

# Markham Sports, Entertainment & Cultural Centre

April 26, 2012



# Opportunity



- Markham has been offered a unique opportunity to partner on a Sports, Entertainment & Cultural Centre (“Centre”), with approximately 20,000 seats, to be located in Markham Centre
- The proposal is for a Private Sector Group to fund 50% of the constructions costs, estimated to be \$325 million for hard, soft, and other costs, exclusive of construction financing
- Located in Markham Centre, west of the Unionville GO Station and north of Highway 407

# Highlights



- No property tax impact under the proposed financial framework
- Markham's 50% to be funded through Centre revenues and future development at population levels previously approved by York Region
- Owned by Markham on Markham-owned land
- World-class venue operated by the private sector
- Private Sector Group pays any capital cost overruns and all operating and maintenance costs
- Interim surface parking (4,400 spaces) will be available to meet or exceed needs. Future infrastructure is planned.
- Traffic Management Plan for events

# World Class Venue

- Iconic architectural and urban design
- Venue capacity approximately 20,000 (665,000 sq. ft)
- LEED® certified
- Ancillary exterior services include retail, restaurants, clubs and office space



# World Class Venue

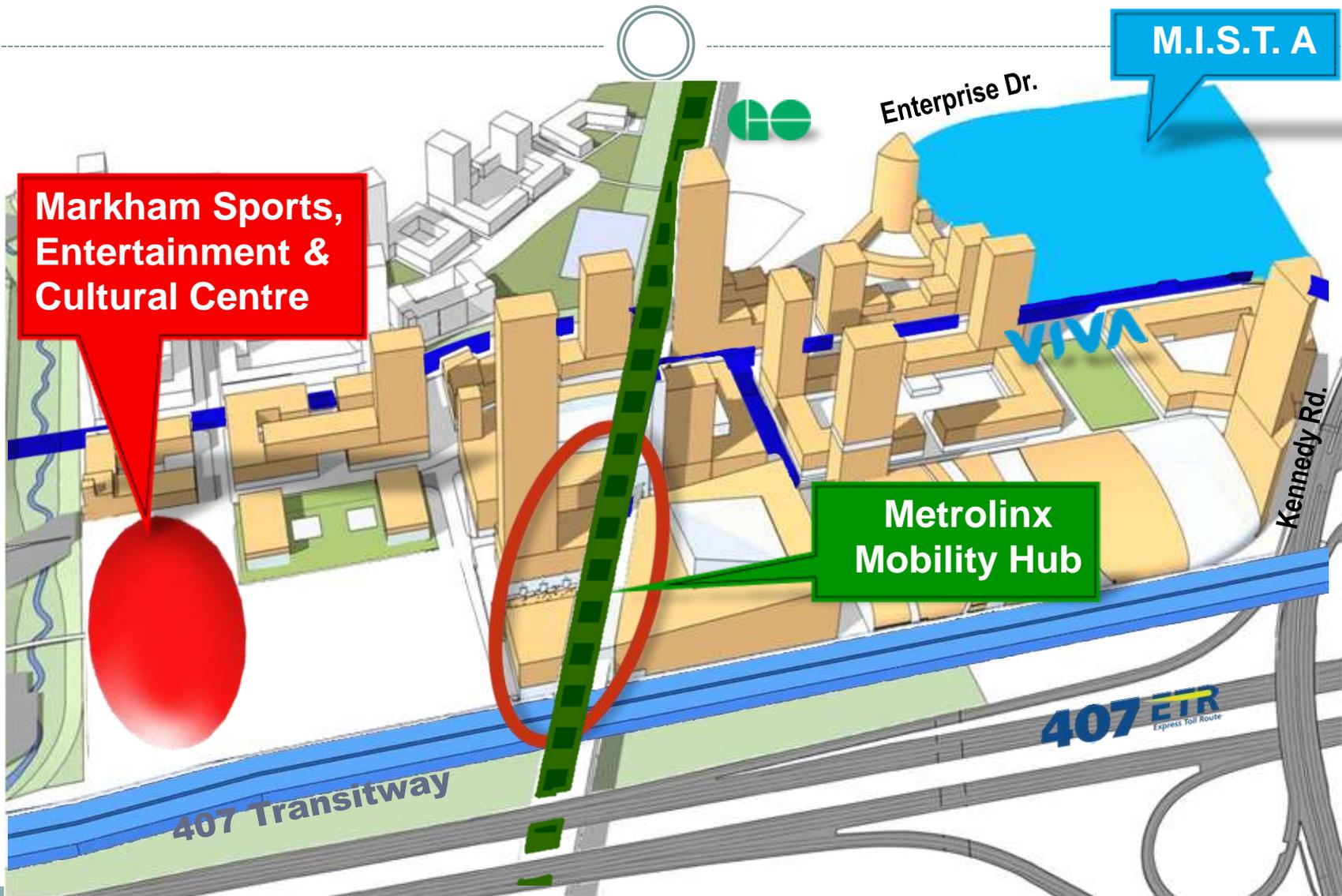


A Dynamic Sports, Entertainment and Cultural Centre

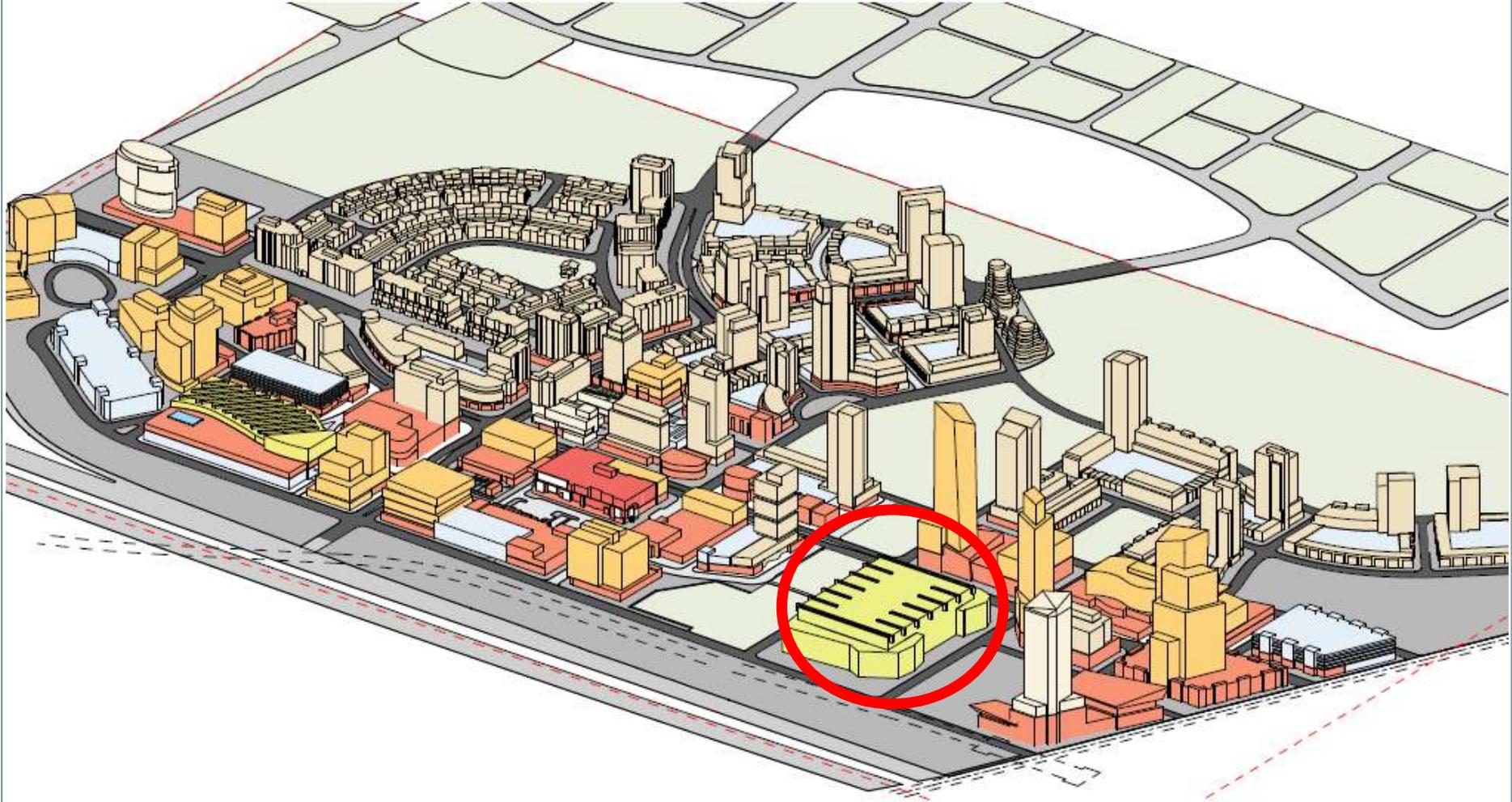
- Concerts and performances of all sizes
- Civic and cultural celebrations – Chinese New Year, Canada Day, Diwali, Taste of Asia, Winter Festival
- International sports competitions
  - International Ice Hockey Federation
  - Hockey Canada
  - Skate Canada Championships
  - World Junior Hockey
- Community Use – Meeting space, availability for minor league, high school, youth and adult recreation, theatrical performances



