



SCHOONERS SPORTS AND ENTERTAINMENT

Revised Community Stadium Proposal – November 2019

1.0 Introduction

Schooners Sports and Entertainment (SSE) has been working closely with Halifax Regional Municipality (HRM) staff for the past two years regarding a potential community stadium project. Throughout this time, a key tenant of our philosophy has been to listen carefully to all stakeholders and public dialogue, and to consistently adapt our approach and proposal based upon the feedback we have received. This document is the culmination of the significant amount of feedback we have received since submitting our original business plan and proposal to HRM in August of this year.

This document aims to:

- 1) streamline the discussion by reducing the number of funding options to one;
- 2) clarify a number of aspects that we believe have been misinterpreted; and
- 3) set forth a number of new key elements that respond to, and address, the feedback received to date.

SSE is pleased to offer HRM an unprecedented economic development project that will create thousands of jobs, along with significant new revenue for all levels of government and businesses within the region. This economic development project will also guarantee millions of dollars in special event revenue while contributing new annual revenue for HRM's education and community initiatives.

2.0 This Proposal Represents the Best Deal for HRM and any Stadium Jurisdiction in North America

- We believe that this revised proposal reflects lessons learned from other major developments, is tailored for HRM's needs and addresses concerns raised by HRM staff, City Council and the public. Traditionally, stadiums are built with the municipality participating as a funding partner, and then left on their own to devise plans on how to recoup their public investment. Our revised proposal takes into consideration the concerns around public risk, and offers two clear paths for the municipality to recoup its contributions in full. There is no precedent for the private sector to bear 100% of the financial risk for a public infrastructure project like the proposed community stadium. In fact, no city in North America has negotiated a deal that consists of two mechanisms for the city to recoup its contributions. This proposal lays out how HRM will recoup these funds from SSE's own revenue. *In short, this is the best deal for HRM and, in fact, better than any stadium jurisdiction in North America.*
- We have created a model that provides HRM with two ways to get their money back: (1) a ticket surcharge on all events at the community stadium; and (2) a tax increment financing from the increased commercial development that the community stadium generates.

3.0 Funding Proposal

3.1 SSE is contributing at least \$30 Million of its own money to construct the community stadium

- As set forth in the proposal, our funding model works to ensure that HRM recoups its ENTIRE annual \$2M contribution through the following methods:

- SSE will contribute \$1M of its own money to HRM every year during the term of the loan to fund the construction of the community stadium. **Over a 30-year loan term, that's \$30M of its own money.** This payment will reimburse the first 50% (\$1M) of HRM's annual \$2M contribution.
- HRM will be reimbursed on the remaining 50% (\$1M) of its annual \$2M contribution via a ticket surcharge described below.
- Moreover, any public sector monies (i.e. the proposed \$2M annual HRM contribution) will be earmarked exclusively to support the "community aspects" of the stadium, NOT the required expansion to satisfy the needs of hosting a CFL team and other major events (like outdoor professional and junior hockey games that bring millions of dollars of economic impact to the region). SSE will take on all costs/expenses for this required expansion themselves.

3.2 Ticket Surcharge

- SSE has heard loud and clear from HRM staff that the City will not be exposed in any way if the ancillary development that will be a part of the "TIF zone" is delayed or never occurs. It is clear to SSE that we must be the party at risk for any development delays. Therefore, if the ancillary development that will be a part of the TIF zone is delayed or never occurs, SSE will institute a ticket surcharge of \$10 per ticket on all CFL events at the community stadium (a tax on its revenues) to reimburse the remaining 50% (\$1M) of its annual \$2M contribution:
 - The first million dollars generated by the ticket surcharge shall be paid directly to HRM to satisfy this amount.
 - The next \$500,000 of annual ticket surcharge revenues will be placed in a capex account to fund future capital expenditures on the facility.
 - All ticket surcharge revenue over \$1.5M shall be split evenly between HRM and SSE. This will allow HRM to capitalize and participate in the monetary success of the team's operations – a further benefit to HRM of this model.
- As an example:
 - Conservatively, suppose that 20,000 fans attend 10 annual home games (CFL average is 24,000 fans).
 - A \$10/ticket surcharge results in \$2M of annual ticket surcharge revenue.
 - HRM collects \$1M of this revenue to recoup the remaining 50% (\$1M) of its annual \$2M contribution.
 - \$500k of this revenue is added to a capex fund to pay for capital improvements/repairs etc.
 - \$250k of the revenue is paid to HRM.
 - \$250k of this revenue is paid to SSE.
- When combined with SSE's annual \$1M contribution/repayment to HRM, the first 100,000 CFL tickets sold works to ensure that HRM recoups its ENTIRE annual \$2M investment. For context, the average CFL franchise sells 240,000 tickets annually (i.e. 24,000 tickets per home game).

