

**Report to  
Rapport au:**

**Finance and Economic Development Committee  
Comité des finances et du développement économique  
5 November 2019 / 5 novembre 2019**

**and Council  
et au Conseil  
27 November 2019 / 27 novembre 2019**

**Submitted on October 25, 2019  
Soumis le 25 octobre 2019**

**Submitted by  
Soumis par:  
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**Ward: CITY WIDE / À L'ÉCHELLE DE LA  
VILLE**

**File Number: ACS2019-CMR-OCM-0002**

**SUBJECT: Lansdowne Partnership Plan Annual Report**

**OBJET: Rapport annuel sur le Plan de partenariat du parc Lansdowne**

### **REPORT RECOMMENDATIONS**

**That the Finance and Economic Development Committee recommend Council receive the following status update report related to the Lansdowne Partnership Plan:**

- 1. The update from the City Manager outlining the delegated authority exercised from Q3 2017 to date by the City Manager, the City Solicitor and the City Treasurer, under the finalized and executed Lansdowne Partnership Plan Legal Agreements;**
- 2. The update from the City Manager on the October 2, 2019 Lansdowne Master Partnership Meeting and Meetings Amongst Parties to the Unanimous Shareholder Agreements; and,**
- 3. The status update outlined in this report regarding the operations of the Lansdowne Public-Private Partnership as referenced on Page 15 in the 2018-Procurement Year in Review report (ASC2019-CSD-PRO-0001); and,**
- 4. Direct the General Manager, Recreation, Cultural and Facility Services to negotiate the transfer of City-controlled operations of the Lansdowne site to the Ottawa Sports and Entertainment Group (OSEG), to be informed by public consultations on the community programming aspects of the proposal to be undertaken by the City with the Ward Councillor within existing budgets, as described in this report and to bring back the results of these negotiations to the Finance and Economic Development Committee and Council for consideration prior to finalizing and executing an agreement for the transfer of operations.**

### **RECOMMANDATIONS DU RAPPORT**

**Que le Comité des finances et du développement économique recommande au Conseil de prendre connaissance des comptes rendus de situation ci-après, relativement au Plan de partenariat du parc Lansdowne :**

- 1. le compte rendu du directeur municipal sur les pouvoirs délégués exercés depuis le troisième trimestre de 2017 par le directeur municipal, le greffier**

**municipal et avocat général et la trésorière municipale en vertu des conventions officielles conclues et signées pour le Plan de partenariat du parc Lansdowne;**

- 2. le compte rendu du directeur municipal sur l'assemblée tenue le 2 octobre 2019 par la société en commandite principale du parc Lansdowne et des assemblées tenues le 2 octobre 2019 par les parties aux conventions unanimes des actionnaires;**
- 3. le compte rendu exposé dans le présent rapport sur les activités du partenariat public-privé Lansdowne, dont il est question à la page 15 du rapport sur l'examen annuel des achats de 2018 (ASC2019-CSD-PRO-0001);**
- 4. que l'on demande au directeur général de la Direction générale des loisirs, de la culture et des installations de négocier le transfert des opérations du parc Lansdowne contrôlées par la Ville à l'Ottawa Sports and Entertainment Group (OSEG), orienté par les consultations publiques sur les aspects de la proposition se rapportant à la programmation communautaire à mener par la Ville, avec le conseiller du quartier, dans le respect des budgets existants, comme le décrit le présent rapport, et de porter les résultats de ces négociations à la connaissance du Comité des finances et du développement économique et du Conseil municipal pour étude avant de finaliser et d'exécuter l'accord sur le transfert des opérations.**

## **EXECUTIVE SUMMARY**

This report fulfills the reporting requirements under the Lansdowne Partnership Plan (LPP) Project Agreements and as directed by Council, which includes a summary of the exercise of delegated authority under the executed Lansdowne Partnership Plan Legal Agreements from Q3 2017 to date by the City Manager, City Solicitor and City Treasurer.