# Location



# Location



# Location



# World Class Partnership



CONSTRUCTION LEADERS



# World Class Partnership



## W. Graeme Roustan

- Chairman and CEO of GTA Sports and Entertainment
- 1989: Developed "Pro Hockey San Jose" that led to San Jose Sharks
- 2009: finalist to acquire the Montreal Canadiens
- 2010: runner up to acquire the Tampa Bay Lightning
- Ranked 38th in "The Hockey News" 2012 list of 100 People of Power and Influence

# World Class Partnership



## Mr. Rudy Bratty

- Chairman and CEO of Remington Group
- Remington is a major residential and commercial developer in the GTA and particularly Markham Centre, one of the largest LEED certified developments in North America
- Remington owns and manages highly visible portfolio of commercial, office and retail space comprising over two million square feet, largely within the GTA

# World Class Partnership



CONSTRUCTION LEADERS



# World Class Partnership

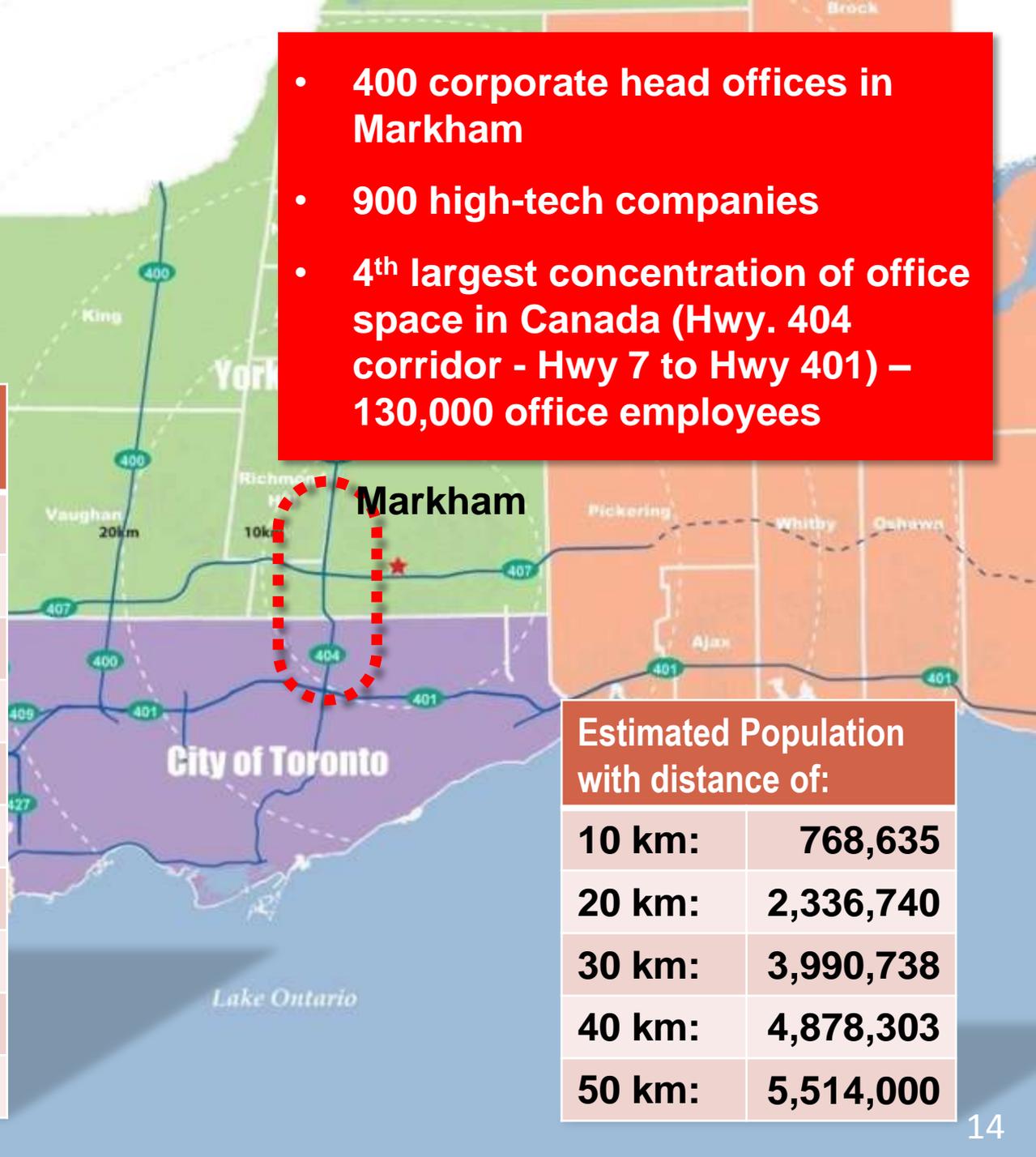


- Multi-award winning municipality; Canada Awards for Excellence Silver recipient, Organizational Quality and Healthy Workplace
- Consulting partners
  - ✦ KPMG
  - ✦ Miller Thomson
  - ✦ Raymond James
  - ✦ WeirFoulds
  - ✦ Daniel Mason, Ph.D.
  - ✦ Brad Humphreys, Ph.D.
  - ✦ BDR



- 400 corporate head offices in Markham
- 900 high-tech companies
- 4<sup>th</sup> largest concentration of office space in Canada (Hwy. 404 corridor - Hwy 7 to Hwy 401) – 130,000 office employees

Office Space Concentration (sq. ft. in millions)	
Toronto	69.9
Montreal	49.4
Calgary	37.8
<b>404 Corridor</b>	<b>26.5</b>
Vancouver	24.5
Ottawa	15.0
Winnipeg	14.9
Edmonton	10.6
Victoria	4.9
Halifax	4.9



Estimated Population with distance of:	
10 km:	768,635
20 km:	2,336,740
30 km:	3,990,738
40 km:	4,878,303
50 km:	5,514,000

- 5<sup>th</sup> largest concentration of office space in Canada (Hwy. 404 corridor - Hwy 7 to Steeles Ave.) - – 80,000 office employees

