proposal that focusses on a \$2M annual payment, supported by a ticket surcharge and payment from SSE, this option is listed as **1A** (below). The CAO and his team felt it was important to continue with the analysis of the scenarios under the original proposal to be transparent with the public.

The first option was based on a regular annual payment, the second (and a variant) consisted of up-front payments and the third (and a variant) options included a municipal loan guarantee. All options would require HRM to contribute to ongoing lifecycle maintenance.

Key features of the six options are:

Options Proposed by Schooner Sports Entertainment (SSE)
 Assuming Attendance of 21,600 (96% capacity)

	Revised	Original Options				
	One 1A Annual Payment	Option 1 Annual Payment	Option 2 Up-Front Payment	Option 2A Up-Front Payment	Option 3 Loan Guarantee	Option 3A Loan Guarantee
Annual HRM Payment	\$2M per Year	\$2M per Year	None	None	\$2m per Year	\$2m per Year
Payment to HRM (SSE)	\$1M per Year	None	None	None	None	None
Annual Rent (Team Co)	Less \$1M*	Less \$1M*	None	None	Less \$1M*	Less \$1M*
Profit Sharing*	50% over \$2M of Ticket Surcharge	n/a	n/a	n/a	n/a	n/a
One-Time Payment	None	None	\$22 Million	\$23.52 Million	None	None
Annual Life Cycle Payment	\$500K*	\$550K	\$550K	\$550K	\$550K	\$550K
Loan Guarantee	Provincial	Provincial	Provincial	Provincial	HRM	HRM
HRM Ownership	No	No	No	No	No	No
Total Costs (per SSE)	-\$7,031,000	\$30,000,000	\$22,000,000	\$23,400,000	\$30,000,000	\$30,000,000

* Note: Team Co would pay \$1M on an annual basis to HRM for use of the Stadium, provided that it has positive cash flow. Under the Revised Option 1A, the Ticket Surcharge would also pay for the Lifecycle Charge (\$500K) with any funds over \$1.5M split with HRM.

Several features of the options are noteworthy.

- Each option includes the requirement for HRM to pay \$550,000 per year into a **Lifecycle Maintenance Fund** to maintain the stadium. Option 1A requires \$500,000 which is funded through a Ticket Surcharge.

- Secondly, under those options that require an annual payment from HRM, Team Co would make an **Annual Rent Payment** back to HRM of \$1M, meaning that HRM would only pay a net amount of \$1M. These funds would be raised through a Ticket Surcharge attached to the ticket price. However, these payments would only be made should Team Co be in a positive cash flow position. Should Team Co fail to produce a profit on team operations (or cease to operate) the payments would cease. Under its revised Option 1A HRM also receives an additional \$1M from SSE and is still eligible to have \$1M from the ticket surcharge, potentially eliminating the annual \$2M cost. Any additional ticket surcharge funds would go towards a Lifecycle Fund (\$500K) with any further funds being split between HRM and SSE.
- SSE would seek a **Loan Guarantee** from the province for options 1, 2 and 2A. Options 3 and 3A would require an HRM Loan Guarantee. This loan guarantee would be exercised should SSE fail to make sufficient income to pay its debt charges. Option 3 requires a 100% Loan Guarantee from HRM while Option 3A proposes a slight variation with a sliding scale. HRM does not currently have the legal authority to issue such a loan guarantee.
- Under Option 2 HRM could make a one-time **up-front payment** of \$22M to SSE, as opposed to annual payments. An annual Lifecycle payment of \$550,000 is still required. Option 2A is a variant that requires a smaller up-front payment (\$6M) with committed annual payments (\$600K) over the life of the debt.

Each proposal includes additional costs to HRM including exemption from tax on the stadium, Deed Transfer Tax, Building Permit Fees and Halifax Water Development Fees.

HRM has done extensive costing of the proposals from SSE under various scenarios. Key to the analysis is the longer-term viability of a franchise in Halifax and its ability to successfully market football in the Maritime entertainment market. HRM did not conduct any independent studies of the potential for a pro football team nor did it conduct its own analysis with respect to ticket demand or the elasticity of ticket prices. It did conduct a high-level review of the underlying assumptions of the SSE report. Notable are the assumptions on ticket sales. The SSE proposal assumes that each of the ten regular games will sell 21,600 tickets or 96% of stadium capacity. Presumably these will come from the local Halifax market, those travelling from elsewhere in the Maritimes, and fans from the opposing team coming to Halifax from outside the region. In comparison to attendance levels to other CFL teams in Canada, the CAO and his staff team believes that these attendance figures are aggressive. Relative to the size of its population, this provides the Halifax team with the second highest attendance per capita amongst CFL teams, second only to Regina and ahead of the popular Calgary, Edmonton and Winnipeg markets. For the proposal to breakeven and produce positive cashflow it requires just over 70% attendance or 16,000 people per game. For purposes of financial modelling, we assumed the more conservative approach that the team would not consistently make its breakeven and hence not provide the annual rent payment of \$1M under Options 1, 3 and 3A. Rent payments and contributions to Lifecycle Costs and Profit Sharing under Option 1A would also not occur.

Staff's conclusions on the total cost for each of the options is:

HRM Conclusions on Financial Costs

Assuming Attendance under 16,000 (70% capacity)

	Revised	Original Options				
	One 1A	Option 1	Option 2	Option 2A	Option 3	Option 3A
	Annual Payment	Annual Payment	Up-Front Payment	Up-Front Payment	Loan Guarantee	Loan Guarantee
Annual Payments:						
Annual Payment	1,000,000	2,000,000	-	-	2,000,000	2,000,000
Annual Rent (Team Co)	-	-	-	-	-	-
Life Cycle Payment	500,000	550,000	550,000	550,000	550,000	550,000
Profit Sharing	-	-	-	-	-	-
Total over 30 Years	\$45,000,000	\$76,500,000	\$16,500,000	\$16,500,000	\$46,500,000	\$46,500,000
One-Time Payment	\$0	\$0	\$22,000,000	\$23,400,000	\$0	\$0
Impact of Loan Guarantee	\$0	\$0	\$0	\$0	\$30,000,000	\$30,000,000
Foregone Revenues:						
Deed Transfer Taxes	150,000	150,000	150,000	150,000	150,000	150,000
Building Permits	550,000	550,000	550,000	550,000	550,000	550,000
Halifax Water Fees	396,000	396,000	396,000	396,000	396,000	396,000
Taxes on Stadium*	1,373,000	1,373,000	1,373,000	1,373,000	1,373,000	1,373,000
Total over 30 Years	\$2,469,000	\$2,469,000	\$2,469,000	\$2,469,000	\$2,469,000	\$2,469,000
Total Costs	\$47,469,000	\$78,969,000	\$40,969,000	\$42,369,000	\$78,969,000	\$78,969,000

* Assumption based on Land Cost plus 70% obsolescence factor. Uses Municipal Tax Rate and all area rates for the Shannon Park site.

Financial Recommendations for Proceeding:

While a stadium would add a valuable piece of infrastructure to Halifax, the financial options proposed by SSE for the stadium require a considerable amount of public funds and all are dependent upon the success of an untested Halifax CFL franchise and Halifax market. As such, the options proposed present considerable risk to the municipal taxpayer. At the same time, partnership with a private sector sponsor offers the chance for the community to acquire this infrastructure with the private partner carrying the majority of the cost and risk. As such, the CAO is recommending a one-time payment of \$20M, upon substantial completion of the stadium, with Regional Council providing the CAO with authority to negotiate a contribution agreement with SSE per the terms in **Table 1** of this report. As such, the total cost for the recommendation would be \$20 million, considerably less than the SSE proposed costs of \$41M to \$79M. It is not recommended that HRM take on the financial implications of an owner on capital and ongoing maintenance costs.

In addition, under this recommendation SSE would pay full property taxes on the stadium and the underlying property. A stadium is a highly specialized structure that has limited alternative uses and is subject to potential economic and other obsolescence factors. This makes the eventual taxation of it subject to future technical interpretations. The CAO's staff team has estimated that the municipal portion of the tax following substantial completion range from \$8.7M to \$28.7M over a ten to twenty-year period.

<u>Assessment</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>
50% Obsolesence	14,342,000	21,514,000	28,685,000
60% Obsolesence	11,534,000	17,301,000	23,067,000
70% Obsolesence	8,725,000	13,087,000	17,450,000

Assumes a constant 2019-20 Municipal Tax Rate of 2.988, excludes all area rates, assumes the assessment does not increase or decrease.

Proposed Tax Increment Financing (TIF):

Tax Increment Financing (TIF) is a financial tool that uses the tax revenues from an area of a city to pay the cost of a capital or other projects located within that area. For instance, in a typical TIF, a new capital project might be approved for an older part of a city needing redevelopment. The hope would be that the capital project stimulates redevelopment of that area of the city and hence increases its tax base. The higher tax revenues can then be used to pay off the debt costs associated with the project. For a TIF to be successful the tax revenues it raises should be incremental to the municipality, not just tax revenues that are redirected from elsewhere in the economy. TIFs are common in US Cities where they are used to redevelop blighted areas. They can work well in smaller cities that have the ability to redirect economic activity from neighboring municipalities or situations where the project can leverage new economic activity. The need to compete with neighbouring municipalities is not the case here. However, they are only as strong as the underlying business case for the project. In Canada, TIFs are not widely used but have been tried in Ontario and elsewhere. HRM has used a TIF model to repay the annual lease for the Halifax Convention Centre but with mixed results.

SSE has proposed that HRM use a TIF model in the Shannon Park area as a funding source to pay HRM's ongoing costs for the stadium. Their supposition is that the introduction of a stadium into Shannon Park means that residential units will be developed in Shannon Park faster than would otherwise be the case (i.e. the Absorption Rate increases) and that the close proximity of a stadium will increase the value of those properties. They also noted the potential for additional commercial activity with the stadium. Their proposal suggests additional property tax revenues (residential and commercial) could be in the range of \$0.6 to \$2.0 million per year, once completely developed.

We have undertaken extensive analysis looking into the potential value of properties in the Shannon Park area and how the number and value of homes might be affected by the presence of a stadium. We arrived at several key conclusions:

- While the Stadium project may increase the absorption rate for the Shannon Park area the additional homes in that area are highly likely to be relocated from other areas of the Municipality. In other words, Shannon Park will grow faster and arguably have greater value, but other areas of HRM, as a consequence, will grow slower.
- There is no supporting evidence that proximity to a stadium will increase housing values. The background research SSE presented has conflicting conclusions as to the impact of a stadium on housing prices. For additional comparison, the CAO's staff researched whether the presence of the BMO or Canada Games Centre affected housing prices in their adjoining neighborhoods. There was no indication that housing prices increased with proximity to those facilities.