The report also provides an update on the October 2, 2019 Lansdowne Master Limited Partnership meeting and the October 2, 2019 Meetings Amongst Parties to Unanimous Shareholder Agreements.

Lastly, this report provides an update on the operations of the Lansdowne Partnership Plan.

### **Section 1: Delegation of Authority Summary**

Since April 2019, when City staff last reported on the exercise of the delegated authority through the Lansdowne Partnership Plan Annual Report (ACS2019-CMR-OCM-0001), delegated authority has been exercised in one instance. The Master Limited Partnership entered into an agreement to borrow funds through a revolving credit facility to assist with cash flow fluctuations. This credit facility was approved by OSEG and City staff.

## **Section 2: Report on the October 2, 2019 Lansdowne Master Limited Partnership Meeting and the October 2, 2019 Meetings Amongst Parties to Unanimous Shareholder Agreements**

As part of the Lansdowne Partnership Plan, the Master Limited Partnership was created in which the City and Ottawa Sports and Entertainment Group (OSEG) are the limited partners and Lansdowne Master GP Inc. is the general partner.

### *Annual Meetings of Parties to the Lansdowne Master Limited Partnership and the LPP Unanimous Shareholder Agreements*

On October 2, 2019 the meetings amongst the parties to the LPP Master Limited Partnership and the LPP Unanimous Shareholder Agreements took place at City Hall in the City Manager's Boardroom.

The City was represented in each of the two meetings by the City Manager and the City Treasurer. The Ottawa Sports and Entertainment Group was represented in each of the two meetings by Roger Greenberg, Executive Chair and Managing Partner and Mark Goudie, President and Chief Executive Officer.

The general partner of the Lansdowne Master Limited Partnership and the general partners of each of the four Component Limited Partnerships were represented in each of the two meetings by Mark Goudie, President and Chief Executive Officer of the Component GP, and David Porter, Senior Vice President, Finance and Technology.

The annual meeting of the parties to the Lansdowne Master Limited Partnership focused on the financial performance results for the period ending March 31, 2019. The meeting also included a presentation of the 2019 / 2020 Operating Budget, a presentation of a revised pro forma for the 30-year closed financial system (waterfall, under the LPP), and highlighted significant matters and other business.

The second meeting, being the Annual Meetings of Parties to LPP Unanimous Shareholder Agreements, commenced immediately after the adjournment of the first meeting described above and consisted of a series of "sub meetings" related to each of the Component Limited Partnerships, namely: (1) the stadium component; (2) the retail

component; (3) the Canadian Football League (CFL) team; and, (4) the Ottawa 67's hockey team and, included parties to the Unanimous Shareholder Agreement for each Component General Partnership.

A total of (6) six decisions were made by the City and OSEG at the two meetings. These decisions were in relation to the adoption and approval of the audited financial statements for the Lansdowne Master Limited Partnership for the period ending March 31, 2019, the adoption and approval of the financial statements of the four Component Limited Partnerships, and the re-appointment of KPMG as the auditor for the Lansdowne Master Limited Partnership.

At the Lansdowne Limited Partnership meeting held on October 2, 2019, the General Partner presented the financial statements for the year ended March 31, 2019. The financial statements were approved and received by the City and are on file with the City Clerk's Office.

### **Section 3: Update on the operations of the Lansdowne Public-Private Partnership**

One of the purposes of this report is to fulfill Council-directed reporting to provide an annual update on the operations of the Lansdowne Public-Private Partnership. This report covers the year 2018 up to the fiscal year end of March 31, 2019 and in the case of the Recreation, Cultural and Facility Services department (RCFS) and OSEG, it will provide updated programming information for the period from January 2018 until the end of March 2019.