3.3 *The TIF Zone and TIF Revenues*

- The zone to be used as part of the TIF has yet to be determined, however it will certainly not be the entirety of the development. It will be the commercial offerings that are created solely due to the inclusion of a stadium in the development that would not be there otherwise. **HRM will determine which commercial operations are deemed to be part of the TIF zone.**
- It is not expected that the ancillary development that will fund the TIF zone would be completed and therefore generating revenues for a number of years. This is the reason for the ticket surcharge model: to protect HRM from financial exposure if the development for the TIF is delayed or never occurs.
- As the TIF zone matures, an annual audit will be conducted to determine the TIF zone revenues. SSE will be rebated back the amount generated by the TIF zone annually, to a cap of \$1M per annum. Therefore, all revenues generated by the TIF zone in excess of \$1M annually will be additional revenue for HRM.
- SSE pledges to ensure that the surcharge is maintained in perpetuity so that the capital expenditures fund is funded annually as well as to mitigate HRM's financial exposure.

3.4 *SSE will take on all operational risk, costs and losses*

- All operational risks and costs associated with the community stadium—the largest and most significant risk for such projects—will be borne entirely by SSE. No public sector monies or contributions will be used to cover or recover operational risks, costs or losses of operating the community stadium. This operational risk is in the \$3M-\$4M per year range.

3.5 *HRM to Decide who Owns the Community Stadium*

- To be fair, it was never a condition precedent, or SSE's desire, to own the community stadium. This was always a condition that was in place from HRM with the rationale being to ensure that the above mentioned operational risks and costs associated with the community stadium are never a financial risk to HRM. However, if there is a different ownership model that is more attractive to HRM, such as HRM owning the facility, SSE is amenable to such an option. In fact, there are a number of publicly-owned facilities that are managed by the tenant of the facility (the team) whereby a long term lease is structured that clearly states all operational risks are borne by the tenant. Indeed, every other stadium in the CFL is owned by the public sector in some manner. Operational agreements with their tenants vary; however, to reiterate, SSE understands that whatever ownership model is ultimately utilized, it must ensure that HRM bears no operational risk.

3.6 *How is this different than the Nova Centre Funding Model?*

- For the Nova Centre, HRM's contribution was split 50/50 with the Province of Nova Scotia. The municipality had banked on using property tax revenues (the HCC, the hotel, commercial offices, parking garage and other properties in the Nova Centre) from the Nova Centre to cover its share of costs. However, lower-than-anticipated property tax revenues project an \$18-million deficit; an obligation that the City will need to look elsewhere to pay. It should be noted, however, that a recent HRM staff report noted that the facility shows every sign of being extremely successful and contributing to the economic and cultural life of the province. We believe the same would be true of the community stadium. However, in this case, it will be the success of the team – in the form of a ticket surcharge – that forms the financial backstop for risk; not projected tax revenues (as it was with the Nova Centre deal).

- Our funding model does not rely on real estate absorption / taxation projections as the Nova Centre funding model did, nor is HRM at risk if the ancillary development is delayed or never occurs. Under our funding model for the community stadium, the risk is mitigated by the ticket surcharge *and* SSE's \$1M annual repayment to HRM.

