

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

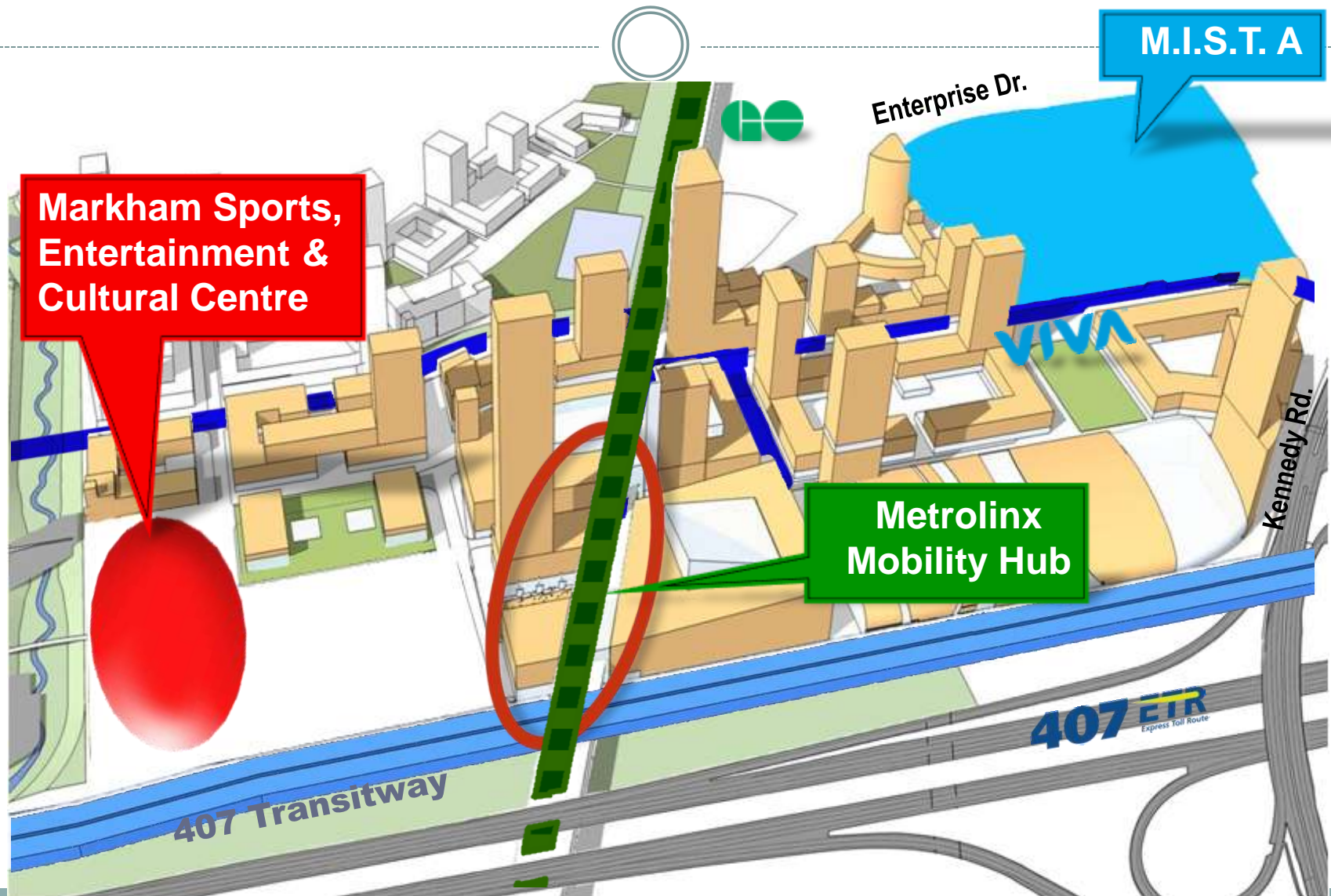


A Dynamic Sports, Entertainment and Cultural Centre

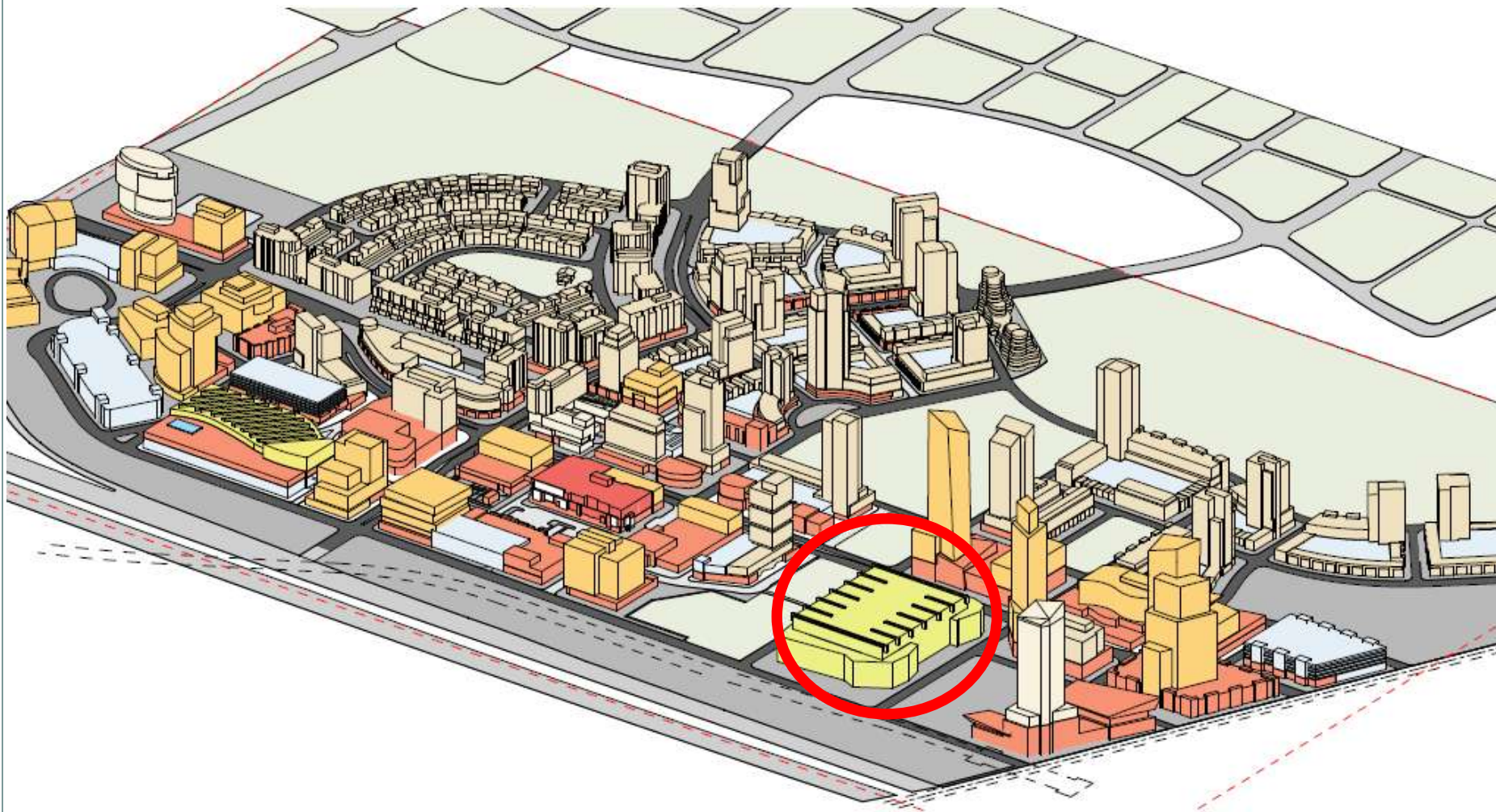
- Concerts and performances of all sizes
- Civic and cultural celebrations – Chinese New Year, Canada Day, Diwali, Taste of Asia, Winter Festival
- International sports competitions
 - International Ice Hockey Federation
 - Hockey Canada
 - Skate Canada Championships
 - World Junior Hockey
- Community 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



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



Office Space Concentration (sq. ft. in millions)

