
Subject: Canada Summer Games Capital Budget Initiation

Report to: Regional Council

Report date: Thursday, November 21, 2019

Recommendations

1. That financing in the amount of \$20,036,786 gross and \$6,350,000 net **BE INITIATED** from the capital budget for Canada Summer Games (20000751) and that the project **BE FUNDED** as follows:

Debt	\$6,350,000
Federal Gas Tax	\$13,686,786
2. That the Chair and Regional Clerk **BE AUTHORIZED** to execute the Definitive Agreements for Canada Summer Games Sport and Ability Centre described herein between the Niagara Region and variously The City of St. Catharines, The City of Thorold, Brock University, 2021 Canada Games Host Society Inc., Her Majesty the Queen in Right of the Province of Ontario, and Her Majesty the Queen in Right of Canada; provided the financial terms and conditions of these agreements do not exceed funds approved by Council and all terms and conditions are satisfactory to the CAO and Director of Legal and Court Services.
3. That Regional Council **APPROVE** that Niagara Region be a joint owner (25%) in the Canada Games Park with an annual financial contribution to the facility's capital reserve equal to 25% of 1.5% of the cost of construction, beginning in 2022, subject to equal contributions from The City of St. Catharines, The City of Thorold, and Brock University.
4. That the Region's share of external Legal Counsel and Project Management fees in partnership with The City of St. Catharines, The City of Thorold, Brock University, 2021 Canada Games Host Society Inc **BE APPROVED** to be accommodated within base budget.
5. That staff **BE DIRECTED** to report back to Regional Council for approval prior to advancing any additional funds beyond approval in Recommendation 1.
6. That the necessary by-laws **BE PREPARED** and **PRESENTED** to Council for consideration.

Key Facts

- The purpose of this report is to initiate the previously approved Canada Summer Games (CSG) Legacy capital funding (\$20,036,786) and to inform Council of the Definitive Agreements necessary for construction and operations of Canada Games

Park, historical CSG project cost estimates, operating and /or capital deficit obligations and Canada Games Park (CGP) annual operating commitments.

- In 2017, the Canada Games Council announced Niagara Region as the successful municipality to host the 2021 Canada Summer Games (CSG) with an estimated operating budget of \$34.9 million and capital budget of \$9.6 million (ED 2-2017 APPENDIX 1). Niagara Region approved a maximum contribution of \$10.35 million including \$3.0 million for capital, \$4.0 million for operating plus up to an additional \$3.35 million in funding for post-games legacy projects.
- In May 2019 (CAO 5-2019 APPENDIX 2), Regional Council approved an additional capital budget commitment of \$13.7 million towards the legacy project as a backstop to the uncommitted provincial funding and subject to the commitment of additional funding from other stakeholders. This brought the Region's total capital contribution to \$20.05 million which included the previously approved but uninitiated \$3.35 million legacy project/deficit funding.
- In September 2019, the Host Society issued a Request for Tender (RFT) for the Canada Games Park (CGP) and the Henley Rowing Centre (HRC) and it is currently pending final tender negotiations. The most recent Class A construction project estimate reflects a total CSG Legacy capital cost of \$111.8 million. The total revised operating and capital budget for 2021 CSG is \$146.7 million.
- Based on the now confirmed funding commitments of the Federal and Provincial Governments, the Region's 2021 CSG operating and capital commitment is \$24.05 million. As per the original Transfer Payment Agreement (TPA), the Niagara Region has made commitments regarding operating and/or capital deficits associated with the CSG. If the Niagara Region is required to fund any future deficits, those funds would be included in future year budgets subject to Council approval.
- A number of Definitive Agreements (including a Consortium Agreement and Project Agreement) and governance model between the four owners relating to Canada Games Park continue to be negotiated (see APPENDIX 3 for list of Agreements).
- The Niagara Region, in partnership with the CSG Host Society, Brock, St. Catharines, and Thorold, have engaged external Legal Counsel to execute the Definitive Agreements and propose to engage a Project Management Firm to oversee the construction of the asset.
- The Region is requesting equal ownership (25%) with the City St. Catharines, City of Thorold and Brock University in the CGP after construction is complete. The Region will not be responsible for any post construction operating expenditures, but would be required to provide 25% of the annual required transfer to capital reserve to ensure sufficient funds exist for all future capital replacements. The partner contributions to reserve are ¼ of 1.5% cost of construction (estimated at \$0.31 million) beginning in 2022, and increasing annually at the rate of inflation.

