

Item No. 11.1.5
Halifax Regional Council
October 18, 2011

TO: Mayor Kelly and Members of Halifax Regional Council

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SUBMITTED BY: Richard Butts, Chief Administrative Officer

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Mike Labrecque, Deputy Chief Administrative Officer

DATE: October 5, 2011

SUBJECT: Stadium Analysis: Capital Funding Options

ORIGIN

August 9, 2011 - Regular Meeting of Regional Council

RECOMMENDATION

It is recommended that Halifax Regional Council authorize the Mayor and staff:

- 1) To secure funding through negotiations with the Senior Levels of governments and other potential funding partners of up to \$40 million for the capital construction of a multi-use stadium; and
- 2) Inform potential funding partners that Halifax Regional Municipality will fund up to \$20 million to construct a new multi-use stadium conditional upon:
 - A funding commitment of up to \$40 million from senior levels of government and other funding partners; and
 - Final Council approval of the Stadium Project in December 2011.

SUMMARY

- Regional Council is required to make a decision to build a stadium in December 2011, in order to be considered to host the FIFA Women's World Cup 2015 Canada, and FIFA U-20 Women's World Cup 2014 Canada;
- The construction of a stadium to host the events will require a commitment of funds from other partners;
- It is staff's position that to secure a commitment of funds from other partners, Regional Council will need to commit its share of funds first – albeit contingent on confirming other partner funding;
- This is a necessary concurrent step if Council wants to set the conditions for successful participation in the FIFA event;
- Partnership funding for this project needs to be secured in order to better inform Council's final decision on the Stadium Project in December of 2011; and
- Approval of this recommendation does not commit HRM to proceed with a stadium; it merely enables negotiations to proceed in a timeline that will allow Council to fully consider the benefits of the project, and will continue to meet the requirements of FIFA. Council will have final opportunity to determine whether to proceed with a stadium when the final Stadium Phase 2 report is presented to Regional Council in December 2011.

BACKGROUND

December 7, 2010 – Regional Council directed staff to submit their intent to participate as a Candidate City for the FIFA Women's World Cup 2015 Canada, and FIFA U-20 Women's World Cup 2014 Canada.

February 8, 2011 – Regional Council directed staff to proceed with a 3-phased analysis to determine whether or not there is viability for the development of a multi-use stadium in the municipality. The potential multi-use facility would have a minimum seating capacity (including a mix of temporary and permanent seating) of 20,000 seats.

Phase 1 – Consultation, Business Plan and Feasibility Analysis

Phase 2 – Consultation, Preliminary Design, Site Selection and Capital Cost

Phase 3 – Consultation and Construction

August 2 & 9, 2011 – Council appointed a Steering Committee and staff presented the findings of the Stadium Analysis Phase 1 – Business Planning, Feasibility and Consultation. Regional Council then approved the recommendation to proceed to Phase 2 of the Stadium Analysis.

Council also approved a mandate for the Mayor and Clerk to advance notice of their intent to the Canadian Soccer Association, to fund the operational requirements of the events as per the FIFA requirements, pending their approval to build a multi-use stadium.

Staff committed to Regional Council that they would return for a discussion regarding municipal capacity to potentially fund the multi-use stadium, and the conditions within which that may be possible. The following will provide an analysis of this capacity and provides context from which HRM could begin discussions for partnership funding with potential government and private sector funders.

Why pursue FIFA 2014 and 2015?

The Canadian Soccer Association (CSA) won the right to host the FIFA Women's World Cup Canada 2015, and the FIFA U-20 Women's World Cup Canada 2014 events in the Spring of 2011. As a result, Canada will be the center stage of an international event with a worldwide audience broadcasting to as many as 200 broadcast territories. This takes place over a two year period as the world soccer community focuses their attention on Canada and our Canadian Women's Soccer team, which ranks in the top 10 teams in the world. The CSA are now planning their media and world exposure campaigns to promote the events, and will be working with all of the Host cities to maximize their presence and appeal to participants and spectators from the 24 countries that will come to Canada, and more.

In their recent HRM visit on October 2, 2011, the CSA and FIFA stated that they wish the 2015 event to be a coast-to-coast experience and publicly indicated their support of HRM as a Candidate City. They have stated that, if all of the 7 Canadian Candidate Cities meet the required criteria for Hosting, all 7 Cities will participate in the event. This opportunity is therefore not a competition between Canadian cities, but a cooperative and supportive national event.

DISCUSSION

Council has indicated their interest and support of pursuing participation in the FIFA Women's World Cup 2015 Canada, and FIFA U-20 Women's World Cup 2014 Canada. Staff has been directed to proceed with a phased approach for analysis and public discussion related to a potential stadium in the region to meet the needs of the FIFA event, and to meet the needs of the community after that event.

Significant discussion took place at the August 2 and 9 Regional Council meetings, indicating that it would not be appropriate for Regional Council to fund this project without the appropriate fiscal support of other levels of government and/or other funding partners.

Capital Cost Estimate:

The capital cost information provided to Regional Council at this time, is based on the minimum criteria of the FIFA Bid which requires a stadium with a minimum of 10,000 permanent seats and 10,000 temporary seats. The Stadium Analysis Steering Committee and Staff will return in December with the completed Stadium Phase 2 report, which will include full capital cost, program requirements, a preferred site recommendation and a comprehensive funding plan. These are the deliverables of the Phase 2 analysis which is scheduled for completion in December 2011.