#### **OSEG UPDATE OVERVIEW**

The Partnership's last reporting period was 2017, which was an extremely busy year for both Ottawa (with Ottawa 2017 and Canada 150 events) and Lansdowne hosted a number of Ottawa 2017 celebrations including: the 105<sup>th</sup> Grey Cup Game, 105<sup>th</sup> Grey Cup Festival, the NHL 100 Classic outdoor hockey game and a major stadium concert. As expected, the number of people that visited Lansdowne in 2018 declined slightly from 2017, to 3.7 million and revenues for 2019 declined by 10% to \$61 million from the previous fiscal year. If the impact of the Grey Cup is removed from the 2017 comparison year, then recurring revenues in fiscal 2019 increased 20% from 2017 and increased 22% from 2016.

A major success of the Partnership has been with regard to transportation. Transportation Demand Management (TDM) initiatives maintained their success levels as visitors continued to embrace the use of OC Transpo (and STO) service to and from

TD Place. The TDM modal share targets for transit and shuttle usage were met or exceeded in all event categories. For major events (attendance of 15,000 or higher) in 2018, the transit and shuttle modal share was 53%.

Overall, the event load at TD Place in fiscal 2019 increased by 10% to 121 events.

After hosting the Grey Cup in 2017, the Ottawa REDBLACKS experienced an expected decline in regular season attendance, but still recorded an average crowd of 23,282 (97% of capacity) in the regular season. The team finished first in the Eastern Conference with an 11 win and seven loss record and went on to win the Eastern Conference Championship. They appeared in the Grey Cup game for a third time in only five seasons of existence.

The 2018-19 hockey season was also a record-setting year for the Ottawa 67's. The team won 50 regular season games, which tied their all-time record and recorded 106 total points, which set a new 52-year franchise record. This translated into a resurgence in terms of 67's attendance, particularly in the second half of the season and through the playoffs. Although rounds two through four of the OHL playoff fell outside of the fiscal 2019 reporting period and will be captured in the fiscal 2020 report, the team won an OHL record 14 consecutive playoff games and packed the arena at TD Place with between 5,000 and 9,000 fans per game.

Ottawa Fury FC averaged over 4,600 fans in their 2018 season, which was down 7% year-over-year. On the pitch, the team failed to make the USL (United Soccer League) playoffs. Off the pitch, Fury players and coaches were active in the community. Over 1,200 kids participated in the Fury's community practice program and thousands more in the Fury in Training (FIT) program and the GOALS program that was set up to engage elementary and high school students to help inspire them to set and reach their academic and athletic goals. In all, players, coaches, cheer team and staff representing all OSEG sports teams and the OSEG Foundation, spent over 7,500 hours attending community events.

## **RECREATION, CULTURAL AND FACILITY SERVICES PROGRAMMING OVERVIEW**

The Recreation, Cultural and Facilities Services Department is responsible for the animation, programming, rentals and overall management of the Urban Park component of Lansdowne Park that includes the Horticulture Building, Aberdeen Pavilion, Aberdeen Square, The Great Lawn, outdoor skating court, children's play structure and the community garden. The Ottawa Sports and Entertainment Group (OSEG) operates the stadium, arena and parking garage and is responsible for the public realm throughout

the retail and residential portion of the site. Through a maintenance agreement with the City, OSEG also provides ongoing maintenance to the Urban Park facilities within.

The City works closely with OSEG, local community associations and the Glebe BIA, to ensure that the use of Lansdowne is maximized and that the site continues to be a destination of choice for event organizers, residents, tourists and the surrounding community.

Since the last report to Council in April 2019, the Urban Park has hosted 186 events, many of which took place over multiple dates. Significant large-scale events included City Folk Festival and Escapade. Recurring events, such as the Ottawa Farmers' Market and 613Flea continued to draw city-wide interest and experienced steady growth. The Urban Park continues to be a preferred venue for festivals, community, corporate and private events.