- The total Legacy capital budget includes a number of investments across Niagara plus two large infrastructure projects, the Canada Games Park, which is a multi-sport and recreation complex located on the Brock University campus opposite the Niagara Region HQ and the Henley Rowing Centre, which is an off-water training and support facility located on Henley Island.

Financial Considerations

The 2021 Canada Summer Games budget, including both the original operating budget and revised Legacy capital budget is \$146.7 million. The summarized Legacy capital budget expenses and financial commitments are provided in Table 1 below. The CSG capital budget of \$111.8 million, presented by the 2021 Canada Games Host Society, includes two large infrastructure projects; the Canada Games Park (CGP), which is a multi-sport and recreation complex located on the Brock University campus opposite the Niagara Region HQ and the Henley Rowing Centre (HRC), which is an off-water training and support facility located on Henley Island. A more detailed breakdown of expenses and revenues are referenced in APPENDIX 4.

Table 1: 2021 Canada Games Host Society Inc Capital Budget

Canada Summer Games Legacy Capital Infrastructure Budget		
Revenue		
Government of Canada	\$	32,000,000
Government of Ontario	\$	32,000,000
Niagara Region	\$	20,050,000
City of St. Catharines	\$	10,000,000
City of Thorold	\$	5,000,000
Other Niagara Municipalities	\$	2,192,150
Brock University	\$	4,020,513
Canada Basketball	\$	47,923
Sponsorship & Fundraising	\$	6,500,000
TOTAL FUNDING COMMITTED	\$	111,810,586
Expenses		
Canada Games Park & Henley RC - Class A Cost Estimate	\$	88,422,058
Canada Games Park - Competition Equipment	\$	1,713,000
Other Competition Facilities & Equipment	\$	2,444,596
Canada Games Park - FF&E	\$	2,329,148
Henley Rowing Centre - FF&E	\$	445,000
Other Municipal Legacy Projects	\$	2,107,000
Deloitte - HST Report	\$	15,000
Thorold Building Permit Fees & Servicing Charges	\$	2,463,330
Administrative Support & Other Fees	\$	5,056,005
CSG Legacy Capital Project(s) Contingency (6.5%)	\$	6,815,450
TOTAL PROJECT COST	\$	111,810,587
NET PROJECT BUDGET	\$	(1)

The proposed capital expenses and funding commitments reflect a balanced budget. This balance is reliant upon \$6.5 million in sponsorship and fundraising. Additionally, the operating budget is reliant upon \$8.5 million in sponsorship and fundraising. As outlined in APPENDIX 5 under the original Transfer Payment Agreement (TPA), the Niagara Region has made commitments regarding operating and/or capital deficits associated with the CSG and reflected those commitments in an agreement with the Canada Games Host Society Inc.. The TPA imposes certain duties upon the Canada Games Host Society Inc. including an obligation to use commercially reasonable efforts to avoid deficits and obtaining approval of legacy projects to which Niagara Region funds are to be applied.

It should be noted, that through various agreements all funding partners have committed to oversight resources specifically intended to mitigate construction and financial risk (project management and legal services). Also, given that capital fundraising may be received over time the Region would be expected to cash flow the contribution over that same period. If such budget pressures occur, the Niagara Region would include in future year budgets subject to Council approval.

The Niagara Region, in partnership with the Host Society, Brock, St. Catharines, and Thorold, have engaged external Legal Counsel to execute the Definitive Agreements and propose to engage a Project Management Firm to oversee the construction of the asset. The Region's share of these fees will be accommodated within the base operating budget.

In 2019, the Region committed an additional contribution of \$13.7 million funded through Federal Gas Tax in addition to the \$6.35 million that is requesting initiation with debt financing. The estimated cash flow for the Region's CSG project (20000751) is as follows (in millions):

Year	Operating	Capital	Total
2017	\$0.32	\$0.00	\$0.32
2018	\$0.68	\$0.00	\$0.68
2019	\$1.00	\$13.70	\$14.70
2020	\$1.00	\$6.35	\$7.35
2021	\$1.00	\$0.00	\$1.00
2022	\$0.00	\$0.00	\$0.00
Total	\$4.00	\$20.05	\$24.05

The Niagara Region will release funds according to the funding agreement per APPENDIX 5.