Toronto	69.9
Montreal	49.4
Calgary	37.8
404 Corridor	26.5
Vancouver	24.5
Ottawa	15.0
Winnipeg	14.9
Edmonton	10.6
Victoria	4.9
Halifax	4.9

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

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

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

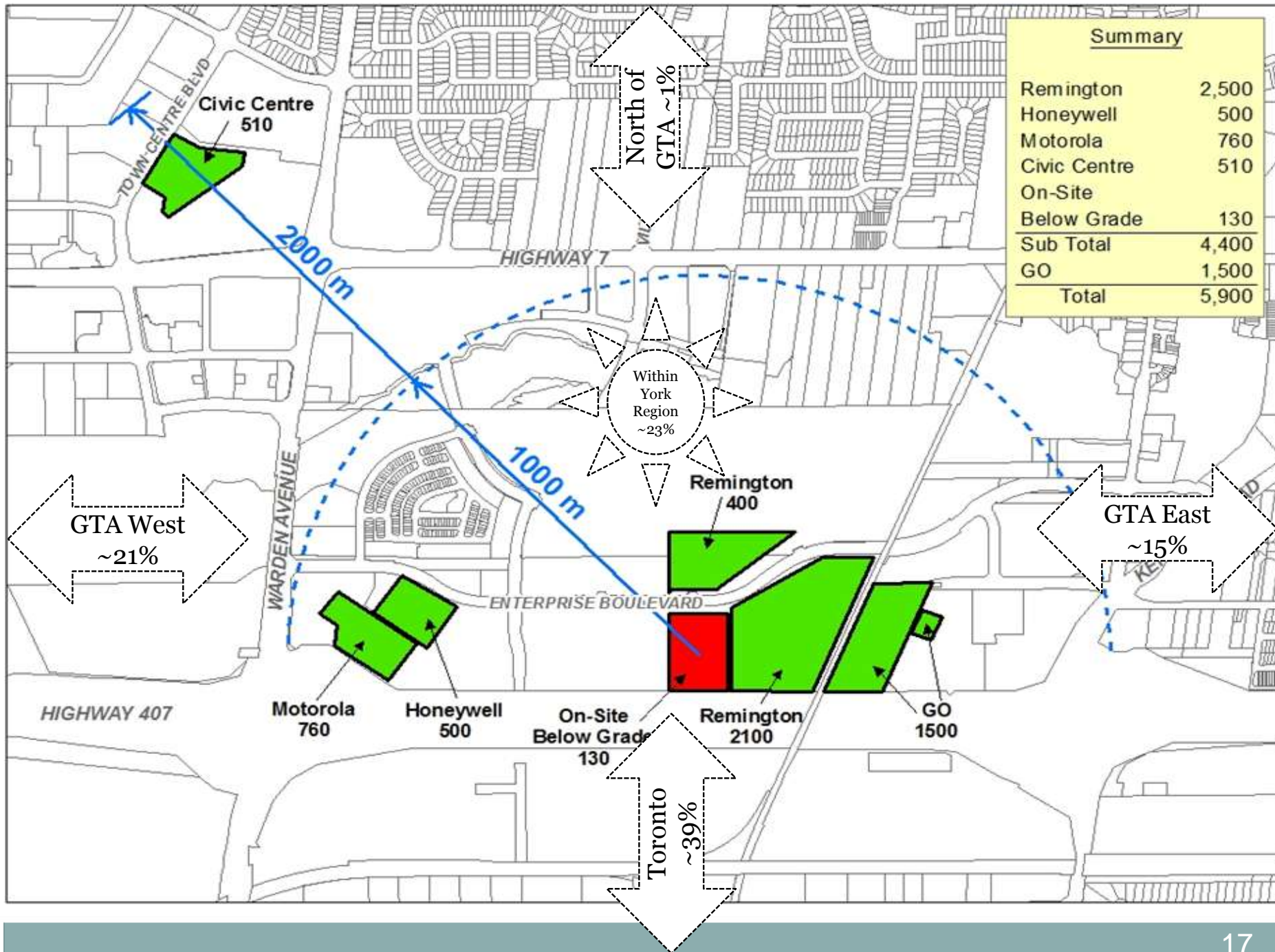
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Transportation and Transit