- The stadium Project will consume 15 acres (or 19% of the Shannon Park area), thus reducing the land available for new homes. While SSE maintains the same number of dwelling units will be built, it is expected the average unit size would decrease and/or building densities to increase. These changes are likely to mean lower prices for the average unit in the area, not higher prices, and hence less tax revenue for HRM.
- There may be some changes in the cost to service a re-designed Shannon Park. The higher density may lead to less road frontage reducing the cost to maintain and plow the area's roads. Likewise, there is no solid waste pickup for apartments over six units so the higher density may also save on solid waste costs. However, as noted elsewhere in the report, transportation costs to the stadium may be significant.
- There is modest potential for commercial development in the area with SSE's real estate analysis suggesting 30,000 to 40,000 additional square feet of commercial development for a variety of uses including restaurants, entertainment and fitness services. It is worthy to note that commercial assessment pays taxes at a much higher rate than residential assessment and is often a significant part of a successful TIF. The SSE report has concluded annual incremental commercial revenues of nearly \$400,000. The staff review concludes that the commercial revenues are more likely to be in the range of \$100,000 to \$300,000 and are likely not incremental.

Based on its analysis, the CAO and his team have concluded that a TIF in the Shannon Park area is unlikely to produce any significant incremental tax revenues. It is possible that, due to the smaller dwelling size required to accommodate the stadium, tax revenues may actually decline slightly. As such, the CAO would recommend, should Regional Council wish to approve funding for the stadium project, that it use a different funding source.

The full TIF analysis is included in **Attachment 2** of this report.

Economic Implications:

In May 2018, SSE commissioned Deloitte to conduct an input output model (I/O) to estimate the economic impacts of community stadium construction and the long-term impact of a CFL franchise in Halifax. Quantitative economic models typically rely on casual relationships between labour, capital, and effects of new investment on employment. Staff have reviewed the literature and have found that the results produced by the analysis are inconsistent with the real impacts of both the construction phase, and the lasting impact of a CFL franchise.

- Estimates on incremental full-time employees (FTE) rely on the assumption that those who are unemployed simply transition to full-time employment. More realistically, some employees simply transition from low skill or precarious employment to an improved form of employment. Essentially, the approach used over-estimates the impact of new FTEs based on stadium construction.
- Consumer leisure hours are fixed at given levels of wages in simple terms. If consumers attend three CFL games in a given year, they are likely to not attend the equivalent amount of another leisure activity. That is, leisure spending is likely transferred to the CFL and away from other forms of entertainment.

Additional information is included in **Attachment 3** – Economic Model.

Transportation & Development Requirements:

The proposal submitted by SSE for the Shannon Park lands indicates a number of transportation and mobility concerns with the site which to date, have not been resolved. There are concerns relative to off-site infrastructure needs, access to and from the MacKay Bridge ramps, traffic queues resulting from the operation of the CN Rail line, transit service, event day traffic management and parking. Additional work is needed to resolve these concerns and doing so in the absence of a comprehensive development plan and developer for the site is very difficult to conceive.

Should this or an alternative site be selected to proceed, a full planning approval process (MPS & LUB amendments) will be necessary to permit a stadium development. From a site suitability perspective, a minimal amount of information is needed to assess impacts on municipal infrastructure, the environment and the surrounding community such as:

- Detailed site and building concept plans;
- Traffic Impact Statement, that includes a game day transportation plan;
- Siting and design rationale;
- Servicing schematics (water and sewer); and
- Preliminary storm water management plan.

Depending on the specific location and design of the revised proposal, additional information may be needed to assess impacts and guide the drafting of MPS policies. Additionally, should the proposal include a significant commercial component, a commercial market analysis may be warranted to assess potential impacts on nearby commercial areas.

Facility Programming:

Recreation Programming & Scheduling

The SSE proposal outlines a partnership with Sport Nova Scotia. Under that partnership, it is expected that sports team and user groups will be provided access to the facility when not in use. The proposal also indicates that the groups will be provided with access to the facility at no, or minimal cost. The proposal indicates that SSE has "...early commitments from four Sport Nova Scotia members: Football Nova Scotia, Rugby Nova Scotia, Soccer Nova Scotia and the NS School Athletic Association for a total of 1,500 hours / year of facility use:". Based on the proposal, it is understood that there would be no rental cost for community usage of the stadium and only incremental operating costs would be assigned to the user. At this time, the order of magnitude of those potential incremental operating costs is not known as they would likely be dependent on the need for lights, heat, etc.

HRM has seven outdoor artificial turf fields, with two in Dartmouth, two in Halifax and one each in Cole Harbour, Sackville and Bedford. The use of those fields varies, but the total amount of usage across the network of fields is approximately 10,000 hours annually, representing approximately 40% of total available hours. Based on this usage, the proposed usage of the new stadium could result in approximately 10% of reallocation of usage from HRM artificial turf fields. With an annual revenue of between \$400K-500K, that could result in a revenue loss of approximately \$40K-50K, if the additional capacity of HRM fields is not able to be rented to other users. There may be benefit in HRM reserving the right to schedule or otherwise program the community usage of the stadium. That would allow the stadium to be included in the overall network of recreation assets and usage to be optimized with other fields.

Incremental Events

Most major events in Halifax are hosted at Scotiabank Centre, including concerts and sporting events. With a capacity of just over 10,000, it is the largest entertainment venue in the municipality, with other venues having significantly lower capacity for events. Therefore, it is anticipated that the proposed stadium would provide opportunity for an incremental increase in the number of events that could be hosted in HRM.

Based on the proposal, SSE envisions that the stadium would allow HRM to host the Grey Cup on a ten-year cycle and an additional one or two concerts per year that are not currently able to be hosted at Scotiabank Centre. Those large-scale events would be incremental to the current event calendar in Halifax. The proposal also envisions the stadium being able to be used for smaller scale concerts and sporting events, such as national sporting events and university convocations. While those are currently hosted in Halifax, the additional capacity provided by a stadium may be beneficial to the event but would not provide significant incrementality in the overall event calendar.

Hotel Levy

The SSE proposal includes a potential request to the Province of Nova Scotia (PNS) to increase the existing hotel levy from the current 2% to 4% with the additional revenue being used to support the proposed stadium. The proposal further requests that HRM lead the request to PNS to amend the legislation to increase the hotel levy, thereby outlining municipal support for the increase. As Council is aware, the Hotel Association of Nova Scotia (HANS) had previously presented to Community Planning & Economic Development Standing Committee (CPED) with a request for an enhanced partnership between HANS and HRM. Under that proposed partnership, HANS requested that HRM increase funding support to Destination Halifax (DH) by providing an additional \$1.5M and support creation of a lead agency to sell events for HRM. HANS would support matching the increased funding support from HRM through a proposed 1% increase to the hotel levy, from the current 2% to 3%. The increased funding was intended to support additional funding for major events in HRM through the Marketing Levy Special Event Reserve Administrative Order, an event attraction office and increase destination marketing.

Both proposals were being considered and assessed concurrently as part of the full stadium business plan assessment in order to provide Regional Council detailed information upon which to base its decision. With the expedited report on the stadium, a full comparison of both requests to increase the hotel levy is not able to be presented at this time. However, the original intent for the implementation for the hotel levy was to provide funding support for destination marketing and tourism events. That intention also formed the basis for the business case for HRM's Marketing Levy Special Events Reserve and subsequent administrative order to oversee the use of those funds. Therefore, HRM would not be in a position to lead a request to amend the legislation to support the increase of the hotel levy for the operation of the proposed stadium, as it would provide only limited destination marketing and tourism return.

Further, the decision on a potential increase to the hotel levy and rental car levy are in the purview of the Province of Nova Scotia. While Regional Council does not have a role in deciding on those aspects, one of the key conditions for the one-time contribution would need to be that any change to the hotel levy would need to be net new and not result in a reduction to the current funding that supports Discover Halifax and major events reserve.

Municipal Service & Infrastructure Gaps – Shannon Park

The timelines to bring this report to Regional Council were aggressive and did not allow time to do a thorough analysis of infrastructure gaps and costs at the Shannon Park site. Again, the absence of a developer and master site/development plan makes the assessment of municipal service and infrastructure gaps difficult.

What staff can comment on with respect to infrastructure gaps are as follows:

Ferry Terminal & Ferries

- Shannon Park site would likely generate increased public demand for a ferry terminal. A new ferry terminal would roughly cost in the range \$15M - \$20M, and new ferries would cost in the range of \$15 - \$20M

CN

- The Shannon Park site is encumbered by the CN rail line which could pose a significant traffic and public safety risk.

MacKay Bridge

- Future recapitalization work on the MacKay bridge could have an impact on access to the Shannon Park site.

Parkland

- Parkland seems lacking as a large provision of parkland (District Park) is needed to serve the new high-density community.
- Clarification on parks spaces would be needed to understand how the spaces are intended to be used (i.e wooded or playing fields).
- Some of the proposed parks space appears less useable than previous site designs and appears intended to act more as buffer than the previously proposed playing field space.

Shannon Park School

- The Halifax Regional Centre for Education (HRCE) indicates that it has not made decisions about the future of the school and that it was not contacted by CLC or SSE on any design for Shannon Park since prior to September 2018.
- A stadium being placed near the school will create operational issues that are to be expected from any high intensity of use (parking pressure, potential for additional activity on site after school hours, etc.). The street design provided also presents challenges as the temporary closures for events, although infrequent, have significant unknowns for how students, staff, parents, and others will access the site. While the school day is limited, other operations teams (Custodial, IT) regularly access sites outside of class time.
- The submission indicates that the street grades surrounding the Shannon Park School will need to be raised to accommodate gravity sewers to the point where retaining walls would be needed along surrounding roads to keep the street fill from encroaching too close to the school building. The school would become a low point with surrounding streets all higher by 2 to 5 metres and the submission raises concerns with public safety and access.
- The road grades present significant challenge and risk around access to the site.
 - The toe of the intended slope extends into the areas currently programmed for access and outdoor play for the 614 children at the school.
 - At several points around the school, the toe of slope is shown extended into the school building. The assumption is that permanent retaining walls will be built to avoid that.
 - The ramping required to access the building could take significant space from the already constrained outdoor space at the school.
 - The temporary retaining wall structures could create even greater disruption through what can reasonably be expected to be a multi-year construction timeline.
 - The permanent grade differential (sloped or retaining wall) would create a sense of division between the school and the surrounding community.
- The HRCE has been working on upgrades to the heating system and currently have no plans to close the school.