### **OSEG STRATEGIC REVIEW UPDATE**

As part of the April 2, 2019 report to the Finance and Economic Development Committee (FEDCO) entitled, "Lansdowne Partnership Plan Annual Report" (ACS2019-CMR-OCM-0001), received by City Council on April 10, 2019, OSEG indicated that, "in 2018 OSEG commenced a wide-ranging strategic review and commenced the development of an updated, long-term strategic plan for the Lansdowne partnership. Work ... includes new near-term operational initiatives aimed at stabilizing the waterfall results." OSEG also noted that they have contributed in excess of \$150 million to the partnership to date, and that their current projections are that OSEG will not have received repayment of \$102 million in equity contributions that they have made within the 30-year parentship horizon.

On September 24, 2019, OSEG provided the City with a recommendation and request to extend the current Partnership Agreement with the City to allow OSEG to assume all programming and site operations at Lansdowne for the remainder of the Partnership Agreement. Their proposal would consolidate operations, programming and facility bookings, providing one point of contact for the public while maintaining the commitments to community programming outlined in the in the Urban Park Programming Agreement which reflects Council-approved Lansdowne Urban Park, Aberdeen Pavilion and Horticulture Building Programming Plan. They believe this will help enhance the Lansdowne community and visitor experience as a regional gathering place and sports and entertainment venue and help to increase the annual attendance on the site from 4 million to approximately 5 million.

Staff is supportive of this proposal in principle and is requesting Council direction to enter into negotiations with OSEG to explore the terms and conditions associated with the transfer of programming and operations of the current City-operated components of the site. The negotiations will be premised upon respecting the terms and conditions of the existing Partnership Agreement and community access as reflected in the Urban Park Programming Agreement. Furthermore, the negotiations will need to be informed by public consultations on the community programming aspects of the proposal to be undertaken by the City with the Ward Councillor, within existing budgets. The negotiations will seek to reduce and or eliminate the City's current operating expenses. Any net reduction in expenses could be repurposed for reinvestment in the site such as repairs to the Aberdeen Pavilion. Staff will report back to the Finance and Economic Development Committee and Council on the proposed terms and timing of any change in oversight of operations for its consideration and approval.

OSEG has also indicated that it is reviewing the operations of the 50+-year-old north stands and arena in terms of its financial and operational challenges. OSEG expects to be in a position to deliver recommendations regarding the legacy buildings in the first quarter of 2020.

## **BACKGROUND**

On October 10, 2012, City Council approved the legal close of the Lansdowne Partnership Plan (ACS2012-PAI-INF-0010 and ACS2012-CMR-LEG-0002). This report satisfies the direction by Council and the reporting requirements under the Lansdowne Partnership Plan Project Agreements. This report also provides an update on the operations of the Lansdowne Partnership Plan (LPP).

As approved by Council on October 10, 2012, the LPP is comprised of a Master Limited Partnership, incorporated under the laws of the Province of Manitoba, in order to limit the legal liability of the City and the Ottawa Sports and Entertainment Group.

The LPP also includes limited partnerships for each of the LPP components being: (1) the stadium component; (2) the retail component; (3) the CFL team; and (4) the Ottawa 67's hockey team. The City is a party to a unanimous shareholder agreement for the Master Limited Partnership as well as for each of the four Component Limited Partnerships noted above for the purpose of enforcing the provisions of each agreement. All of these agreements were on file with the City Clerk and Solicitor at the time that Council Approved the final LPP Legal Agreements and the legal close of the LPP on October 10, 2012.

## **DISCUSSION**

The purpose of this report is to fulfill the reporting requirements under the LPP Project Agreements and as directed by Council, which include a summary of the exercise of delegated authority from Q2 2019 to date by the City Manager, City Solicitor and City Treasurer; report on the October 2, 2019 Lansdowne Master Limited Partnership meeting and the October 2, 2019 Meetings Amongst Parties to Unanimous Shareholder Agreements; and, an update on the operations of the Lansdowne Partnership Plan over the past year.