- 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



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



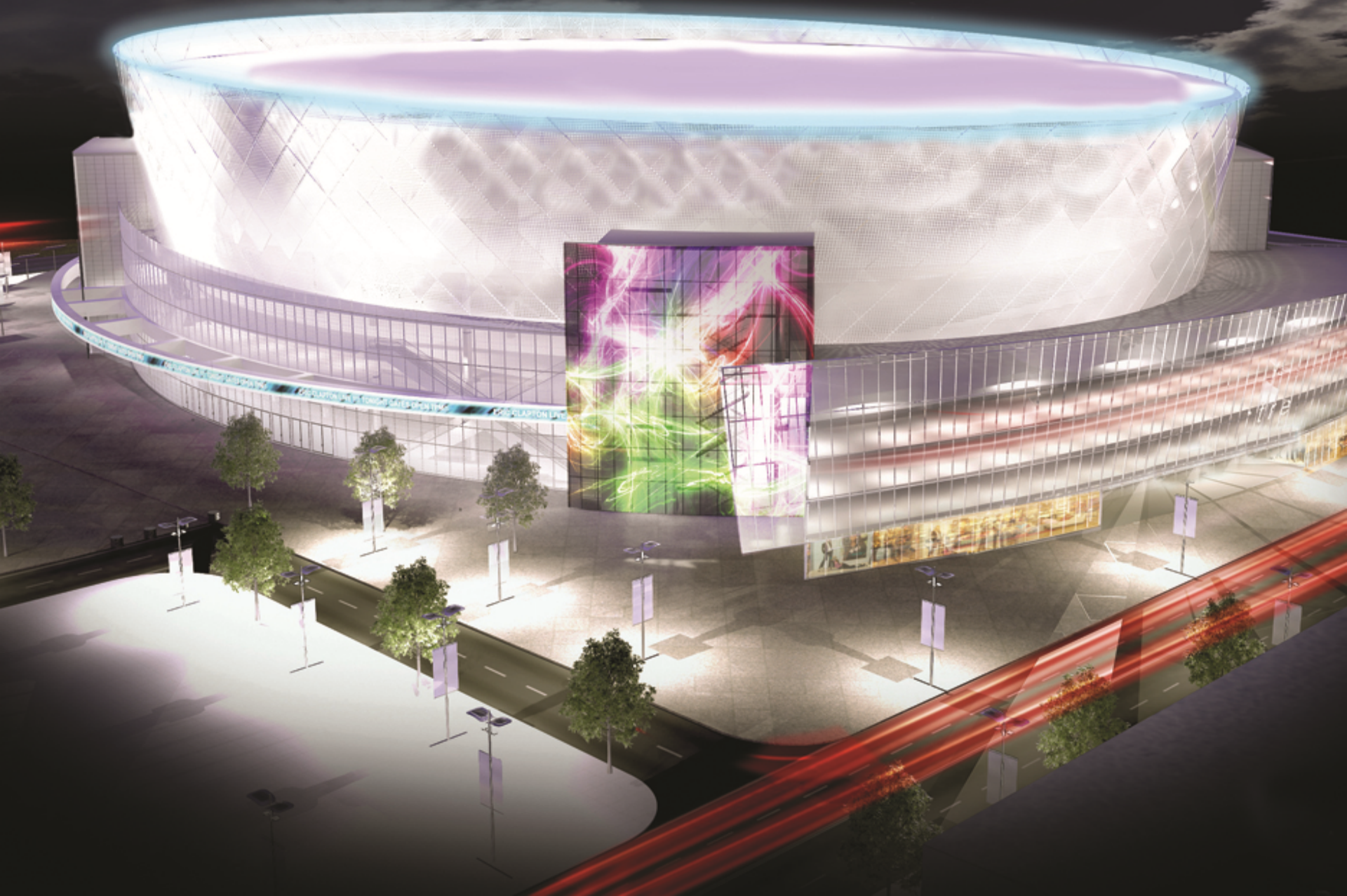
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Tax Bill on a \$468,000 home in Markham:

- 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)