Halifax Fire

- There are limited access points to the stadium for emergency response. Two of these access points cannot be considered viable as they cross the existing rail line. Halifax Fire has a concern with the remaining access points, which are located immediately prior to and following the bridge tolls. A fire or emergency at a site like this will require a response that involves multiple units from various stations across HRM. Due to the restriction, design, and congestion around these ramps, there is potential for delay in establishing an effective firefighting response.

- The proposal includes an air supported structure that is temporarily erected on the field during the winter season. No access road exists in this area, as it is located on the field between the stands. Halifax Fire may require access around the perimeter of this structure, and it is not clear how that will be achieved.
- The proposal indicates a very limited number of on-site parking spots. If the parking need is underestimated, legal and illegal curb side parking could be result, which may restrict road widths and hinder a rapid response.

Halifax Fire indicates that these concerns are not expected to exclude the development but may add to the cost and time frame to completion.

Halifax Water

- An extension of the water system is needed off Wright Avenue.
- There is a potential need for waste water holding tank.
- Any new infrastructure required will be the responsibility of the developer and items can be addressed at the development approvals stage.
- Infrastructure upgrade costs at the time of the 2011 FIFA bid were in the range of \$2M-4M excluding site preparation costs. It is reasonable to expect this cost estimate to have doubled since 2011.

Nova Scotia Power

- There is no information in the proposal related to the NSP transmission tower located at Morris Point. Retaining the tower may have implications to the proposed waterfront parkland and overall site design.
- NSP indicates that it is still negotiating with Canada Lands Company (CLC) about keeping the tower and the routing of related overhead or underground transmission lines.
- NSP have agreed to remove the tower from Millbrook lands and is currently discussing the timing for removing the tower
- In terms of providing power to the site, NSP indicates that a capital investment will be required to construct a new substation, including land costs. To facilitate this new substation, a connection will be required to the 138kV transmission line currently being disused for relocation in the area.

Community Consultation

Canada Lands Corporation has done significant public consultation around the Shannon Park Lands and the area has been master planned for a residential development. If a Stadium were to be constructed at Shannon Park, CLC has stated they would require an HRM/SSE led engagement process to confirm community support for the incorporation of a stadium into the current Shannon Park redevelopment plan.

Consultation with Millbrook First Nation would also need to occur if a stadium were to be constructed at Shannon Park.

As noted in Table 1, SSE would be required to conduct community consultation as part of this development, similar to any other large-scale developments.

FINANCIAL IMPLICATIONS

Under this recommendation HRM would provide a \$20M payment to SSE for the construction of a stadium, as per the terms outlined in this report. Funding would come from the Strategic Capital Reserve (Q606) with an expected payment occurring in 2023. This reserve was designed to support large strategic capital projects as well as opportunities where funds could be leveraged. It does not require HRM to own the asset, and specifically mentions a stadium as one potential use for the reserve.

Budget Summary, Strategic Capital Reserve, Q606

Current Projected net available balance, March 31, 2024	\$39,547,200
Recommended withdrawal	<u>(20,000,000)</u>
Projected net available balance, March 31, 2024	\$19,547,200

There are no operating implications for the stadium.

RISK CONSIDERATION

Investment in a project of this scale does not come without risk, and Council should be mindful that investment in public infrastructure does not usually equate into a measurable return on investment (ROI) or provide incrementality in terms of economic growth.

Investment in a community stadium has risk in term of capital priorities. The funding model being recommending is through a withdrawal from the Strategic Capital Reserve. This will reduce funding for other signature projects that Council may have a desire to invest in in the future.

In terms of risk on a community stadium, the success, viability and sustainability of the CFL team is paramount for the following factors:

- The Schooners is a new expansion CFL franchise, in a new Halifax Market. The teams currently in the CFL, have storied histories of 50-100 years, and are established in some cases into the fabric of the community (i.e. Saskatchewan Roughriders).
- The ticket surcharge revenue is dependent on attendance. Low attendance will negatively impact the ticket surcharge revenue which will negatively affect the cash flow of stadium operations and funding for CAPEX.

That said, SSE has received 6,000 deposits from perspective fans on their season ticket campaign, which is a very positive sign of the interest in a CFL team in Halifax.

The option that has been recommended to Regional Council by staff is the option that provides the least amount of financial risk based on the following factors:

- No HRM ownership stake in the Stadium
- No HRM loan guarantee
- No HRM participation or cost sharing in ongoing capital or maintenance costs
- **HRM's investment would not be payable until confirmation of substantial completion and commissioning of the stadium.**
- Council has been clear that we must leverage municipal funding with other levels of government or the private sector. This proposal has a private sector ownership group that will be contributing to the debt financing of the community stadium, and a CFL team as an anchor tenant. The province has indicated a willingness to pursue new sources of revenue associated with this proposal.
- This staff recommendation aligns with Council's position in 2011 to provide \$20M of funding toward a community stadium in the \$60M range, which HRM would own and operate, and did not have a professional sports franchise as an anchor tenant. A current \$20M investment on a \$100M - \$110M community stadium, with no ownership, no operating and capital costs, and a CFL team on its face is a much better deal for HRM than in 2011.
- Although the CAO is not recommending sharing in the ticket surcharge revenues, we are proposing full taxation on the stadium, which will provide a revenue source that can be considered as an ROI as noted in the financial section of this report. From a risk point of view, the amount of economic obsolescence placed on the community stadium by the assessment authority would be a factor in the amount of annual taxes levied and received on the stadium.

COMMUNITY ENGAGEMENT

Following approval of site selection by Regional Council, SSE would be required to undertake public engagement. This would encompass, but not be limited to, stadium and site design, site amenities and community impacts (e.g. construction). Working with HRM, SSE would be required to conduct the public engagement and submit a report to the CAO.

Depending on the location of an approved site, a Municipal Planning Strategy amendment process will also be required along with public engagement.

Canada Lands Corporation (CLC) has completed significant public consultation regarding the Shannon Park Lands and developed a master plan for a residential development. If a stadium were to be constructed at Shannon Park, CLC would require SSE to conduct public engagement (working with HRM) to confirm community support for the incorporation of a stadium into the current Shannon Park redevelopment plan. CLC and SSE would also need to coordinate efforts with the Millbrook First Nation and their neighbouring development plans

ENVIRONMENTAL IMPLICATIONS

Construction of a community stadium would have to be compliant with all federal and provincial environmental laws and standards.

ALTERNATIVES

- Alternative 1: Regional Council could choose to amend any of the terms outlined in Table 1, including amount of funding.
- Alternative 2: Regional Council could choose to direct staff to continue to assess the current SSE proposal for the Shannon Park site. This would require the additional timeline as originally outlined and a subsequent report to Council.
- Alternative 3: Regional Council could choose to defeat the staff recommendation and decline the request for support for a community stadium.

ATTACHMENTS

Attachment 1: October 30, 2018 Stadium Update Report

Attachment 2: TIF Analysis

Attachment 3: Economic Model

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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HALIFAX

P.O. Box 1749
Halifax, Nova Scotia
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Item No. 14.1.5
Halifax Regional Council
October 30, 2018

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY:

Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: October 19, 2018

SUBJECT: CFL Stadium Proposal Update & Staff Direction

ORIGIN

Proposal by Maritime Football Limited Partnership (MFLP) to establish a Canadian Football League (CFL) Franchise and construct a multi-purpose stadium in the Halifax Regional Municipality (HRM).

July 17, 2018 motion

“That Halifax Regional Council direct the Chief Administrative Officer and staff to pursue discussions with Maritime Football Limited Partnership and the Province of Nova Scotia to explore opportunities and risks related to establishing a mixed-use development, a CFL franchise and stadium, in Halifax Regional Municipality and return to Regional Council with recommendations.”

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter

Purpose of Act

2 The purpose of this Act is to

- (a) give broad authority to the Council, including broad authority to pass by-laws, and respect its right to govern the Municipality in whatever ways the Council considers appropriate within the jurisdiction given to it;
- (b) enhance the ability of the Council to respond to present and future issues in the Municipality; and
- (c) recognize that the functions of the Municipality are to
 - (i) provide good government,
 - (ii) provide services, facilities and other things that, in the opinion of the Council, are necessary or desirable for all or part of the Municipality, and
 - (iii) develop and maintain safe and viable communities.

2008, c. 39, s. 2.

Power to expend money

79 (1) The Council may expend money required by the Municipality for

(ah) playgrounds, trails, including trails developed, operated or maintained pursuant to an agreement made under clause 73(c), bicycle paths, swimming pools, ice arenas and other recreational facilities;
(ai) public grounds, squares, halls, museums, parks, tourist information centres and community centres;

RECOMMENDATION

It is recommended that Halifax Regional Council direct the CAO to:

1. Complete a thorough business case analysis on a proposal for a stadium, including a stadium district from MFLP
2. Engage with the Province to obtain legislative amendments to the Halifax Charter to allow for a tax agreement on a stadium, and the ability to contribute financially to the debt financing of a stadium through a Tax Incremental Financing model or otherwise, pending the outcome of the business case analysis.
3. Engage, collaborate and partner with the Province on potential new and incremental sources of revenue designated to contribute to the debt financing of the stadium.
4. Bring a report back to Council detailing the results of the business case review of a MFLP proposal with a recommendation to proceed or not to proceed as a funding partner in a new multi-use stadium. The business case review must include evaluations on the need, cost-benefit, risk, economic impact, partnership opportunities and current cost estimates.

BACKGROUND

MFLP is an ownership group of various private sector business leaders that is proposing a stadium integrated with adjoining mixed-use development in HRM. The Stadium would have capacity for seating of 24,000 and construction cost in the range of \$170,000,000 - \$190,000,000.

Partners of the MFLP are:

- Bruce Bowser, President & CEO of AMJ Campbell Van Lines
- Anthony Leblanc, former Co-Owner, President & CEO of the Arizona Coyotes of the National Hockey League
- Gary Drummond, former Co-Owner & President of Hockey Operations of the Arizona Coyotes

The MFLP is in the final stages of securing a conditional CFL expansion franchise that they are proposing as the anchor tenant for the stadium. Over the course of the last 14 months, MFLP has had meetings with HRM staff and Council, as well as Provincial Senior Staff and the Premier. The MFLP has contracted with professional legal, finance, public relations, real estate and sports management firms to plan and build their business case for the stadium and associated uses.