The report and its recommendations have been structured into three sections listed below:

Section 1: Delegation of Authority Summary

Section 2: Report on the October 2, 2019 Lansdowne Master Limited Partnership meeting and the October 2, 2019 Meetings Amongst Parties to Unanimous Shareholder Agreements

Section 3: Update on the operations of the Lansdowne Public-Private Partnership

### **Section 1: Delegation of Authority Summary**

Since April 2019, when City staff last reported on the exercise of the delegated authority through the Lansdowne Partnership Plan Annual Report (ACS2019-CMR-OCM-0001), delegated authority has been exercised in one instance. The Master Limited Partnership entered into an agreement to borrow funds through a revolving credit facility to assist with cash flow fluctuations. This credit facility was approved by OSEG and City staff.

### **Section 2: Report on the October 2, 2019 Lansdowne Master Limited Partnership Meeting and the October 2, 2019 Meetings Amongst Parties to Unanimous Shareholder Agreements**

As part of the Lansdowne Partnership Plan, the Master Limited Partnership was created in which the City and Ottawa Sports and Entertainment Group (OSEG) are the limited partners and Lansdowne Master GP Inc. is the general partner.

The Master Limited Partnership Agreement was entered into on October 12, 2012 and provided that the fiscal year is the calendar year, however, the fiscal year end was changed to March 31 of each year commencing in 2019. It also provides that the

general partner must prepare audited financial statements for each fiscal year and an unaudited income statement and balance sheet at the end of each fiscal quarter.

Consistent with Council's role in relation to other entities in which the City has a legal interest (e.g. Hydro Ottawa, Ottawa Community Housing Corporation, etc.), Council's role in relation to the Master and Component Limited Partnerships is limited in scope.

Council, as represented by the City Manager, cannot direct day-to-day business operations. Conversely, Council has a number of things it must do such as: attend Annual Meetings, as represented by the City Manager, and approve annual financial statements and the appointment of the auditors of the Master Limited Partnership.

*Annual Meetings of Parties to the Lansdowne Master Limited Partnership and the LPP Unanimous Shareholder Agreements*

On October 2, 2019 the meetings amongst the parties to the LPP Master Limited Partnership and the LPP Unanimous Shareholder Agreements took place at City Hall in the City Manager's Boardroom.

The City was represented in each of the two meetings by the City Manager and the City Treasurer. The Ottawa Sports and Entertainment Group was represented in each of the two meetings by Roger Greenberg, Executive Chair and Managing Partner and Mark Goudie, President and Chief Executive Officer.

The general partner of the Lansdowne Master Limited Partnership and the general partners of each of the four Component Limited Partnerships were represented in each of the two meetings by Mark Goudie, President and Chief Executive Officer of the Component GP, and David Porter, Senior Vice President, Finance and Technology.

The annual meeting of the parties to the Lansdowne Master Limited Partnership focused on the financial performance results for the period ending March 31, 2019. The meeting also included a presentation of the 2019 / 2020 Operating Budget, a presentation of a revised pro forma for the 30-year closed financial system (waterfall, under the LPP), and highlighted significant matters and other business.

The second meeting, being the Annual Meetings of Parties to LPP Unanimous Shareholder Agreements, commenced immediately after the adjournment of the first meeting described above and consisted of a series of "sub meetings" related to each of the Component Limited Partnerships, namely: (1) the stadium component; (2) the retail component; (3) the Canadian Football League (CFL) team; and, (4) the Ottawa 67's

hockey team and, included parties to the Unanimous Shareholder Agreement for each Component General Partnership.

A total of (6) six decisions were made by the City and OSEG at the two meetings. These decisions were in relation to the adoption and approval of the audited financial statements for the Lansdowne Master Limited Partnership for the period ending March 31, 2019, the adoption and approval of the financial statements of the four Component Limited Partnerships, and the re-appointment of KPMG as the auditor for the Lansdowne Master Limited Partnership.

At the Lansdowne Limited Partnership meeting held on October 2, 2019, the General Partner presented the financial statements for the year ended March 31, 2019. The financial statements were approved and received by the City and are on file with the City Clerk's Office.