### Office Space Concentration (sq. ft. in millions)

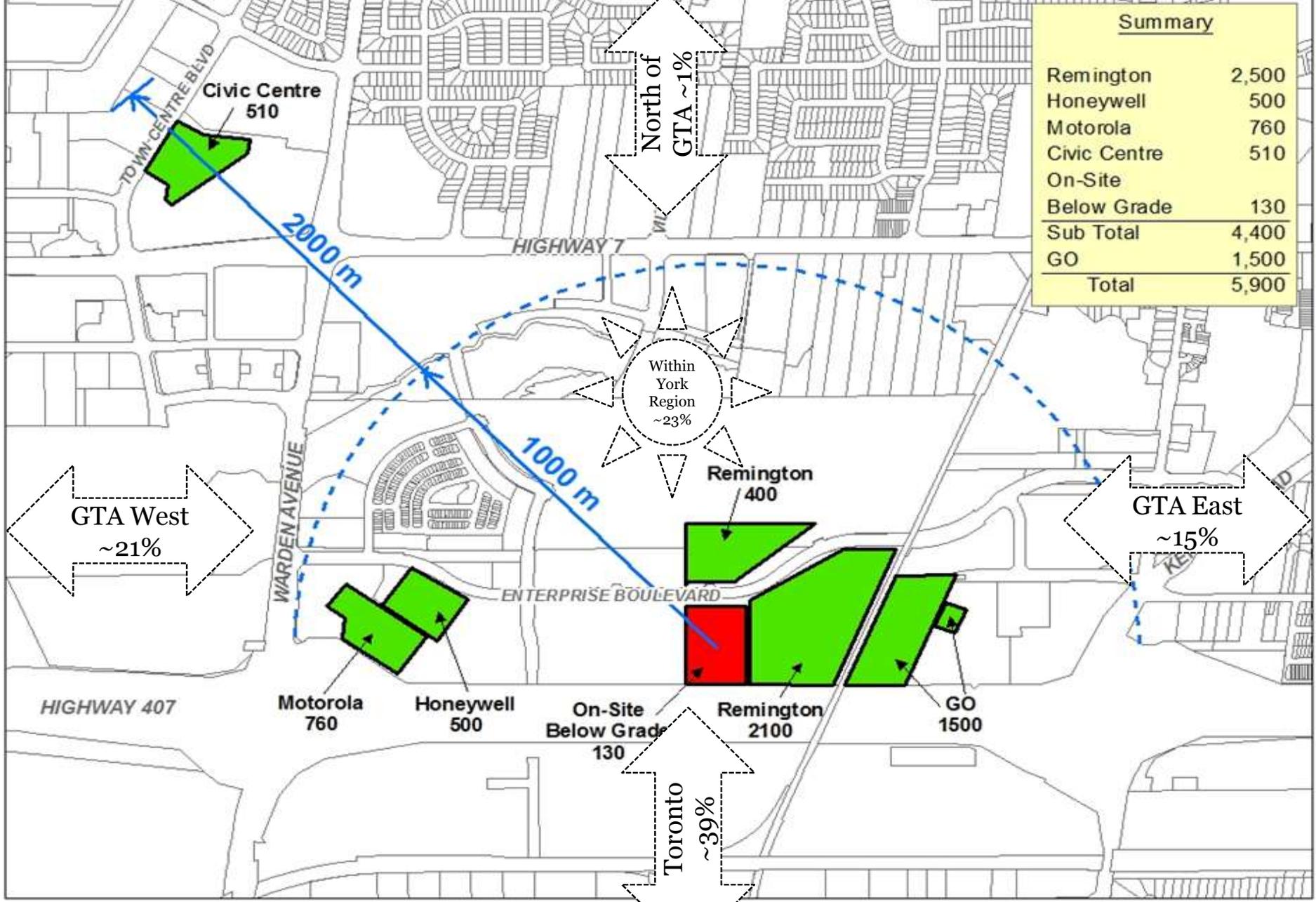
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<b>404 Corridor</b>	<b>16.6</b>
Ottawa	15.0
Winnipeg	14.9
Edmonton	10.6
Victoria	4.9
Halifax	4.9



# Transportation and Transit



- Site has good accessibility and exposure for the proposed use
- Major transit improvements are planned for the area
- Road network improvements are also planned
- Transportation and parking issues will need to be managed for major events
- Use and site location are compatible with emerging plans for Mobility Hub area
- Estimated 4,400 parking spaces will be required
- Interim surface parking will need to transition to structured parking as Markham Centre lands develop



Summary	
Remington	2,500
Honeywell	500
Motorola	760
Civic Centre	510
On-Site	
Below Grade	130
<b>Sub Total</b>	<b>4,400</b>
GO	1,500
<b>Total</b>	<b>5,900</b>

# Proposed Project Structure



- Markham will own the Centre
- GTA Centre will design, build and finance the Centre for a fixed price (\$325 million) and operate the Centre
- Markham will borrow the funds required to construct the Centre.
- Private Sector Group will pay 50% of the cost
- Markham's 50% to be funded through Centre revenues and future development
- Additional details of the project structure require further due diligence to be reported back to Council at a future date

# Financial Framework



Revenue Sources to service Markham's contribution of \$162.5 million:

## Lease Payment

- GTA Centre, LP will pay Markham a negotiated annual lease payment.