In HRM's current 10-year Capital Plan, fiscal 2026/27 includes a Stadium Project (CB000012) with a gross budget of \$105M, with \$70M to be funded externally. The Capital Budget Form (P. R48) in the fiscal 2018-19 budget book states:

“Regional Council believes the Municipality, being a Capital City, and experiencing continued growth should plan for projects such as stadiums”

The Capital Budget Form also states:

“A business case is required for Council to initiate the Stadium Project, including evaluations on the need, cost-benefit, risk, economic impact, partnership opportunities and updated cost estimates.

The capital funding in the current 10-year capital plan has not been formally approved by Council as a project budget.

DISCUSSION

MFLP has identified Shannon Park as the preferred location for a multi-purpose stadium. MFLP is currently in discussions with Canada Lands Company CLC Limited (CLC) to purchase a 15 to 20-acre site for a stadium that will include a parking structure and potentially some associated uses. Shannon Park is a 95-acre site located within the Regional Centre that was used by the Department of Defence (DND) for housing from the early 1950's until being declared surplus in 2003. CLC acquired most of the site (86 acres) in April 2014. With land holdings located throughout Canada, CLC's mandate is to optimize the financial and community value of former government properties. CLC does not typically construct buildings, but instead plans and prepares the land for development prior to selling serviced lots or blocks to builders.

The Millbrook First Nation is acquiring approximately 9.0 acres of the site through Indigenous Services Canada (ISC)'s addition-to-reserve process. This process has been underway for several years and is now understood to be in its final stages. CLC and the Millbrook First Nation are working collaboratively as adjacent property owners to ensure the development of the CLC and Millbrook First Nation properties are compatible and that the Millbrook First Nation is able to secure economic benefits, cultural and other opportunities. It will be necessary that the Millbrook First Nation is engaged and confirms that it supports the proposed stadium development.

The Halifax Regional Center for Education (formerly Halifax Regional School Board) has also exercised an option to acquire lands that contain the Shannon Park School; at this time CLC remains the owner of this parcel. The School is still operating and hosts students from across the municipality. CLC has stated that accommodating both a school site and a stadium is not their preferred outcome for the Shannon Park lands.

CLC has stated that their need is to see an HRM/MFLP led engagement process to confirm community support for the incorporation of the stadium into the current Shannon Park redevelopment concept. As well CLC has stated their need for HRM and the Province to show their support for CLC to engage in exploratory discussions with MFLP for the acquisition of land for their stadium in the interest of municipal and regional community benefits.

Previous Considerations of Shannon Park Site

Shannon Park was previously considered as a site for a stadium as part of HRM's bid for the 2014 Commonwealth Games. While Regional Council and the Province of Nova Scotia opted to cease work on the bid in 2007, the site was still considered for a multi-use stadium as part of a potential bid for the 2015 Women's Soccer World Cup. As a result, 2012, Regional Council directed staff to work with CLC to acquire up to 40 acres of their lands at Shannon Park for a recreation / sport facility campus. After a series of further Council decisions and reviews, on November 10, 2015, Regional Council, decided not to proceed with purchasing land at Shannon Park for a stadium, directing staff to " ...inform the Canada Lands Company that Halifax Regional Municipality will not be making an offer to purchase a portion of the Shannon Park lands for the purpose of a recreation/sport facility campus due in part to recent decisions of Regional Council on other regional recreational infrastructure projects in the area, with any public space acquisition in the community being acquired through the subdivision process."

Subsequently, in the fall of 2017 HRM Council approved a bid submission led by the Greater Halifax Partnership (GHP) for Amazon's new corporate headquarters. The Shannon Park property was selected as one of three properties which were included in the bid.

Based on the preliminary discussion and information provided by MFLP, it is expected that HRM's contribution to a Stadium would include being a funding partner on the capital cost to construct the stadium as well as possibly being a contributor to ongoing capital repairs and maintenance.

The remainder of this report will speak to planning considerations, capital financing through a TIF model,

possible tax agreement on the Stadium, revenue development opportunities with the Province and business case analysis.

Planning/Development Considerations

The development of Shannon Park is currently governed by the existing Dartmouth Municipal Planning Strategy (MPS) which identifies the site as "...an opportunity site suitable for an Urban Local Centre". The policy requires that a visioning exercise be undertaken prior to development plans being prepared. Amendments to the MPS and Land Use By-law and significant public consultation are required by current Dartmouth MPS policies.

Planning and Development staff have been working with CLC since 2015 to enable the comprehensive redevelopment of the Shannon Park lands through the Centre Plan. The Draft Centre Plan Package A identifies Shannon Park as one of six Future Growth Nodes and includes specific policies that guide the redevelopment of the site into a compact mixed used community containing up to 7,000 residents. Staff continue to work with CLC in reviewing the proposed Centre Plan policies for Shannon Park and have agreed to work ahead on portions of the anticipated development agreement as a 'pre-application' while awaiting the formal approval of the Centre Plan Package A document.

Upon initial review of the high-level proposal, several technical items should be considered by staff and Regional Council in considering the proposed stadium on a portion of these lands:

- All site conditions and features including environmental, geotechnical and topographic are relevant to the potential costs and timelines related to any site development and will need to be addressed.
- A significant portion of the site may be vulnerable to storm surge/sea level risks and may require unique engineering solutions to address risks to planned public roads, parks, services and other public infrastructure.
- The plans and interests of the Millbrook First Nation are unclear at present; they may welcome or raise significant concerns with the potential development of a stadium next to their lands. Millbrook First Nation has indicated that it will ask to enter into a servicing agreement with HRM to enable their lands to receive municipal services similar to other areas of the municipality (policing, solid waste, by-law enforcement etc.);
- A Traffic Impact Study (TIS) has been submitted, revised and accepted by HRM staff as sufficient at this stage of the planning process. A revised TIS will be required, which could result in new concerns, and changes to planned road network improvements.
- Potential ferry service to North Dartmouth and the Shannon Park lands has been raised several times in past studies/reports and continues to be identified as a transportation option to explore in the Integrated Mobility Plan.
- The Center for Education indicated in 2017 that it will be conducting a review of its schools in North Dartmouth and, at the time, informally confided that it anticipates closing the Shannon Park School and transferring the lands to CLC for redevelopment. Further consultations with the Center for Education will be needed to clarify their plans and any impacts on the development of a potential stadium.

Development of Regional Significance – Site-specific Regional Plan Amendment

If Regional Council views the stadium project as an unforeseen matter of regional significance that requires special consideration within a defined timeframe it will be necessary to undertake site-specific planning amendments to supersede the existing planning policies that apply to the Shannon Park location. In this case, Regional Council may direct staff to prepare amendments to the Regional Plan (RMPS) for their consideration which would designate the selected stadium and mixed-use development as a matter of regional significance, requiring special policy and regulatory consideration.

Once the planning process is initiated and outstanding technical items resolved, the planning approvals could take approximately 6 months to complete. This process assumes targeted public engagement, as-of-right development regulation (i.e., no development agreement), that the file is expedited as a priority file, and the developer is responsible for all infrastructure upgrades required to service the proposed development (there are no infrastructure charges or capital cost contributions currently in place for either site). A high-level overview of the planning process is as follows:

- 1. Regional Council Initiation of RMPS Amendment Process**
- 2. Engagement Processes – 1.5 to 3 months total**
 - Public Engagement Process (Public Survey, consultation with adjacent municipalities and key stakeholders)
- 3. Production of Draft Policy and Regulations – 1 month**
- 4. Staff Report Drafting and Review – 1 month**
- 5. Council Approval Processes – 1.5 to 2 months total**
 - Community Council Recommendation
 - Regional Council First Reading
 - Regional Council Second Reading and Public Hearing
- 6. Provincial/Ministerial Approval - 1 month**

Separate from the approval process necessary to effect planning permission are the subdivision and infrastructure design and construction processes which are necessary to regulate development implementation. Apart from this, other operational matters for supporting municipal services for the development, expanded transit services, will need to be considered.

Statement of Provincial Interest

The notion of a Statement of Provincial Interest (SPI) for the stadium has been raised as a method by which planning permission could be expedited, should the standard regulatory process as set out under the *HRM Charter* prove to not yield a timely decision for its proponents. Under this approach, MFLP would approach the Province to identify the development of the stadium as a matter of provincial interest thereby warranting special planning policies and regulations via a Statement of Provincial Interest. The HRM Charter requires that all planning documents must be reasonably consistent with statements of provincial interest that apply to the Municipality. In this case, the SPI could require the Municipality's planning documents to contain specific policies and regulations concerning the timely development and construction of the stadium consistent with MFLP's needs.

Staff advise that the *HRM Charter* intends that the Municipality assume the primary authority for planning within its jurisdiction and to do so through a consultative process which ensures the right of the public to have access to information and to participate in the formulation of planning strategies and by-laws, including the right to be notified and heard before decisions are made. Consistent with achieving the intent of the Charter, staff advise that the standard, regulatory planning process as set out above is the appropriate course of action. A Statement of Provincial Interest should only be considered if the Province determines that the development of a stadium is a matter of provincial, rather than local, significance.

Tax Incremental Financing (TIF) Model & Stadium Tax Agreement

Tax increment financing (TIF) is a public financing model that is used as a subsidy for redevelopment, infrastructure, and debt financing. A TIF district essentially reallocates funds from property taxes to encourage investment within the district. Any incremental tax revenues collected as a result of increases in property values or new development go into a TIF fund (stadium reserve) and can be used by the municipality for purposes within the TIF to promote development or provide capital financing. The scope of the TIF District will require ongoing discussions with MFL and CLC, as landowner of Shannon Park.

Annual debt servicing costs of a stadium in the range of \$170M - \$190M would respectively be in the range

of \$9M - \$10M annually. A TIF model would be a likely revenue source to fund the debt financing of the Stadium. TIF models do have a risk factor as they related to property values that can be affected by supply, construction delays, build out time and absorption. The HRM Charter currently does not provide authority to do a TIF model and would require the province to provide amendments to the Charter in order to consider it as a funding model.

It is likely that the proposal for a stadium would also request a property tax agreement on the stadium. The HRM Charter currently does not provide the authority to provide a tax agreement to the private sector and would require legislative amendments.