Based on the best information currently available, including recent stadium construction and discussions with CSA, staff estimate the total capital cost to be no more than \$60 million. This estimate includes land acquisition, site preparation and servicing, capital design, construction, and would in all likelihood be carried out through a Design-Build model which would include a Guaranteed Maximum Price (GMP).

It must be understood, however, that there are significant variables associated with the range of sites currently under review including: site remediation (hazardous materials), site services (storm, water, sanitary, electrical), access (roadwork) and land cost, which will impact the total project cost. To the best of staff's ability, these factors have been taken into consideration within the \$60 million estimate.

Staff has positioned the recommendations in this report in order to create the conditions for HRM to compete for Hosting rights for the FIFA 2014 and 2015 events. If HRM wishes to construct a stadium without any impact on future property tax rates, or major alterations to the five year capital plan, it will need cost sharing from the senior levels of government and/or private partners. If Council is to meet the FIFA deadlines, it must seek cost-sharing now in advance of the completion of the Phase 2 Stadium Analysis report in December. Without Council approval of the direction as recommended, it is not possible for discussions or negotiations to take place with potential funding partners, and HRM would then be required to decline the opportunity for involvement in the FIFA events.

Council approval of these recommendations will demonstrate support of the project, and provide a solid context for funding discussions with potential government and private sector partners. Discussions have not yet commenced and the timeline for seeking these agreements is tight.

Staff will return to Regional Council in December with a completed Phase 2 analysis including Capital Cost Estimate, Site and Design proposal. A proposed funding methodology, including potential partnerships, will also be forthcoming at that time, following discussions with potential partners.

The CSA and FIFA will require an indication from HRM in December of 2011 regarding whether or not there will be an appropriate facility available for hosting of the 2014 and 2015 events.

Approval of this recommendation does not commit HRM to proceed with a stadium; it merely enables negotiations to proceed in a timeline that will allow Council to fully consider the benefits of the project, and will continue to meet the requirements of FIFA. Council will have final opportunity to determine whether to proceed with a stadium when the final Stadium Phase 2 report is presented to Regional Council in December 2011.

BUDGET IMPLICATIONS

As discussed, it is not possible to provide a final construction estimate for a stadium at this time. Rather, cost estimates are currently being developed as part of the consultant's Phase 2 Study and will be presented to Regional Council in December. Those cost estimates are subject to a full financial review and are not final until accepted as such by Regional Council. Only then can any proposal proceed to Phase 3 and a tender be awarded.

While the final costs are still unknown, the construction of a stadium is a large capital project and costs are expected to be significant in nature. For the project to succeed, there is a need for cost-sharing from the senior levels of government and other partners. For timelines to be met, it is imperative that the municipality immediately start negotiations on a funding commitment from those governments. The actual funding commitments from each of the three governments will be reviewed once the final construction estimate is completed in December.

A funding amount of \$20 million is a significant commitment from the municipality. However, a decision to build a stadium is an investment and an asset that will serve our region for 50 years. If the project is eventually approved, the municipal share of funding will need to be allocated in 2012-13 and 2013-14. If HRM wishes to dedicate this level of funding without affecting the future tax rate or substantially reducing its five year capital plan, and in particular the amount for recapitalization, it has several main options that it can choose or combine:

- First, it can utilize the Strategic Growth Reserve. This reserve is designed for strategic and cost-shared opportunities. The current projections for the reserve are that it will have as much as \$12.5m in it by the end of 2013-14, assuming current contribution levels remain the same, and no additional funds are committed from this reserve over the next two years;
- Second, HRM is well positioned over the next few years to dispose of non-essential land parcels. Once any such funds are achieved, they would be deposited into the Sale of Land Reserve and would become available for funding capital projects; and
- Finally, HRM could issue additional debt outside the debt policy to provide for the construction of the stadium. Accordingly, issuing \$20 million in incremental debt would require Council approval. The current interest cost for a twenty year debenture is 3.74%. With the opportunity to lock in a twenty year debenture at this low interest cost, incurring additional debt to finance a stadium is a potential financing option.

A funding strategy will be finalized when the estimated construction costs are available and funding commitments have been received from the senior levels of government. At that time, staff will return with final funding recommendations and additional details.

In addition to the capital construction costs, funds will be needed annually to support operation of the stadium and contributions to a reserve for capital maintenance and replacement. A firm estimate and recommendations for funding the annual requirements, will be presented to Regional Council in December.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

Community Engagement is a key principle in the 3-phased Stadium Analysis, but has not taken place related to the content of this report.

ALTERNATIVES

1. Regional Council may choose not to provide a mandate at this time to pursue partnership funding from the other levels of Government. This is not recommended as staff do not suggest that Regional Council bear the full cost of construction for a multi-use stadium, and a decision not to provide the mandate and commitment would result in the removal of HRM as a Candidate City for the 2014 and 2015 events.
2. Regional Council may choose to fund more than the \$20 million recommended in this report. This option is not recommended at this time.

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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