4.0 The Economic Impact

- Few proposed projects in HRM history (if accepted) have generated the tens of millions of dollars in new income tax revenue, and the nearly \$2 million in annual sales and excise tax revenue from ongoing CFL operations. This does not include the tax revenue that would be generated from other community stadium events. The economic impact of the community stadium, as a fully built-out project, on the City and the region is undeniable and has been independently verified through Deloitte's Economic Impact Analysis in May 2018. Please see Schedule 1 for a summary of this economic impact.
- SSE will host at least one Grey Cup every 10 years. The 2018 Grey Cup hosted in Edmonton last November had a total economic impact of more than \$81 million. The return on investment demonstrated by one Grey Cup alone represents two thirds of the cost of this community infrastructure.
- SSE includes members that previously were owners and operators of a National Hockey League (NHL) franchise, and continue to have strong relationships within the NHL. SSE has advised the NHL of our plans to propose hosting an NHL Heritage Classic game at the community stadium, and will begin the process of such a proposal upon a successful vote by HRM council. The recent Heritage Classic outdoor game hosted at Mosaic Stadium in Regina, Saskatchewan was a tremendous success for the City and the Province. Initial reports indicate a \$15-\$20 million economic impact on the City of Regina from this game alone. With a community stadium, we will be favourably positioned to make this dream a reality for Atlantic Canada.
- The community stadium will put HRM in a position to draw major international and national sporting events to the region. We have been consulting with provincial sports organizations about this opportunity. For example, Volleyball Nova Scotia has confirmed that the proposed community stadium would enable them to host festival style tournaments that attract thousands of visiting participants with substantial economic impact.
- SSE has long-standing relationships with some of the largest global concert promoters such as Live Nation, along with music festival operators. Live Nation has indicated to SSE that the community stadium would expect to support a minimum of one to two major summer stadium concerts, not to mention a number of "half house" amphitheatre style concerts. SSE has also been in discussion with a significant festival operator regarding adding Halifax to its list of annual destinations for its three-day concert festival.
- A community stadium of this magnitude will provide HRM and Nova Scotia with the opportunity to host a myriad of additional events that are international in scope, enhancing the region's profile and driving tourism revenue. In brief, the stadium will attract visitors who spend money in hotels, rental cars, restaurants and other regional tourist attractions.
- HRM is the only major city in Canada without this type of infrastructure. We believe the region deserves this.

5.0 The Community Impact

- We want to provide affordable access to first-class facilities for community youth organizations, schools and provincial sports organizations. We believe that affordable access to sport and recreational infrastructure plays a critical role in the development of individuals and generating positive social benefits in communities. A lack of affordable access to such facilities is the largest single barrier to realizing these benefits. We believe that our free access model for community sport and recreation organizations and schools will positively address this issue.
- SSE is in the process of setting up a public foundation to deliver charity programming to HRM and the surrounding region. True to our belief in the great power of sport and active living, the foundation will raise money to support programs that support boys and girls across Nova Scotia to overcome the current barriers to fair and accessible sport and recreation opportunities. SSE projects that hundreds of thousands per year in funds will be raised to support such social programs in the community. SSE plans to utilize a number of fund raising avenues that have been successfully utilized by other teams and leagues, such as 50/50 draws at games, golf tournaments and other charity events. This is hundreds of thousands of dollars annually that would otherwise not be available to assist Nova Scotia's youth.
- SSE also pledges to gift hundreds of tickets per home game to the region's public school system and community sport and recreation organizations.
- SSE has also been inspired by input received in consultation with the provincial sports organizations and is keen to pursue the idea to make the community stadium (and its facilities) the home for training and development for our Provincial Rugby, Provincial Soccer and Provincial Football Teams, potentially among others. These facilities will be available for use for team events such as training camps, team testing, combines and general training. Imagine our top Nova Scotia athletes in amateur sport having a space that allows the athletes to connect with each other, have safe facilities to use, and to focus solely on performing to the best of their ability.
- We are also dedicated to inspiring our youth to stay and grow in sport. By having a professional CFL team based in Halifax, they will have direct access and visibility to how to develop and support excellence.

6.0 Halifax Economic Growth Plan 2016-2021

In 2016, HRM's Economic Development Department produced a five year economic growth plan. The document states in part:

Halifax needs to grow

"We know that a prosperous future simply won't be handed to us. Halifax's Economic Growth Plan lays out a plan of action that will see people, businesses, and governments working together to achieve measurable results".

Along those lines, the growth plan identifies 4 strategic goals. **We believe that our proposal aligns with, and contributes to, these 4 strategic goals in a significant and impactful fashion:**

- Promote and maximize growth
 - **Grow Halifax GDP \$22.5 Billion by 2021**

- Attract and retain talent
 - **Grow Halifax labour force to 271,000 by 2021**
- Make Halifax a better place to live and work
 - **Grow Halifax's population to 470,000 by 2021.** This hones in on improving and showcasing quality of life for its own sake and to attract residents, workers and businesses to the city.