Ownership of buildings (post construction)

Price Waterhouse Cooper was retained to develop a pro forma for the operations of the Canada Games Park once constructed (APPENDIX 6). The forecasted operations results in a net operating expenditure of \$0.75 million and are expected to increase at a rate higher than inflation due to utility costs. Based on the Niagara Region's \$20.05 million capital contribution, the Region and Consortium partners recommend an equal ownership (25%) in the CGP. The Region will not share in annual operating expenditures. The operating expenditure are to be covered equally amongst the partners, which utilize the space; Thorold, St. Catharines and Brock. .

In compliance with new asset management policies and sustainable capital replacement practices, a capital reserve is to be established and maintained in order prevent future borrowing and partner fiscal pressures. The estimated capital reserve is \$1.25 million beginning in 2022 and shared equally amongst the four facility owners. The previously approved CSG separate levy for the annual CSG operating contribution of \$1.0 million annually until 2021 can be used to offset the Region's share of the transfer to reserve of \$0.31 beginning in 2022.

Analysis

Niagara Region Corporate Impact

The bid to host the CSG highlighted the Region's ability to be a local catalyst and collaborator with local partners in both the public and private sector. It also demonstrates our ability to deliver on our community vision of *'being a unified community of communities with diverse opportunities and qualities – together we strive for a better tomorrow'*.

The delivery of a successful CSG is imperative to the reputation of the Niagara Region and our local & municipal partners; it will provide a two-week window for Niagara to showcase itself to the rest of Canada beyond its beautiful waterfall and bountiful wineries.

CAO 5-2019 (APPENDIX 2) describes additional Niagara Region considerations such as raising Niagara's profile and economic impact. This report further describes overall community impacts related to infrastructure, health benefits, culture and reconciliation, and both local and elite sport participation.

Niagara Region's Contribution

Based on the requirements listed in the 2021 Bid Procedures and Hosting Standards document provided by the Canada Games Council, the Niagara Region was required to make various commitments related to its bid proposal for the 2021 Canada Games.

As Niagara was successful in its bid for the 2021 Canada Summer Games, the initiation of the Canada Summer Games project (20000751) will allow the Region to deliver on the original commitments as well as the two large Legacy capital investments. Highlights from some of our investments are:

- George Taylor Field
- Houck Park Baseball Complex
- Wainfleet and West Lincoln Softball Fields
- Sport and Abilities Centre - with a Canadian Sport Institute of Ontario (CSIO) Regional Centre, Wrestling and Combative Sports Centre,
- Outdoor Cycling and Environmental Sustainability Centre;
- Beach Volleyball Centre
- Para-sport Gymnasium, Twin-pad Arena for lacrosse and ice sports, and sport offices
- Henley Rowing Centre

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Based on the now confirmed funding commitments of the Federal and Provincial Governments, the Region's 2021 CSG operating and capital commitment is \$24.05 million. As per the original Transfer Payment Agreement (TPA), the Niagara Region is responsible for all operating and/or capital deficits associated with the 2021 CSG. If the Niagara Region is required to fund any future deficits, those funds would be included in future year budgets subject to Council approval.

Canada Summer Games Park - Definitive Agreements

Numerous legal agreements (the "Definitive Agreements") between the parties are required to implement the development of Canada Games Park, to structure the various contributions, roles, responsibilities and risk of each of the parties during the construction of the facility, the duration of the Games event itself and the subsequent legacy period for the facility. The Region, St. Catharines, and Thorold (the "municipal parties") have jointly retained legal counsel (Borden Ladner Gervais LLP) to advise the municipal parties and to review and negotiate all agreements with the other parties. Brock University is separately represented but as a member of the future ownership group is working collaboratively with the municipal parties on the preparation of agreements.