## Ticket Surcharge

- A ticket surcharge will be added for most sporting, entertainment, and cultural events

# Financial Framework



## Parking Revenue

- 4,400 spaces are required around the Centre.
- There will be a requirement for paid parking for major events around the Centre, which will generate revenue

## Section 37

- Section 37 of the Planning Act is a tool that allows the municipality to grant an increase in height and/or density to a development in return for funding or facilities from the owner of the development
- It is proposed that a portion of Section 37 payments be allocated towards servicing the debt on the Centre
- The remainder of Section 37 payments will still be available for other projects within the municipality

# Financial Framework



## Tax Increment Financing (TIF)

- The Provincial TIF Act is prescriptive in terms of the types of projects that would qualify and this project does not meet the Provincial TIF guidelines
- However, it is proposed Markham implement a similar approach and apply the Markham-only portion of the non-residential property tax uplift in Markham Centre to service the debt
- Centre will accelerate non-residential development in Markham Centre

# Financial Framework

## Development Contributions

- Markham has established a framework with the following contribution rates:
  - **Outside Markham Centre**
    - Singles and semis \$5,000/unit
    - Townhouses \$4,000/unit
    - Condos/Apartments \$2,000/unit
  - **Markham Centre**
    - Condos/Apartments \$4,500/unit
    - Townhouses \$6,500/unit
- The rates set out above will be indexed annually commencing March 1, 2013 and be phased-in over the first year, until March 1, 2013

# Financial Framework



## Funding Summary

- Applying these revenue sources to the project, Markham will be able to service \$162.5 million of debt (assuming 20 year borrowing at 4.6%)
- These proposed sources of funding will not necessitate an increase in the property tax rate

# Consultant Review



## Financial Framework

- The financial framework model was reviewed and endorsed by John McNeil, President of BDR, a Canada-based consulting firm specializing in Mergers and Acquisitions, and Business and Strategic Planning

# Consultant Review



## Economic Benefits

Based on the assumption of 130 annual events and 780,000 annual attendees, the Province's Tourism Regional Economic Impact Model projects the following:

- 600 construction jobs over two years to build arena
- 886 post-construction jobs – ongoing, permanent
- \$13.2 million provincial taxes annually
- \$61.1 million GDP annually - includes \$14.8 million retail, food & beverage, accommodation

# Consultant Review



## Economic Benefits

- The economic benefits were reviewed by:
- Dan Mason, Ph.D. in Sport Management, University of Alberta
  - Past work includes Contingent Valuation Method studies of proposed new arenas in Calgary and Edmonton; willingness to pay (WTP) for Olympic Medal success; WTP for arts and cultural amenities
  - Consultant for City of Edmonton – downtown arena project
- Brad Humphreys, Ph.D. in Economics, Johns Hopkins University
  - Professor of Economics, University of Alberta
  - Published 15 papers in peer reviewed economics & policy journals on financing/economic impact of professional sports teams and facilities
  - Testified twice before the US Congress on the economics and financing of sports facilities

# Consultant Review



## Economic Benefits

- “The Benefit Principle”
- If public funds are used to build an event facility, the people who supply the funds should get benefits equal to the value of funds provided
- Types of Benefits:
  - *Tangible Economic Benefits*: More spending in Markham, more jobs in Markham, more tax revenues for the Town
  - *Intangible Economic Benefits*: More local entertainment options, sense of civic pride, sense of community, “put Markham on the map,” commonality for residents

# Consultant Review



## Economic Benefits

- Based on the economic performance in other cities in North America over the last 30 years, building a new event facility did not generate significant tangible economic benefits for cities
- However, Markham could get some tangible economic benefits from:
  - Residents who would have spent money outside Markham if there was no Centre in Markham
  - Residents of other municipalities who come to Markham to attend an event at the new Centre

# Consultant Review



## Economic Benefits

- The intangible benefits of a new event facility in a community can justify some public subsidy for construction
- Estimate of the value of intangible benefits estimated to be \$28-56 million
- Town's contribution is appropriate and justifiable

# Summary



- World-class, major destination venue enhances first-class GTA offering
- Significant private sector contribution
- Great location in North America for the next major Sports, Entertainment and Cultural Centre
- Local economic benefits