Revenue Development Opportunities with the Province

The participation of the Province as a capital financing funding partner in this opportunity is essential. The Premier has publicly stated that no current general revenue or tax incentives would be used to provide capital debt financing to a stadium, however the province would be open to funding a stadium through new sources of revenue. HRM would need to collaborate with the province on potential new and/or incremental revenue streams to provide equitable and sustainable revenue streams to contribute to the annual debt financing of the Stadium. To date, two possible revenue streams have been indicated, however, there may be others. A possible incremental revenue stream would be to increase the hotel marketing levy tax. A possible new revenue stream would be the development of a car rental tax. Both revenue streams would require legislative changes by the province.

Business Case Review & Analysis

A business case review and analysis, is necessary to assess costs and risks of a stadium as well as assess the viability and sustainability of a TIF funding model and other revenue streams that will finance the capital debt.

From a due diligence and risk management perspective, staff will require the following information for a business case review:

- Stadium design and capital cost
- A detailed master site plan
- The ownership structure of the stadium
- Details on who will provide the credit facility to finance the construction of the stadium
- Consideration of planning, land use, legal and legislative issues
- Determination of future municipal servicing costs of the stadium district
- Determination of any maintenance or re-capitalization costs associated with the stadium
- Detailed information of any potential mixed-use stadium development to assess TIF model
 - Residential: Number and type of housing units.
 - Number of multi-unit, single family homes and other units
 - Sales and construction value would be useful.
 - Land and building size.
 - Commercial: Commercial/Industrial properties by square footage and type of property. Sales or construction value would also be useful. Land and building size.
 - Timing of the build-out for the residential and commercial areas and absorption assumptions (e.g. number of multi-units constructed in Year 1/Year 2.)
- **Municipal Infrastructure required for the development:** In order to determine the impact to HRM's capital and operating budgets, information on municipal infrastructure is required. Based on initial information, it is expected that infrastructure could range from parks, roads, transit, public safety, and streetlights to any associated recreation requirements.
- **Assumptions:** All assumptions underlying the business plan for the development is critical. HRM will need to determine how much of the development is attracting growth away from other areas of

the city including HRM's Master Plan areas, Cogswell or the Centre Plan corridors. A concern would be that the proposal simply shifts development from one area of the municipality to another and as a result, there would be no incremental tax revenues. Competition could impact the buildout and absorption of units for the Cogswell Development.

Once a proposal is received in the coming months from MFLP, HRM will assemble a cross-functional team of professional staff to do the business case review and due diligence. There may be a need to contract with external consultants on some aspects of the review if needed.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report. Once the business case review and analysis is completed, staff will inform Regional Council of the financial implications in a future report.

RISK CONSIDERATION

There are no direct risks associated with this report. The business case review and analysis will inform staff of the risks associated with proceeding with a funding partnership for a multi-purpose stadium. Staff will advise Regional Council of all risks in a future report once the business case review is completed.

COMMUNITY ENGAGEMENT

In the 2018 HRM Citizen Survey, conducted this August and September by PRA Inc, respondents were asked to rank their top 3 infrastructure projects for the municipality to pursue over the next 5 years. 5% of respondents ranked a new stadium as their top infrastructure priority.

MFLP has conducted polling through CRA in August of 2018. The polling suggests that 63% of HRM residents support a stadium being built with the financial support of municipal and provincial governments. The polling also suggests that 63% of HRM residents support a public private partnership to complete a larger development that would include a multi-purpose stadium.

MFLP plans to launch a season ticket campaign in November.

Consultation and engagement with the public with respect to stadium and site design, site amenities, community impacts (i.e., construction) and the changes to the current Shannon Park development concept will be required. CLC has stated that their need is to see an HRM/MFLP led engagement process to confirm community support for the incorporation of the stadium into the current Shannon Park redevelopment concept.

Following its decision to advance the proposal upon consideration of the business case, Regional Council would initiate the MPS amendment process, and in doing so approve a specific public participation program.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications with respect to this report.

ALTERNATIVES

Regional Council could choose not to pursue a stadium at this time and defeat the recommendations set out above.

ATTACHMENTS

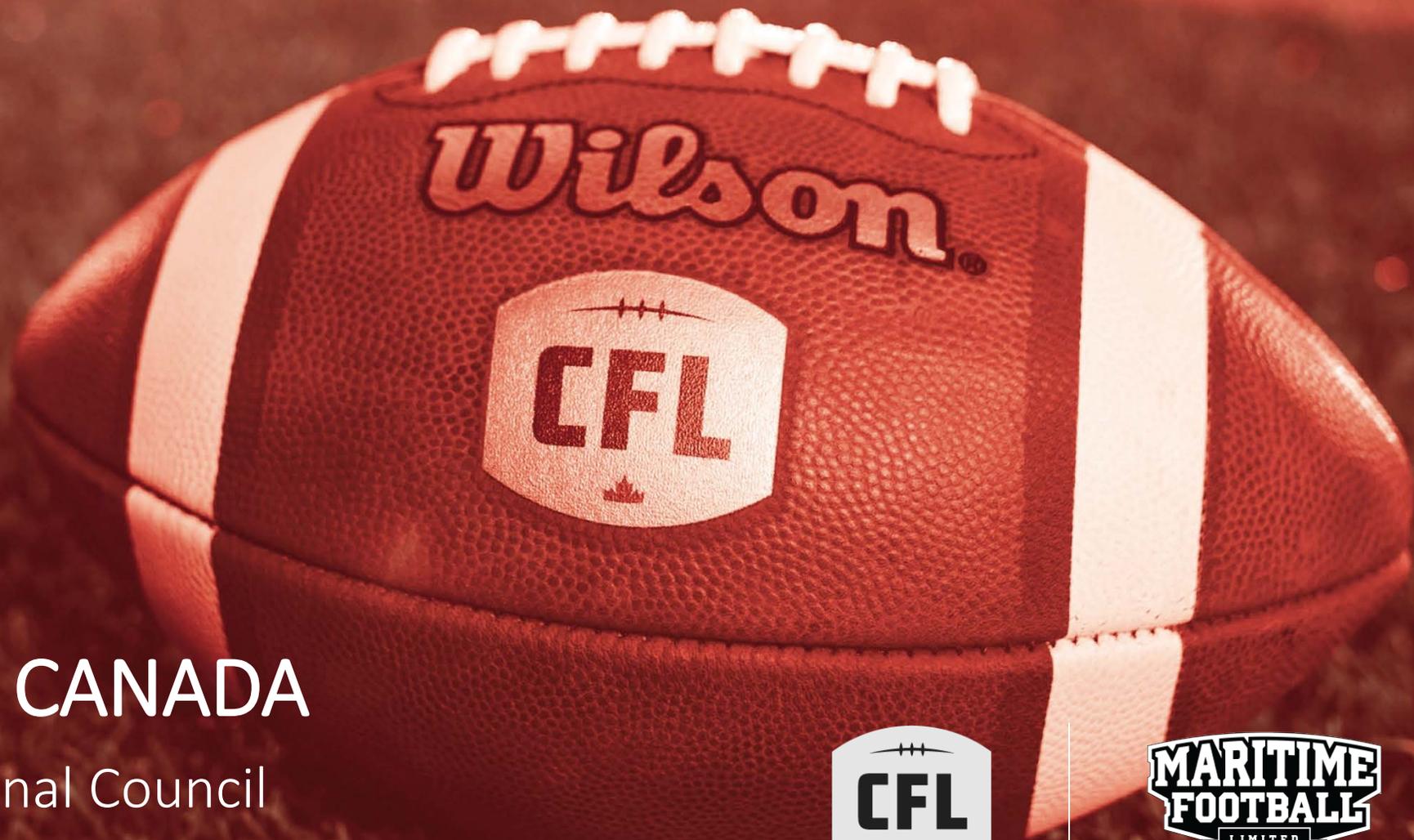
Attachment 1: Executive Summary From MFLP

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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902.490.6308

Report Prepared by: Kelly Denty, Director of Planning & Development 902.490.4800

Report Prepared by: Denise Schofield, Direct of Parks & Recreation 902.490.6252



CFL IN ATLANTIC CANADA

Update to Halifax Regional Council

OCTOBER 30, 2018



CONTENTS



Goal

Guiding Principles

Update

Public Opinion Research (CRA)

Economic Impact Analysis (Deloitte)

Path Forward





GOAL

Maritime Football Limited Partnership is working closely with the Canadian Football League (CFL) to secure a franchise for Atlantic Canada.

We are championing the development of a multi-use stadium that will support a CFL team and become a valuable sports, entertainment, and community asset for Halifax Regional Municipality.

GUIDING PRINCIPLES



THOUGHTFUL: We have been learning about the challenges and opportunities for the Municipality –and how our vision could align with your priorities and fit within planning frameworks.

INCLUSIVE: We have been building relationships and forming partnerships that will maximize the benefits of this project. We will be sharing our vision with the broader public and creating opportunities for engagement at all stages.

ACCESSIBLE: We are committed to creating experiences that are accessible and affordable for residents and visitors, alike.

COMMUNITY-BUILDING: Together, we can create a vibrant, livable, sustainable space within HRM that will help drive economic development by attracting people and private investment.

UPDATE

- Maritime Football Limited Partnership has identified Shannon Park as the preferred location for a multi-use stadium
- We are in discussions with Canada Lands Company CLC Limited (CLC) to secure up to 20 acres for the development of a 24,000 seat stadium, and a parking structure
- Enhanced opportunity for CLC's proposed "Main Street" commercial corridor on the property
- Maritime Football Limited Partnership and CLC will engage with the Millbrook First Nation to explore partnership opportunities
- We will continue to engage stakeholders and look forward to a public engagement process to support the proposed changes to the current development concept





**PUBLIC OPINION:
STADIUM FINANCING
(CRA, AUGUST 2018)**



63%

of Halifax residents support a stadium being built with the financial support of municipal and provincial governments.

63%

of Halifax residents support a public-private partnership to complete a larger development that would include the multi-purpose stadium.



\$40-\$60

are average ticket prices, with one-half (50%) of Halifax residents definitely or probably attending at least one game of a Halifax CFL team.