The development of the following Definitive Agreements, many but not all of which the Region will be a party, are in progress and will be required (note the names of these agreements may change or be included as schedules within larger agreements but are included here for descriptive purposes). The Definitive Agreements will together set out the terms and conditions, upon which the financial and in-kind contributions of the parties will be made, and coordinated with the financial contributions of Ontario and Canada, and upon which Canada Games Park will be developed and the operations transitioned from the Host Society to the municipalities and Brock following the Games:

1. Canada Games Park Framework Agreement (an agreement to be entered into between the municipalities, Brock and the Host Society to establish a framework for the negotiation of the other Definitive Agreements).
2. Consortium Agreement and Facilities Programming Agreement (an agreement or agreements to be entered into by the municipalities and Brock to allocate responsibility for the use, operation, maintenance and repair/replacement, programming and usage fees of Canada Games Park following the Games). The Consortium Agreement will be based on the guiding principals established collaboratively by all parties and attached as APPENDIX 7.
3. Project Agreement (an agreement to be entered into between the municipalities, Brock and the Host Society which shall contain terms and conditions related to the construction, development and completion of Canada Games Park)

4. Offer to Lease / Lease and/or Amending and Assignment of Lease (agreements to be entered into between Brock (as landlord) and the other parties (as tenants) which shall cover two time periods, the first being the period during construction and operation of the Games and a second subsequent period following the Games.
5. Municipal Capital Facility Agreement (means an agreement designating Canada Games Park as municipal capital facility pursuant to the Municipal Act, 2001)
6. Transfer Payment Agreements and/or Joinder Agreements (agreements required by Ontario or Canada with the Region and other parties as a condition of Ontario and Canada funding contributions to the project)
7. Such other Agreements or instruments as the parties agree are necessary (at this time no other agreements have been identified, however as this is a complex project further agreements may be recommended by the legal teams representing the parties to ensure necessary roles, responsibilities or risk are adequately addressed).

At the time of writing the parties contemplate an Offer to Lease between the Canada Games Host Society Inc. as tenant and Brock University as Landlord which would permit commencement of work on the Canada Games Centre. This Offer to Lease would not involve Niagara Region or other municipalities as a party to the Offer to Lease and will continue at the discretion of Brock University, whether or not the other Definitive Agreements are finalized. As such, the potential exists for the Canada Games Host Society Inc. to continue with the construction (and related expenditures) in advance of the completion of Definitive Agreements. This is highlighted to reinforce the criticality of the forecasted dates of execution of the Definitive Agreements identified in APPENDIX 2.

Canada Summer Games Park Project Management Oversight

The Canada Summer Games Host Society will provide oversight and coordinate the construction of Canada Summer Games Park. It is the Consortium's expressed intent that all partners will provide input into the construction project to ensure all user and funding provider needs are satisfied. Currently all partners have agreed to engage professional project management services to address construction and oversight including but not limited to:

- Weekly constructions meetings
- Review contractors schedule, health and safety plan, quality plan, etc.
- Oversee change order management
- Lead construction meetings
- Develop building occupancy plan

- Undertake pre-occupancy review
- Prepare and issue monthly project status reports
- Liaise with all funding partners, steering committee and Infrastructure Ontario
- Compile operations and maintenance manuals
- Organize the delivery of building systems training
- Manage the completion of all project deficiencies by all vendors
- Finalize project status reports, including schedule, budget, risk management for all funding parties as required
- Compile asset management plan if required

In addition, Infrastructure Ontario will serve as a project advisor on behalf of the Province for the construction of the Canada Games Park. Certainty of implementation of this vision is dependent upon finalizing the Consortium Agreement and Project Agreement.

Alternatives Reviewed

No alternatives were reviewed. This report is being brought forward to initiate the previously approved capital commitment for the 2021 Canada Summer Games.

Relationship to Council Strategic Priorities

This project is projected to bring an economic benefit of approximately \$400 million and support 2,100 jobs through sports and recreation, which supports Council's strategic priority of Supporting Businesses and Economic Growth and Healthy and Vibrant Community.

Other Pertinent Reports

ED 2-2017	Canada Summer Games Final Bid Submission	January 11, 2017
CAO 5 -2019	Canada Summer Games	May 16, 2019

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Appendices

Appendix 1	ED 2-2017 Canada Summer Games Final Bid Submission
Appendix 2	CAO 5 -2019 Canada Summer Games
Appendix 3	List of Definitive Agreements
Appendix 4	Canada Summer Games Legacy Budget Details
Appendix 5	Niagara Region Transfer Payment Agreement
Appendix 6	PWC Canada Games Park Operating Pro Forma
Appendix 7	Canada Games Park Operating Agreement Guiding Principles
Appendix 8	Draft By-Law to authorize Long-Term Financing and Treasure's Certificate