



Calgary & District Labour Council
The Voice of Labour in Calgary

#321, 3132 – 26th Street N.E.
Calgary, Alberta T1Y 6Z1

Phone: (403) 262-2390 Fax: (403) 262 2408
E-mail: admin@thecdcl.ca / www.thecdcl.ca

2019 City of Calgary/CSEC Event Centre Agreement Fact Sheet

The City of Calgary and the Calgary Sports and Entertainment Corporation (CSEC) last came to loggerheads over the construction of a new arena complex during the 2017 municipal election, when Ken King and the Calgary Flames organization seemed to go all-in on mayoral hopeful Bill Smith's candidacy. The proposal then, as the \$1.8-billion CalgaryNEXT debacle proposed as a revitalization vanity project in the creosote-tainted West Village did before it, died as a result of hefty corporate demands made on City contributions.

Now, the City has committed to front half the costs of the new "event centre" totaling around \$275-million. This comes at a time when the City will cut \$60-million in operational spending on essential services including fire, policing, transit, among dozens of other programs. The City is slated to retain full ownership of the new facility, putting it on the hook for any structural repair costs over the facility's lifecycle, while CSEC is tasked with operational, maintenance, and repair costs on the 35-year cost-sharing agreement. CSEC will retain a vast majority of the revenue, while the City will extract smaller fees/rents from the facility over its lifecycle. Here is the breakdown of City cost incurment, revenue projections, cost overrun liability, and other known figures associated with the project.

Facts:

- **Estimated Direct Return on Investment for the City and CMLC: negative \$28.9-million.** This represents a 0.6 per cent net loss over the 35-year management and license agreement. However, the **estimated Return on Investment of both direct and indirect benefits** (incremental property tax generation in the Rivers District) is \$109.9-million over the 35-year agreement (1.4 per cent net gain).
- **Facility Fee:** over the lifespan of the 35 year Management and License Agreement, \$155.1-million generated by the City under this fee structure, along with \$2.5-million in **naming rights revenue** over 10 years (\$250,000 per year). The facility fee consists of the City's retention of 2.0 per cent of ticket revenues for events hosted at the Centre. Expected revenue from the Facility Fee over the first five years of the agreement is \$3-million per year.
- **Total projected returns for the City:** Calgary expects total revenues generated from the agreement over its 35-year life cycle to be just over \$400-million.
- Incorporated into the **Rivers District Master Plan:** an "urban cultural and entertainment district in East Victoria Park." Council briefs also state that the intended use value of the Event Centre — **seating for up to 19,000, with the potential for a secondary facility** — should go beyond housing the Flames: it should be a gathering place for all Calgarians that includes, but not be limited to

concerts, assemblies, festivals, professional and amateur sports, linked to an outdoor gathering space.

- Design process commencing “immediately,” with construction set for 2020.
- Calgary Municipal Land Corporation will oversee design and construction.
- From the City’s combined council meeting Facility Update: **“Each party will pay its respective costs as incurred.”** While details on cost overrun liability aren’t explicitly included in the facility update or other adjacent materials, this line leads one to believe that those liabilities will be determined over the course of construction.
 - o The construction of Edmonton’s Rogers Place saw the parties sign a contract called a Guaranteed Maximum Price contract that would dictate that the contractor would accrue all cost overruns beyond a maximum set value.
- The City of Calgary, as owner, will incur all costs for structural repairs following construction. However, **ALL REVENUES generated by the Event Centre (net of the City Facility Fee, Naming Rights, and other community payments — an additional \$1.5-million from CSEC per year, rising at the rate of 2 per cent to account for inflation, goes to community sports in Calgary).**
- The City claims that the agreement between itself and CSEC will not result in an increase to the property tax, and the interior of the Event Centre or potential secondary facility will pay property taxes. Only street-facing retail will pay property tax.
- The City of Calgary will bear an additional \$15.4-million in land, Saddledome demolition, and other transactional expenditures, of which CSEC will contribute \$1.4-million. This represents a 90 per cent share of demolition costs incurred by the City of Calgary.
- Cost estimates for revenues and expenses associated with the provision of additional City services (transit, policing, etc.), incremental insurance costs, major structural repairs (the responsibility of the City, as noted above) were not included in the City Manager’s report because they cannot be estimated at this time.
- The City will also extend an optional land acquisition proposal to CSEC — those that include the Victoria Park Bus Barn — if the City puts them on the market. These lands will not be offered to CSEC at less than fair market value. The City Manager’s report states that the option will expire within 10 years of CSEC’s occupancy of the Event Centre, and that the City is under no obligation to make these lands available to CSEC for the sake of further development. CMLC will also be given an option by CSEC to acquire lands that fall within the Rivers District at their value immediately prior to the formation of the Event Centre Assessment Committee (with expiry set upon the CSEC’s occupancy of the Centre).
 - o According to the City of Calgary’s Public Access terminal for property value assessments, the **Victoria Park Bus Barn (1075 7 St. SE) is valued at just over \$94-million.** Total costs of the new Bus Barn located in the Northeast