**ECONOMIC
IMPACT ANALYSIS
(DELOITTE)**

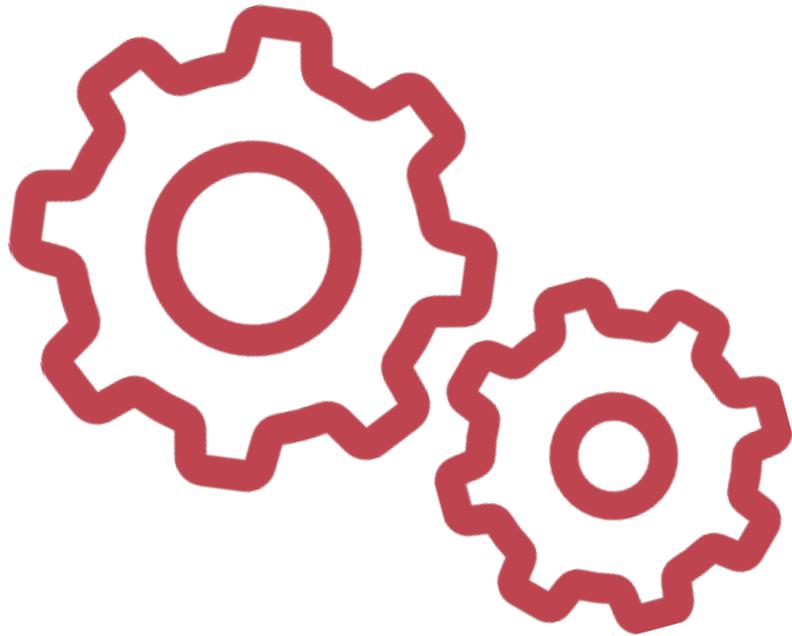


STADIUM CONSTRUCTION



- **\$171.0 million** towards Nova Scotia's GDP
- **\$136.8 million** of that contributing to HRM's GDP
- **1,951 FTE** located in Nova Scotia
- **1,568** of those located in HRM

FOOTBALL OPERATIONS & EVENTS



- **\$111.8 million** in annual GDP towards Nova Scotia's GDP
- **\$96.8 million** of that contributing to HRM's GDP, annually
- **1,813 FTE** located in Nova Scotia
- **1,459** of those located in HRM

THE PATH FORWARD



Share our vision and engage Nova Scotians

- Earned, owned, paid communications
- Public engagement
- Continued conversations with universities; sports, entertainment, community organizations; local businesses
- Announce partnership and sponsorship agreements
- Ongoing discussion with government(s)

Season Ticket Drive and Name the Team Contest

Conditional CFL Franchise Agreement

Announcement of team name

Merchandise roll-out

Thank you.



Attachment 2

Review of Tax Increment Financing (TIF) Proposal

TIF Report

1. Explanation of TIF

According to the Lincoln Institute of Land Policy (LILP), tax increment financing (TIF) is a policy tool, primarily for economic development purposes that allows municipalities to earmark property tax revenue from increases in assessed values within a designated district. Its origins are in the United States, originally designed to promote development in “blighted” areas of large American cities.

In its simplest form, tax increment financing takes the tax “increment” of a certain development for some use other than providing traditional municipal services. In some cases, these revenues flow to pay debt service costs of unique public/private investment projects.

a. Principles of TIF

Due to over-usage in the United States and Canada, clear principles are disputed and are often made to fit certain situations. However, tax increment financing should be used to fund public amenities that require earmarking of funding away from the general tax-levy.

2. Review of Specific Proposal

a. Case Studies

5 case studies were provided in the SSE submission, one showed that properties closer to a stadium had higher values, three showed that those further away (more than 2 kms) had higher values. One showed that those about 2km had the highest values.

b. Qualitative comments/assumptions

In the case studies provided, the value of properties is explained more often by pre-existing economic conditions or land use, than by the specific stadium development.

3. HRM Research on

a. Base Case – without Stadium

i. Assumptions on absorption

111 new units per year are suggested as a likely absorption rate for Shannon Park, i.e. 30% of total new units in the Dartmouth area. This appears to be a reasonable absorption level, given the total HRM unit growth of approximately 1,700 units per year.

b. Scenario – Add Stadium, reduce other development area

i. Assumptions on absorption

148 to 222 new units per year are suggested for the Shannon Park with Stadium

proposal, between 40% and 60% of current Dartmouth absorption. 222 units would represent approximate 13% of all HRM units, or about 55% of current Bedford growth. The Proposal suggests 148 units may be a more likely scenario.

c. Scenario – Changes on Assessment per Home

i. SSE Proposal

According to the Real Estate Investment Network, *“Homes in neighbourhoods close to new or proposed stadiums, on average, displayed price premiums ranging between 3% to 15%, depending on dwelling type, parking options, and the distance from the stadium itself.”* This becomes an assumption incorporated into the SSE proposal.

ii. Economic Literature Review

Emerging literature has focused on the importance of supply of housing in price setting of housing stock. As demand rises through urban immigration, economic concentration and historically low borrowing costs, reducing barriers to housing supply through reduced regulation and zoning are being studied increasingly closely. In short, public amenities have a marginal impact on housing demand and pricing relative to the above-mentioned factors.

iii. HRM Analysis of assessment variation with distance from major Regional Facility

There is no significant variation in property values, based on the properties’ proximity to a major Regional Facility. In fact, when adjusted for home size, prices are essentially identical, whether within 1 km or further than 3 kms away. [See Appendix 1 – Analysis of Halifax Home Values near Major Recreation Facilities.]

iv. Breakeven Point for Revenue Neutrality (required variation in land values)

In the SSE Proposal, 15.5 acres will be used for the new stadium facility of the 82 acres available for development or 19% of the total. The housing types proposed for the 2019 development scenario, include 34% low-rise units and 66% high-rise units. In the original 2016 development proposal, 50% of the dwellings were low-rise and 50% in high-rise development. With less space, higher residential density is proposed, to maintain the planned 3,000 dwelling units for the Shannon Park site. Given that high-rise assessments are generally lower (per unit) than for low-rise dwellings, the stadium project would have to raise the assessment of the 3,000 units in Shannon Park by 8 per cent (on average), to generate the same overall assessment as the 50% low-rise / 50% high-rise base case.

v. TIF Modeling Design

Combining the SSE proposal suggestions of increased absorption and increased prices/assessments, four TIF scenarios* were modeled:

- i. No increase in absorption, no increase in assessed value;
- ii. 9%** increase in unit price (assessment);
- iii. 40-unit per year increase in absorption;

iv. 9% increase in unit price + 40-unit per year increase in absorption.

** In all four scenarios, the TIF incremental revenues were based on the development assumptions on residential units and phasing provided by the proponent for 2016 (base case) and 2019 (with stadium).

* mid-point of proposed 3% to 15% price premium range

The modeling was done for two estimates of unit value:

- i. prices of new homes and apartments provide by Colliers; [See Appendix 2 – New Home and Apartment Prices (Colliers).]
- ii. assessed values of recent new homes in Halifax, inflated to 2025 values. [See Appendix 3 – New Home and Apartment Assessed Values (HRM).]

vi. **TIF Modeling Results**

For a visual summary of the results of the modeling, see the two charts:

- Appendix 4 – Estimated TIF Revenue for 4 Scenarios (Colliers Prices)
- Appendix 5 – Estimated TIF Revenue for 4 Scenarios (HRM Value)

1. The modeling shows that the increase in high-density units (with the Stadium) reduces the long-term property taxation revenue by about 8% (with the HRM value estimates) and 3.5% (with the Colliers price estimates). So, a land value premium would be required to achieve a positive taxation result for the Municipality. In the two charts the estimated long-term tax revenues (with the Stadium) are lower, i.e. TIF revenue is negative, if no unit price premium occurs.

2. During, and following, the 18-year build-out period of the Shannon Park site (+40-unit absorption rate scenario), the local tax revenue is higher (than for the base case). However, this scenario would not translate into increased revenue for the Municipality, since Shannon Park would be attracting growth that would otherwise happen in Downtown Dartmouth, Bedford or another area of Halifax.

vii. **Incremental Commercial Taxes**

SSE suggests that 30,000 to 40,000 sq.ft. of incremental commercial space could result from the Stadium development, in addition to the local services that would occur under the 2016 plan for Shannon Park. This could include restaurants, fitness or medical services, entertainment (e.g. pub, billiards) or a hotel located near the Stadium. The proposal suggests that \$297,000 to \$393,000 in incremental annual commercial tax revenue could be achieved. Based on known municipal taxation of the proposed uses, staff estimate annual tax revenue from the additional commercial space to be in the order of

\$100,000 to \$300,000, depending on which services are provided. However, very little of this taxation would be incremental to the Municipality as a whole, since Halifax residents have relatively fixed expenditures for these activities.

4. Economic Review

Urban economic theory states that public amenities may increase demand for housing given constant transportation costs. Proponents of public amenities driving housing prices must consider the impact of housing price fundamentals for a given region:

- Demographics
- Financial conditions
- Economic conditions

The above fundamental factors are the traditional influencers of housing demand and supply. Recent studies by the International Monetary Fund (IMF) suggest housing supply elasticity is not responsive in the short-run in Canada, consistent with other advanced economies.

5. Conclusions

As per LILP, evidence from the United States suggests the theory of tax increment financing is an alluring tool. Observing high growth in an area targeted for development is unremarkable. LILP found evidence that the non-TIF areas of municipalities that use TIF grow no more rapidly, and perhaps more slowly, than similar municipalities that do not use TIF. Policy makers should use TIF with caution. It is, after all, merely a way of financing economic development and does not change the opportunities for development or the skills of those doing the development planning. Moreover, policy makers should pay careful attention to land use when TIF is being considered. Some evidence shows that commercial TIF districts reduce commercial property value growth in the non-TIF part of the same municipality.

Similar conclusions are found in what we have found in the Canadian context, building additional transit lines through parts of the GTA has in part been financed using this tool. Ultimately, proving that tax revenue from development is truly incremental in built-out municipalities is a difficult exercise. It is better to finance public-investment through a combination of current-year tax revenues and bond issuances that match the useful life of the capital asset.

In the specific case of Shannon Park, there is no evidence to suggest that the proposed Stadium will increase residential property values adjacent to it. In fact, the reduced land available for other development may decrease the overall taxable assessed value of Shannon Park. As well, the suggestion that Stadium amenities will increase the rate of absorption of housing units in Shannon Park and, therefore, increase taxes, is not sound. This is unlikely to benefit the Municipality since, with limited economic growth, the increased absorption in one area of the

city will be offset by decreased absorption in another. Similarly, incremental commercial services at Shannon Park are not necessarily incremental to Halifax, as a whole.

