



Proposed Convention Centre

FAQs

For HRM Regional Council, Committee-of-the-Whole Meeting

November 9, 2010

Prepared by: HRM Staff

PROCESS

What are the next steps in the decision-making process for HRM on this project?

A: On November 9, Council will receive a detailed staff presentation that addresses the financial and economic benefits and challenges associated with this project. After deliberations, it is expected council will provide staff with direction for next steps.

When will HRM Council make a decision on the proposed project?

A: The province has taken time to review its information and weigh its decision before announcing it is prepared to support the project. HRM officially received the province's request for support and outlined details around that request on October 15, 2010. Council received presentations from staff on October 19 and provided direction for further staff analysis with a request that more information be brought forward on November 9.

What is being requested of the municipality by the Province in terms of support?

A: The proposal from the Province of Nova Scotia seeks a three-way cost-sharing arrangement.

- That HRM be an equal partner in funding the project (operating and capital) and underwriting any annual deficit of the operating agency;
- The Province will lead any negotiations with the developer (supported by HRM staff);
- A decision on the disposition of the existing World Trade and Convention Centre building must be made as part of the negotiation for the new centre; and
- The provincial government would be exempt from paying property taxes or grants in lieu on the convention centre.

HRM has not determined its position relative to any aspects of this proposal.

Is HRM interested in taking over the existing WTCC building, for alternative use, from the province once the new facility is up and running?

A: Before any decision is made on any or the entirety of the official request, Council will be considering the detailed staff analysis. This information will guide them in determining potential options for alternative use(s), any municipal requirements, as well as risks and financial implications, while weighing those implications with the investment cost and economic benefits.

If Council votes to support the centre, will there be opportunity for public input on design?

A: Yes. This is a requirement of the EOI to undergo a public consultation process. In addition, it is also a requirement within the Design Review Committee and the Development Approval Process.

The province, in a release dated Nov. 4, stated that, "Hearing from the public on the design of the proposed convention centre is a key component of the development process of the new centre. Developer Rank Inc. was required to submit a comprehensive public consultation plan that will allow Nova Scotians to be part of the design process as part the project submission."

Why are individuals or groups not allowed to present to Council?

A. The precedent with Council has been to allow the groups directly associated with an issue or HRM to present -- such as TCL. The positions of other individuals and groups have been well publicized and all have the opportunity to provide each Council member with information supporting their position so that their comments and/or questions add to the debate. Their voice is being heard within Council.

Why are some meetings in-camera?

- A. Governing legislation stipulates that certain matters are deemed to be in-camera. It states that Council or any committee of Council may meet in closed session to discuss matters related to:
- a) acquisition, sale, lease and security of Municipal property
 - b) setting a minimum price to be accepted by the Municipality at a tax sale
 - c) personnel matters
 - d) labour relations
 - e) contract negotiations
 - f) litigation and potential litigation
 - g) legal advice eligible for solicitor-client privilege
 - h) public security

These aspects which relate to issues as noted in the legislation will remain in-camera to ensure the best interests of the tax-paying public.

FINANCE

Can HRM afford this project?

A: Council needs to see what’s proposed, what the benefits are for the downtown and for the whole municipality before any decisions are made on behalf of HRM residents. At the same time, we have to ask: “Can we afford not to do this?” A thorough financial analysis aimed at answering these questions will be undertaken. HRM understands there is a high level of public interest in this proposal and we are committed to balancing the need for due diligence – including the protection of proprietary information and protection of our negotiating position - with the need for transparency and openness.

What is the province’s proposed cost breakdown?

A: The province has proposed the following:

Provincial contribution	\$56 million (includes debt servicing cost)
Municipal contribution	\$56 million (includes debt servicing cost)
<u>Federal contribution</u>	<u>\$47 million (not committed/assumption)</u>
Total	\$159 million

The cost to HRM, the province, and the Federal government includes only the cost of building, designing, and operating the convention centre - not the construction of the entire project. Also, under the proposal, HRM and the Province would share \$2.9 million in annual operating costs.