- came in at around \$174-million, with the federal government kicking in over \$49-million under the P3 agreement.
 - According to the CBC, this also includes land that housed to now-burned down Enoch Sales House. This address is currently valued at \$5.6-million.
 - **Total City Cash Contribution:** \$290.4-million “exclusive of any land transfer value, related acquisition costs, excess flood mitigation costs, or community space capital costs that are currently included in the Rivers District Master Plan budget.”
 - **Facility Cash Funding (\$275-million) Sources**
 - **Major Capital Projects Reserve Balance - Uncommitted:** \$64.8-million
 - **Interest Income:** \$29-million
 - **Capital Budget Savings:** \$70-million
 - **Funding Optimization and prioritization of One Calgary Capital Restricted Funding Sources:** \$62.12-million
 - **Asset Optimization:** \$40-million
 - **Real Estate Services Resource Uncommitted:** \$10-million
 - **Additional Cash Funding Sources (bringing total up to \$290.4-million)**
 - **2019 Interest income from Fiscal Stability Reserve:** \$3-million
 - **2019 Corporate Programs Savings:** \$12.4-million
- Claims have surfaced about the time-sensitivity of this deal (from both Flames ownership and Council members) in a bid to skirt public consultation. However, in the risk assessment attachment, it states under legal risk point 16 that both parties can agree to extend the timeframe if mutually agreed upon.

Please contact the Mayor, your City Councillor and the City Clerks Office and let them know what you think about the proposed arena deal.

City Clerks Office - cityclerk@calgary.ca

Ward 1- Ward Sutherland - ward.sutherland@calgary.ca

Ward 2- Joe Magliocca - joe.magliocca@calgary.ca

Ward 3- Jyoti Gondek - jyoti.gondek@calgary.ca

Ward 4- Sean Chu - sean.chu@calgary.ca

Ward 5- George Chahal - george.chahal@calgary.ca

Ward 6- Jeff Davison - jeff.davison@calgary.ca

Ward 7- Druh Farrell - druh.farrell@calgary.ca

Ward 8- Evan Woolley - evan.woolley@calgary.ca

Ward 9- Gian Carlo Carra - gian-carlo.carra@calgary.ca

Ward 10- Ray Jones - ray.jones@calgary.ca

Ward 11- Jeromy Farkas - jeromy.farkas@calgary.ca

Ward 12- Shane Keating - shane.keating@calgary.ca

Ward 13- Diane Colley-Urquhart - Diane.Colley-Urquhart@calgary.ca

Ward 14- Peter Demong - peter.demong@calgary.ca

Mayor’s Office – Naheed Nenshi - themayor@calgary.ca

Sources Cited

City Manager's Report to Combined Council Meeting, "Facility Update." July 22, 2019.

Smith, Madeline; Jeffrey, Andrew, "City and Calgary Flames owners reach 50/50 deal for new \$550-million arena." The Star Calgary. July 22, 2019.

CBC News, "CalgaryNEXT on life support as council votes unanimously in favour of 'Plan B' near Saddledome." April 24, 2017. <https://www.cbc.ca/news/canada/calgary/calgary-council-plan-b-calgary-next-still-sleeping-1.4083787>

City of Calgary, Event Centre Cash Funding Sources and Total City Cost. July 22, 2019.

Sarah Rieger, "What's new in Calgary's tentative arena deal and your other questions, answered." July 23, 2019.

Risk Assessment Attachment, Received by City Council July 22, 2019.