Appendix 1 - Analysis of Halifax Home Values near Major Recreation Facilities

HRM staff looked at the value of Single-family homes near the BMO and the Canada Games Centre, both regional recreation facilities and both relatively new, with significant public programming. Homes were grouped into four categories:

- i. Those within 1km of the facility,
- ii. Those between 1km and 2kms of the facility,
- iii. Those between 2km and 3kms of the facility, and
- iv. Those between 3km and 5kms of the facility.

HRM looked at the current **average market value** of each category (2019 PVSC assessed market values) as well as the **average value per square foot** of (above ground) living area in the homes. Looking at these two measures for the two facilities, the four “findings” – see the green shaded columns of the tables below, in which the **two highest values** are bolded – did not show any consistent pattern. In fact, the “findings” were completely different. As can be seen, none of the four (green shaded) columns has the same pattern.

BMO Centre - Bedford

Distance from Facility	# Homes	Avg Market Value	Avg Living Area (sq.ft.)	Value (per sq.ft.)
Up to 1km	570	\$372,600	1,914	\$195
1 to 2km	907	\$365,400	1,823	\$200
2 to 3km	2,722	\$353,500	1,778	\$199
3 to 5km	4,930	\$356,900	1,847	\$193
Up to 5km	9,129	\$357,700	1,828	\$196

Canada Games Centre - Halifax

Distance from Facility	# Homes	Avg Market Value	Avg Living Area (sq.ft.)	Value (per sq.ft.)
Up to 1km	611	\$366,500	1,829	\$200
1 to 2km	2,748	\$314,100	1,591	\$197
2 to 3km	2,304	\$320,700	1,554	\$206
3 to 5km	8,331	\$341,300	1,512	\$226
Up to 5km	13,994	\$333,700	1,548	\$215

Appendix 2 - New Home and Apartment Prices (Colliers)

The standard prices (as shown in the first table, below) were used for the Base Case – in the “Colliers Pricing” TIF analysis – and the 9% Premium Price for two of the four scenarios.

Base Case Unit Pricing			
	Single-detached	Townhomes	Apartments
Standard Price	\$366,000	\$311,000	\$275,000

Stadium Proposed Unit Pricing			
Price Premium	Single-detached	Townhomes	Apartments
3%	\$376,980	\$320,330	\$283,250
9%	\$398,940	\$338,990	\$299,750
15%	\$420,900	\$357,650	\$316,250

Appendix 3 - New Home and Apartment Assessed Values (HRM)

To estimate the taxable value of new homes in Shannon Park, HRM staff looked at the assessed value of recently built homes in similar growth areas around Halifax. Average taxable home values were determined and inflated to 2025 values, to match the Colliers data, for both townhouses and detached homes.

New Homes, 2015 to 2019 - Dartmouth, Bedford, Sackville

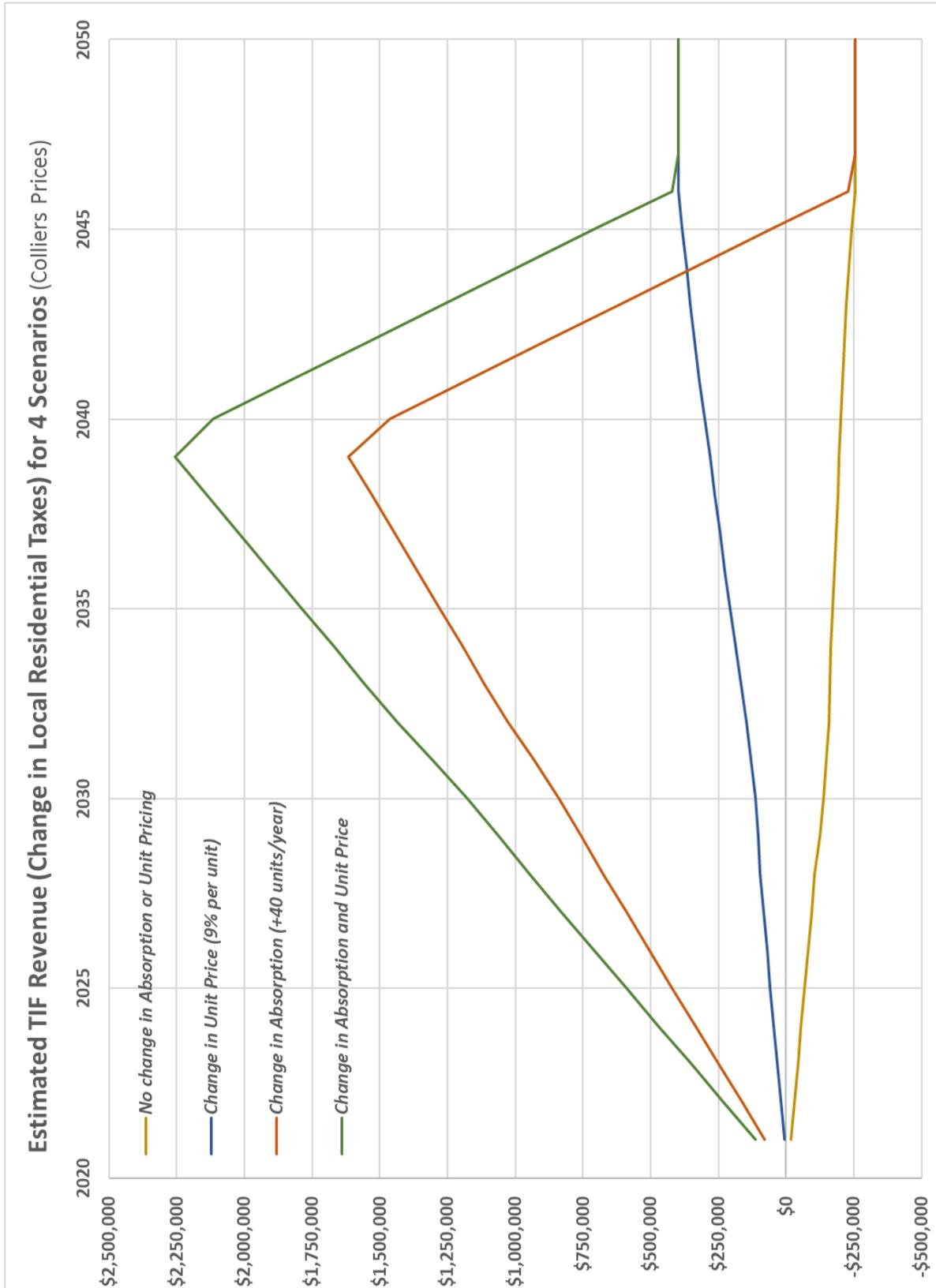
Dwelling Style	# Homes	Avg # Bdrms	Avg Living Area (above ground)	Avg Year of Constr'n	Avg Taxable Value	Avg Market Value
SEMI-DETACHED	100	3.1	1,586	2017	\$274,403	\$274,776
TOWNHOUSE	191	3.3	1,503	2016	\$314,673	\$315,825
SPLIT ENTRY	42	3.2	1,349	2017	\$316,340	\$319,557
SPLIT LEVEL	1	4.0	1,428	2016	\$332,200	\$345,000
ONE STORY	111	3.2	1,607	2017	\$448,514	\$459,552
<i>Taxable Value - Townhouse</i>			<i>\$315,000</i>	<i>Avg Taxable Value – Detached</i>		<i>\$410,000</i>
<i>Taxable Value - Townhouse (2025)</i>			<i>\$350,000</i>	<i>Tax. Value - Detached (2025)</i>		<i>\$460,000</i>

Similarly, to estimate the taxable value of new apartments in Shannon Park, HRM staff looked at the assessed value of recently built apartments across Halifax. The average taxable value (per new apartment unit) was determined and inflated to a 2025 value, to match the Colliers data.

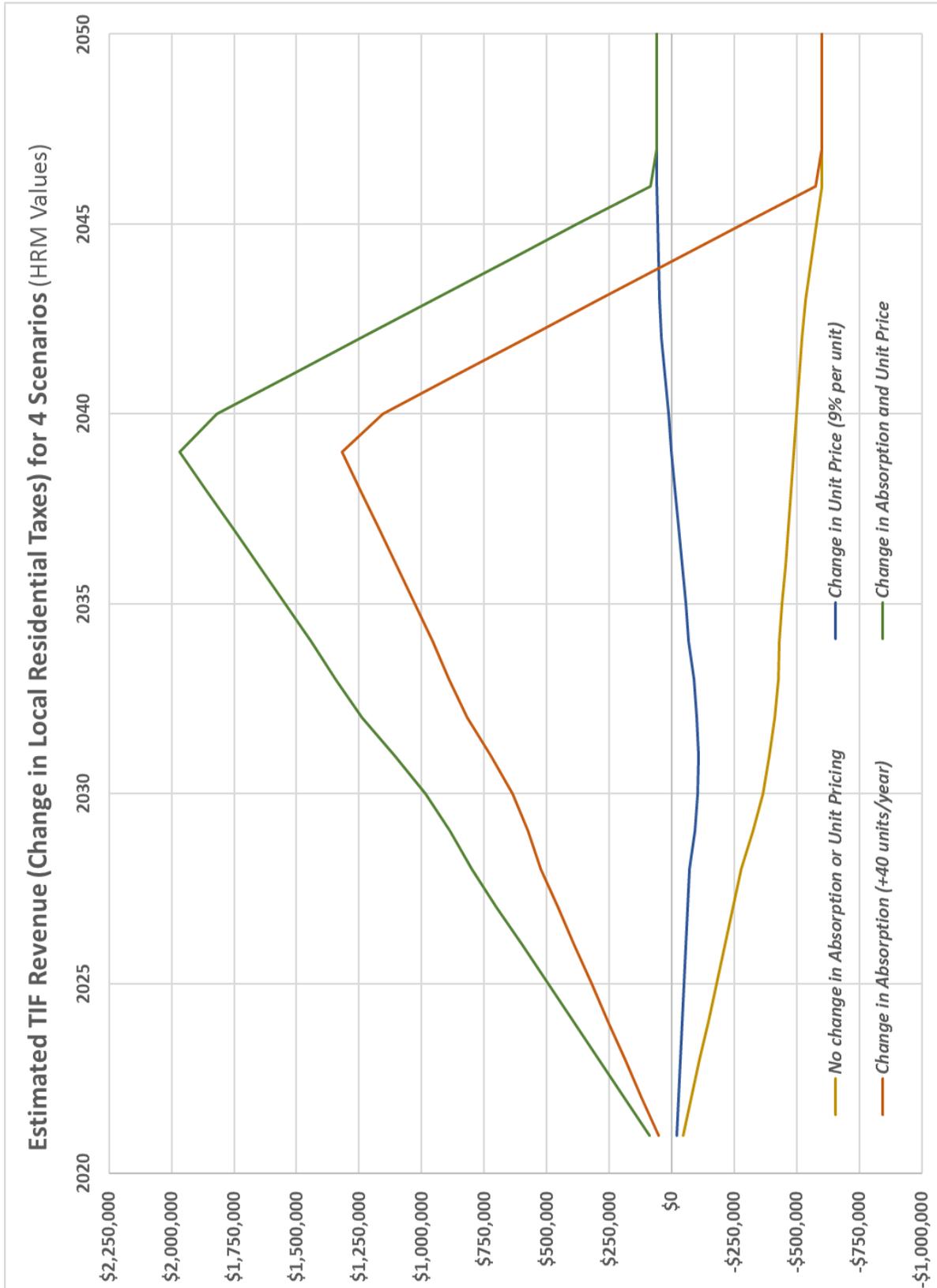
New Apartments, 2015 to 2019

	# Apartments	# Dwellings	2019 Taxable Value
Total	28	2,122	\$415,188,100
Average		75.8	\$14,828,150
<i>Average Taxable Value – Apartment Unit</i>		<i>\$195,000</i>	
<i>Avg Taxable Value - Apartment Unit (2025)</i>		<i>\$220,000</i>	