# Highlights



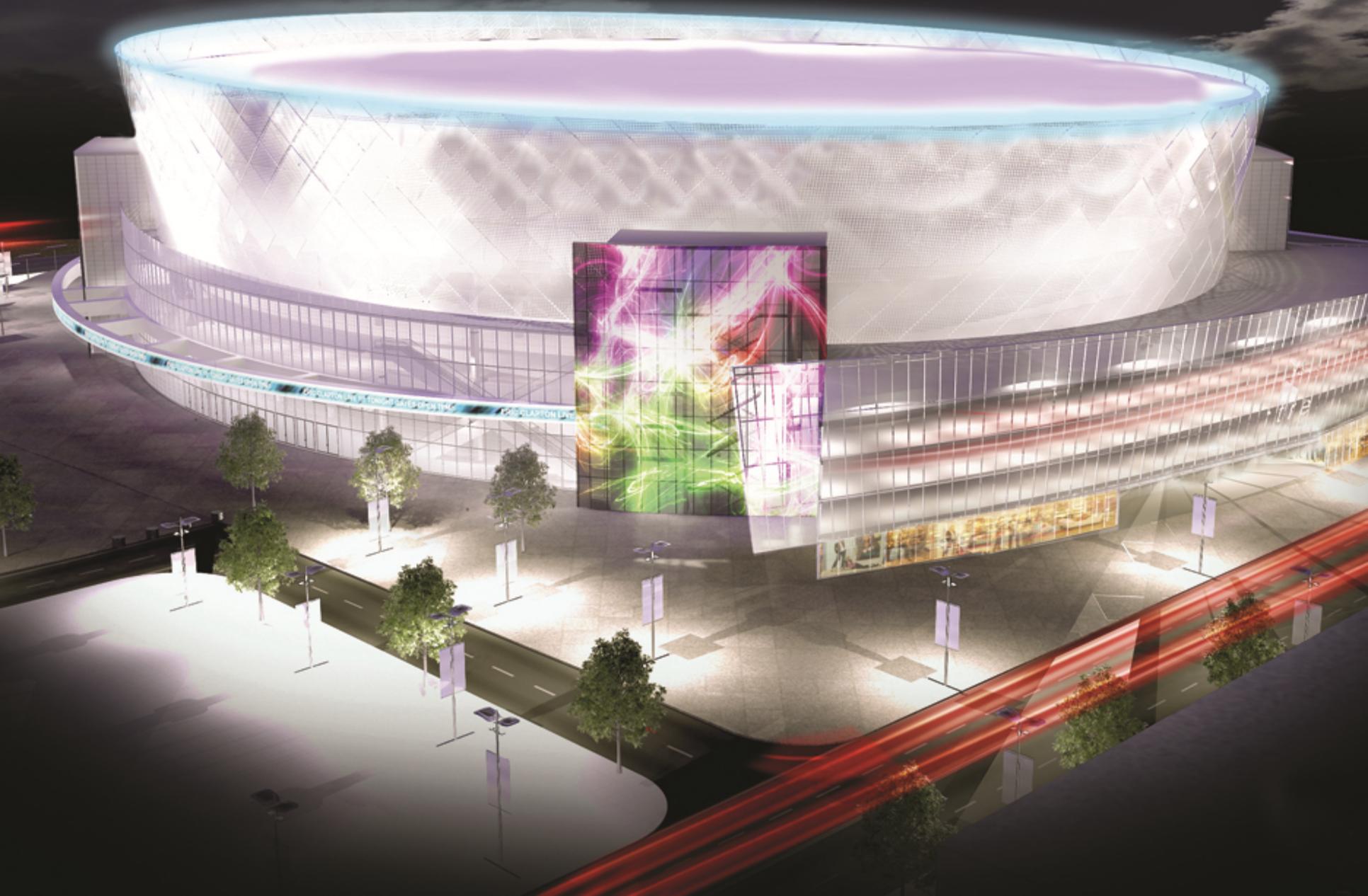
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## Tax Bill on a \$468,000 home in Markham:

- Town \$1,110
- Region \$2,170
- Education \$1,080
- Total \$4,360

### Scenario 1: 100% Tax Funded Scenario – Forecasted Growth to 420,000 residents by 2031)

Would require 5 consecutive 2% property tax increases (for a total of a 10% increase). The property taxes generated by these increases over a 20 year period would allow Markham to service the debt.

- Town \$1,220
- Region \$2,170
- Education \$1,080
- Total \$4,470 (\$110 increase)

### 100% Tax Funded Scenario – No Population Growth

Would require 7 consecutive 2% property tax increases (for a total of 14%). The property taxes generated by these increases over a 20 year period would allow Markham to service the debt.

- Town \$1,270
- Region \$2,170
- Education \$1,080
- Total \$4,520 (\$160 increase)

(All numbers rounded to the nearest \$10)