HRM's only primary office space within the Halifax downtown core is located in Duke Tower consisting of approximately 40,000 sq. ft. under competitive lease rates through 2021. The existing WTCC, if converted to all office space, would have a capability to house about 220,000 sq. ft. of office space (about 95,000 sq. ft. from converting the existing convention center space, and 120,000 sq. ft. in the existing tower). The current office tower component of the existing WTCC is primarily occupied by Provincial tenants.

How does it stand up to the shadow bid requested by the province?

- A. According to the provincial government's shadow bid, which was used to evaluate the proposal, the developer could build the new integrated centre for \$26 million less than the province could build a stand-alone convention centre.

What would be the tax benefits to HRM of this project?

- A: HRM staff will be doing a thorough analysis of the financial and economic impacts, as well as property tax spin-offs outside the site area looking ahead 35 years. This analysis will be more detailed than any calculations done to date which have resulted in a variety of possibilities.

How much property tax would the Convention Centre take in? How much will the hotel and office tower take in?

- A. The calculation of commercial tax revenues is a very complex matter. The presentation to HRM Regional Council on this issue will be based on the best information available, developed by HRM Finance staff.

Any current tax assumptions based on proposed regional and provincial convention centre agreements are purely hypothetical until the negotiation process is complete. HRM Council will provide directions as to what, if any, relationship will be formed with the other levels of government if this project proceeds.

Is the proposed level of municipal participation justified?

A: There is no consistent approach or industry standard for municipal participation in convention centres, although research points to increasing levels of municipal participation based on the role these facilities play in the local economy. Most convention centres are an integral part of municipal strategies for visitor and business attraction and economic growth. They are a relatively inexpensive way to generate economic activity when compared to other economic development programs funded by government.

It is difficult to compare the cost-sharing model for this project to others, because the financial situation in Nova Scotia is very different. It is fair to say that without a significant level of financial participation from HRM, a new WTCC will not proceed.

What due diligence has been conducted?

A: Due diligence has been provided through:

- Business case by Deloitte Canada
- Shadow bid by Deloitte, with input from PNS, HRM, TCL
- Hanscomb quantity surveyors reviewed RFP submission
- Gardner Pinfold Consulting Economic Impact Assessment
- Province of Nova Scotia economic impact assessment based on the response to the RFP
- Professional standards and qualifications of the consultants involved, and also professional staff of Province, TCL, and HRM
- Review and validation of key assumptions and estimates by staff of Province, TCL, and HRM

What are the risks around the proposal? How can we manage them?

A: The main risks from HRM's perspective are regarding the amount of property taxation from this development site. This risk can be mitigated through the contractual arrangement HRM would have to enter into with the Provincial government.

How would this impact the municipal budget?

A: Payments will start five years from now. None of the services offered today, or projects planned, should be impacted by this decision. However, HRM's overall financial capacity may cause changes over the next five years. The impact of this decision will have more impact on tying up capacity to do other things, versus impacting existing services.

What would the impact on HRM's Standard & Poors rating be?

A: HRM's S&P rating depends on many factors. HRM has developed a delivered very significant capital projects such as the Harbour Solutions project, Canada Games Centre, 4 Pad Arena, and now the Central Library. We have a demonstrated ability to develop sound financial strategies that have not compromised our fiscal health to date. Current risks noted by S&P for HRM, are largely outside of our control: future requirements to finance water and waste water to meet CCME requirements, and the amount of transfers from other levels of government.

Would this be a P3 arrangement?

A: No. This is leased space. Governments lease space all the time. No public sector service is being contracted out to the private sector. A private sector developer is building and will own the asset. The Province will execute a capital lease for the new Trade Centre. HRM would enter into a funding agreement with the Province.

What are the projected property tax revenues from this project?

A: We won't know for sure until it is constructed, and assessed by PVSC, 5 years from now. Our best estimate is \$3.4 M in property tax from the hotel and \$4 M from the convention centre; for a total of \$7.4 M. Our estimates are based on comparable properties in the downtown using best available square footage amounts. Annual amounts are incremented 3.6% based on 75% of the annual growth rate over the last 10 years. The convention centre is based on the discounted value of the lease.

There have been many property tax figures floating around in reports. How do we know which are most accurate?

A: HRM's estimates were developed in more detail, in consultation with Property Valuation Services Corporation, regarding methodology.