Appendix 4 - Estimated TIF Revenue for 4 Scenarios (Colliers Prices)



Appendix 5 - Estimated TIF Revenue for 4 Scenarios (HRM Value)



Attachment 3

Review of Economic Analysis and Research

It is important to differentiate between *financial* and *economic* benefits and costs related to stadium construction and the presence of a professional sports franchise, in this case the CFL. Financial benefits include tax revenue that the municipality would not otherwise accrue due to incrementality. Costs include budgetary expenditures related to construction through operating or capital budget spending.

In May 2018, SSE commissioned Deloitte to conduct an input output model (I/O) to estimate the economic impacts of community stadium construction and the long-term impact of a CFL franchise in HRM. Quantitative economic models typically rely on casual relationships between labour, capital, and effects of new investment on employment. Staff have reviewed the literature and have found that the results produced by the analysis are inconsistent with the real impacts of both the construction phase, and the lasting impact of a CFL franchise.

In short, estimates on incremental FTEs rely on the implicit labour economics assumption that those who are unemployed (shown via the construction unemployment rate) simply transition to full time employment for a given interval. New research in macroeconomics has revealed a “labour stickiness” whereby when there is stimulus to new employment, some simply transition from low skill or precarious employment to an improved form of employment. Essentially, the approach used over-estimates the impact of new FTEs based on stadium construction.

Staff have not researched what a prudent multiplier is for the regional economy, that is what are multiplicative impacts of new investment as this depends on the inter-connectivity of the regional economy.

Although I/O models are a popular methodological tool, this iteration is limited by the assumption that consumer leisure hours are fixed at given levels of wages across advanced economies. Further, this I/O iteration does not consider that leisure hours for the regional consumer are fixed, all else held equal. In simple terms, if consumers attend 3 CFL games in a given year, they are likely to not attend the equivalent amount of hockey. That is, leisure spending is likely transferred to the CFL and away from other forms of entertainment.

In theory, HRM supporting the community stadium development is a form of public investment, and therefore represents an opportunity cost of not investing in other forms of public assets. Typically, there should be a casual relationship between infrastructure investment and improving regional productivity at some level. In simple terms, public sector investment should help commercial activity occur more efficiently. This type of project with implicit backing from public resources would not increase the productive capacity of the regional economy.

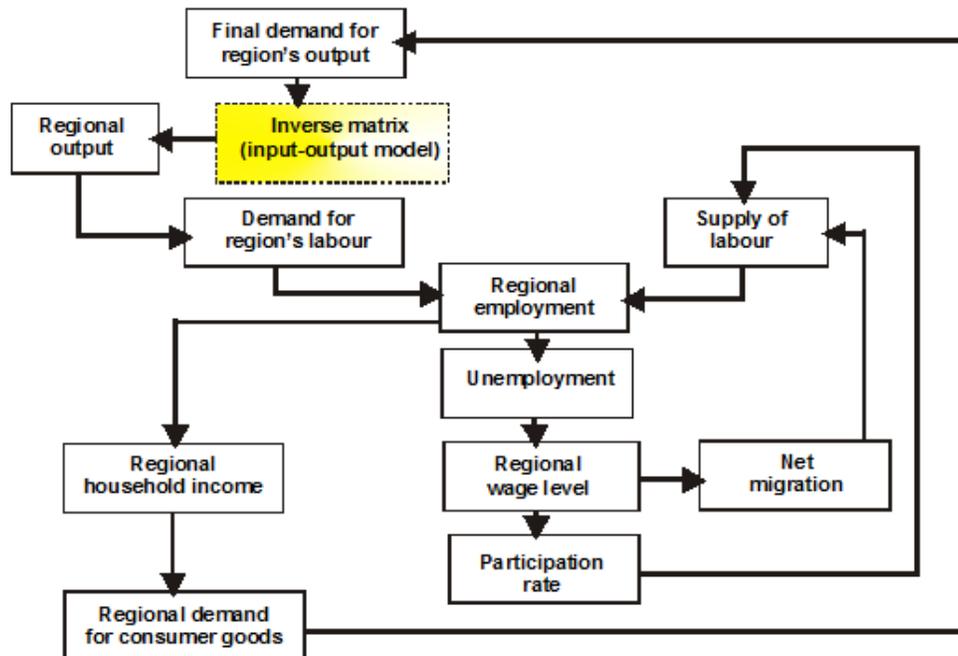
Economic costs and benefits deal with externalities, that is negative and positive effects of a given policy upon those beyond whom the policy will directly benefit. The clearest example would be additional traffic congestion because of stadium construction during peak hours. Externalities typically occur when a product/service’s price cannot account for all costs and benefits associated with it.

Based on staff review of the empirical evidence, there are key issues present that are characteristic of the study put forward by Deloitte. First, substitution effects are ignored in the regional aggregate, that is assuming a net increase in economic activity when leisure hours and consumption are fixed at a given level of aggregate income.

Deloitte’s analysis does not address potential negative externalities such as traffic congestion or effects on regional income distribution and consumption of public services. These potential negative externalities are often not accounted for but are characteristic of a wholistic cost-benefit analysis.

Objective analysis of ex-post comparisons of the predicted economic gains to the actual economic performances of the host city have been completed in the United States context. Studies have found that there is no statistically significant positive correlation between sports facility construction and economic development. (Baade and Dye, 1990, and Rosentraub, 1994, Baade, 1996; Noll and Zimbalist, 1997; Coates and Humphreys, 1999)

Integration of Input – Output and regional econometric models



Integrating the input-output model into the econometric model
Source: Armstrong and Taylor (2000) Regional Economics and Policy

Summary of Select Case Studies in the United States, Upon Further Review: An Examination of Sporting Event Economic Impact Studies, Victor A. Matheson, Assistant Professor, Department of Economics and Business, Lake Forest College, Lake Forest, IL

The National Football League typically claims an economic impact from the Super Bowl of around \$400 million (National Football League, 1999), Major League Baseball attaches a \$75 million benefit to the All-Star Game (Selig, et al, 1999), and the estimated effect of the NCAA Men's Basketball Final Four ranges from \$30 million to \$110 million. (Mensheha, 1998; Anderson, 2001) Multi-day events such as the Olympics or soccer's World Cup produce even larger figures. The pre-Olympics estimates for the 1996 Games in Atlanta suggested that the event would generate \$5.1 billion in direct and indirect economic activity as well as 77,000 new jobs in Georgia (Humphreys & Plummer, 1995). In many cases, the variation in estimated benefits alone is enough to question the validity of the studies. A series of studies of the NBA All-Star game produced numbers ranging from a \$3 million windfall for the 1992 game in Orlando to a \$35 million bonanza for the game three years earlier in Houston. (Houck, 2000) The ten-fold disparity in the estimated impact for the same annual event serves to illustrate the ad-hoc nature of these studies. Similarly, the 1997 NCAA Women's Basketball Final Four was estimated to have an economic impact of \$7 million on the local economy of Cincinnati, but the same event was predicted to produce a \$32 million impact on the San Jose economy just two years later. (Knight Ridder News Service, 1999). Such increases cannot be explained by changes in general price levels or an increasing popularity of the tournament. Instead, the differences are explained by the fact that the economic impact studies are highly subjective and subject to significant changes in assumptions, errors or interpretation.

The Sports Management Research Institute estimated the direct economic benefits of the U.S. Open Tennis tournament in Flushing Meadows, New York at \$420 million for the tri-state area, more than any other sports or entertainment event in any city in the United States. This sum represents 3% of the total annual direct economic impact of tourism for New York. (United States Tennis Association, 2001) It is simply impossible to believe that 1 in 30 tourists to New York City in any given year are visiting the city solely to attend the U.S. Open.

In a study of six Super Bowls dating back to 1979, Porter (1999) found no increase in taxable sales in the host community compared to previous years without the game. Similarly, Baade and Matheson (2000) found that hosting the Super Bowl was associated with an increase in employment in host cities of 537 jobs for a total impact of approximately \$32 million, less than one-tenth the figure trumpeted by the NFL. In a study of 25 Major League Baseball All-Star Games held between 1973 and 1997, Baade and Matheson (2001) found that the All-Star Game was correlated with worse than expected employment growth in host cities and was associated with an average reduction in taxable sales of nearly \$30 million in three All-Star Games held in California in 1987, 1989, and 1992. Finally, Baade and Matheson's (1999) examination of the Olympic Games held in Los Angeles (1984) and Atlanta (1996) found total observed increases in economic activity of \$100 million and \$440 million to \$1.7 billion respectively. While the economic impact for Atlanta exhibits a great deal of uncertainty, even the most favourable figure is only one-third of the amount claimed by the host committee.

Other Comments

Finally, based on a reading of the empirical evidence and previous examples of major or private investment projects, it is staff's judgement that aggregate demand must increase for a project such as SSE's to have real incremental economic impacts. As stated previously, the demand curve for labour are unlikely to be substantially altered, even at initial stadium construction due to the presence of other major investment projects such as the QEII re-development and the Cogswell Interchange. In short, stadium construction may serve to run the construction labour market tighter than would otherwise be the case, resulting in higher construction labour prices.