SCHEDULE 1

Community Stadium Economic Impact (Deloitte, May 2018)

Impact	Community Stadium Construction	Football Operations and Events
GDP	<p>\$295.5M in total GDP impact at the national level, of which:</p> <ul style="list-style-type: none"> • \$171.0 million contributes to Nova Scotia's GDP, of which • \$136.8M contributes to HRM's GDP 	<p>\$140.0M in annual GDP impact at the national level, of which</p> <ul style="list-style-type: none"> • \$111.8M contributes to Nova Scotia's GDP annually, of which • \$96.8M contributes to HRM's GDP annually
Employment	<p>3,106 FTE across Canada, of which</p> <ul style="list-style-type: none"> • 1,951 located in Nova Scotia, of which • 1,568 located in the HRM. 	<p>2,070 FTE across Canada, of which</p> <ul style="list-style-type: none"> • 1,813 located in Nova Scotia, of which • 1,459 located in the HRM.
Labour Income	<p>\$202.2M in total labour income at the national level, of which</p> <ul style="list-style-type: none"> • \$123.5M is earned in Nova Scotia, of which • \$103.3M is earned in the HRM 	<p>\$81.5M in annual labour income at the national level, of which</p> <ul style="list-style-type: none"> • \$68.6M is earned in Nova Scotia, of which • \$58.8M is earned in the HRM
Government Revenues	<p>\$45.4M in total federal and provincial income taxes, and \$3.8M in total sales and excise taxes</p>	<p>\$12.7M in federal and provincial income taxes per year, and \$1.7M in sales and excise taxes per year</p>



HRM Community Stadium: A GAME CHANGER.



The Halifax Regional Municipality (HRM) is a region where people live within a **diverse, vibrant, and sustainable** community.

A Community Stadium will contribute to HRM's growth and make our municipality a better place to live and visit. As one of the only Municipalities of its size in North America without a community stadium, Halifax has been talking about the need for a stadium for several decades. With the CFL Atlantic Schooners franchise ready to

come here as the anchor tenant, this is the best and lowest risk opportunity for Halifax to get the stadium it needs, and the first and only time that the private sector is at the table in a substantial manner, significantly mitigating the risk to HRM.



Since submitting our original proposal to HRM in August 2019, we have been listening to public feedback and concerns, including significant concerns raised about public risk. Our revised proposal takes this feedback into consideration and provides HRM with a community stadium proposal that is unprecedented in North America. In short, this new proposal is the best deal for HRM and, in fact, better than any stadium jurisdiction in North America.

Mitigating HRM's Risk and Economic Benefits

- SSE to contribute tens of millions of dollars directly to Stadium Construction
- SSE will fund all ongoing Capital expenses
- SSE will take on all operational expenses, regardless of ownership structure
- SSE to repay HRM's FULL annual contribution
- HRM to share in excess surcharge profits, forecasted to be hundreds of thousands in annual revenue
- Thousand of jobs created
- Millions of dollars in tax revenues

HRM to decide who owns the stadium

- SSE welcomes a Stadium ownership model that is acceptable to HRM and by no means insists on SSE owning the facility. However, SSE understands and accepts that the ownership model must ensure HRM bears no operational risk.

Tax Incremental Financing – Busting the Myth

- While a Tax Increment Financing (TIF) districts is proposed to be created around the stadium area, HRM is in full control of what would be a part of this district. And more importantly, if the TIF district is delayed or is never created, HRM will not be left on the hook, thanks to the implementation of the ticket surcharge to cover any TIF shortages, if any.

Unprecedented commitment to HRM youth and community initiatives

- SSE will reward student achievement by donating hundreds of tickets to each home game for qualifying successful students.
- A charitable foundation will raise hundreds of thousands of dollars per year to support programs that support boys and girls across Nova Scotia to overcome the current barriers to fair and accessible sport and recreation opportunities.

HRM Community Stadium – Much more than just football

- 24,000+ total capacity
- Inflatable winter sports dome
- Local Sports and Entertainment Stakeholder Supporters such as Sport Nova Scotia are on board
- 300+ days a year for community sport and recreation use
- 10 CFL Home games (pre season and regular season) per year plus payoffs (6,000 season ticket deposits sold already)
- 1-2 major stadium concerts per year
- A number of smaller, amphitheater style concerts, as well as the potential for multi day festival style concert events
- Minimum of one Grey Cup every 10 years
 - o The 2018 Grey Cup hosted in Edmonton had a total economic impact of more than \$81 million
- Potential to host NHL outdoor games such as the recent 2019 Heritage Classic in Regina
 - o Initial reports indicate a \$15-\$20 million economic impact for Regina