ECONOMY

Why should we trust TCL's business projections and business case?

A. Trade Centre Limited is a provincial Crown Corporation. Its sole shareholder is the Province of Nova Scotia and it reports to a publicly-appointed board of directors, including HRM Council representatives. The corporation has carefully tracked lost business opportunities, identified

specific market opportunities to pursue for a “right-sized” venue and has backed up its business case assumptions and projections with research and analysis prepared by firms with experience in this specialized industry.

Since 2007, Trade Centre Limited has tracked the number of qualified bookings lost due to lack of suitable space in the current WTCC. Between June, 2007 and June, 2010, that figure totalled 80 conferences and over 75,000 potential delegates. One-third of these lost events had projected attendance of 1,000 or over. This represents \$ 10 million in lost revenue to TCL, 129,000 room nights lost to local hotels and \$108 million in direct expenditures in the community. According to a recent survey by Thinkwell Research, 87% of lost/cancelled business is likely to be hosted at a new facility.

Already those in our region are expanding – Fredericton has a new convention centre; Moncton has just completed a Coliseum expansion; and Charlottetown has a new convention centre in the works. Nationally, 13 of 20 convention centers in Canada - including Halifax’s main competitors - are undergoing major redevelopment and/or expansion.

If Halifax does not regain its market position, the current WTCC runs the risk of becoming financially unviable or competing directly with facilities operated by the private sector. As a result of a March 28, 1981 agreement, financial shortfalls for on-going TCL operations are the responsibility of HRM and the Province.

Why not just continue to rely on the current convention centre space?

- A. Part of the job of the municipality is to promote economic prosperity for the region. That includes supporting capital projects to help spur business and development growth, such as the new Central Library project.

Simply stated, the current facility is too small to fulfill its intended function which is to generate incremental economic benefits. Expanding the facility on the current site is not an option. This would negatively impact existing WTCC and Metro Centre operations and still yield a facility of insufficient area and configuration called for under the RFP that was issued to Rank Inc. This conclusion is supported by an architectural analysis included in the list of research documents posted on TCL’s project Website.

What are the advantages to HRM in this proposal? To the Province? To TCL?

- A: A new convention centre would be an important piece of public infrastructure. The proposal could provide significant revenue flows to government during construction and operation. HRM would become more attractive for inward investment in the financial

sector. It would provide a positive signal that would stimulate new developments downtown. Convention center visitor turn into migrants, visitors, business owners, and return visitors. It could also help prevent decline in the downtown.

How does the proposed centre differ from the current facility?

- A. The proposed design offers space for up to 2,000 or three events with 700 people/room. The multi-level facility covers three floors and the ballroom has 35,572 sq ft of column-less space, along with multi-purpose space = 52,000 sq ft. The arrangement can also allow for 24 meeting or break out rooms that can be reconfigured. There are pre-function and reception areas for 2,000. The critical difference is the space available to hold concurrent conferences and major national conventions.

OTHER

How would the proposed centre impact views from Citadel Hill?

- A: The development does not impact upon any protected views from Citadel Hill.

Does it make sense to propose to have the convention centre underground?

- A. This is the preferred practice. A number of convention centres in Canada are underground, including the current WTCC. The planners suggest the requirements of the convention business are often presentation-oriented and any windows would most often be covered up so are not be required. The common area at the entrance to the Centre is designed to offer tremendous light for convention-goers. To have walled space for the convention centre at street level would not make for an aesthetically –pleasing structure.

Examples of centres following the same practice include:

- Edmonton’s Shaw Centre - has seven of its ten stories underground;
- Toronto’s Direct Energy Centre - predominantly underground, extending under the city street system and adjacent rail yards. The facility is part of Exhibition Park, which includes some 20 buildings of historical significance. An underground facility helps preserve the character of the historical building campus;

- Recent expansion to the Metro Toronto Convention Centre (south building) - constructed both under and over an adjacent rail yard;
- Vancouver's new Convention Centre - below ground with a large public plaza at street level and a green roof and sloping green wall visible from its boardwalk. The building was purposely designed to appear like it was constructed into the side of a hill.

In each example, these facilities were designed to respect their surrounding environment without detracting from their intended function as convention centres.