### **Section 3: Update on the operations of the Lansdowne Public Private Partnership**

One of the purposes of this report is to fulfill Council-directed reporting to provide an annual update on the operations of the Lansdowne Public-Private Partnership. This report covers the year 2018 up to the fiscal year end of March 31, 2019 and in the case of the Recreation, Cultural and Facility Services department (RCFS) and OSEG, it will provide updated programming information for the period from January 2018 until the end of March 2019.

The programming plan for Lansdowne is coordinated through an ongoing dialogue between OSEG and City staff and is developed to support the vision of an accessible, world-class meeting place. OSEG operates the stadium, arena and parking garage and is also responsible for the public realm throughout the retail and residential portions of the site. To ensure consistency of standards and economies of scale, the City continues to benefit from the maintenance agreement with OSEG for the Urban Park portion of the site.

### **OSEG UPDATE OVERVIEW**

This update covers the 15-month period starting January 1, 2018 through March 31, 2019 for Lansdowne Master LP (the Partnership), which is a partnership between the Ottawa Sports and Entertainment Group (OSEG) and the City of Ottawa. OSEG, with the approval of the City, changed its fiscal year to run from April 1 to March 31 and, from this point forward, LMLP will be reporting each year for the 12 months ending March 31. Financial elements presented in this update that refer to the 15-month

period will be referenced as fiscal 2019 and other calendar-year-based measures will be referenced as calendar 2018.

The Partnership's last reporting period was 2017, which was an extremely busy year for both the City of Ottawa (with Ottawa 2017 and Canada 150 events) and for Lansdowne, which hosted Ottawa 2017 celebrations including: the 105<sup>th</sup> Grey Cup Game, 105<sup>th</sup> Grey Cup Festival, NHL 100 Classic outdoor hockey game and a major stadium concert. As expected, for calendar 2018 the number of people that visited Lansdowne declined slightly from 2017 to 3.7 million and revenues for fiscal 2019 declined by 10% to \$61 million from the previous year. If the impact of the Grey Cup is removed from the 2017 comparison year then recurring revenues in fiscal 2019 increased 20% from 2017 and increased 22% from 2016.

A major success of the Partnership has been with regard to transportation. Transportation Demand Management (TDM) initiatives maintained their success levels as visitors continued to embrace the use of OC Transpo (and STO) service to and from TD Place. The TDM modal share targets for transit and shuttle usage were met or exceeded in all event categories. For major events (attendance of 15,000 or higher) in calendar 2018, the transit and shuttle modal share was 53%.

Overall, the event load at TD Place in fiscal 2019 increased by 10% to 121 events. Larger-scale events included REDBLACKS home games and the annual Carleton University/uOttawa Panda Game (which experienced its first sell-out). TD Place also hosted a diverse range of other events that included concerts such as: Judas Priest, Foreigner, Nathaniel Ratliffe, comedians Trevor Noah, Steve Martin and Martin Short, as well as musical theater shows. OSEG also hosted the Canadian National Men's Basketball team in an America's Cup qualifier, an international Volleyball Nations League tournament, and a soft-launch of the new Ottawa Christmas Market at Lansdowne, which will make its full-scale, official debut this coming holiday season.

After hosting the Grey Cup in 2017, the Ottawa REDBLACKS experienced an expected decline in regular season attendance, but still recorded an average crowd of 23,282 (97% of capacity) in the regular season. The team finished first in the Eastern Conference with an 11 win and seven loss record and went on to win the Eastern Conference Championship. They appeared in the Grey Cup game for a third time in only five seasons of existence.

The 2018-19 hockey season was also a record-setting year for the Ottawa 67's. The team won 50 regular season games, which tied their all-time record and recorded 106

total points, which set a new 52-year franchise record. This translated into a resurgence in terms of 67's attendance, particularly in the second half of the season and through the playoffs. Although rounds two through four of the OHL playoff fell outside of the fiscal 2019 reporting period and will be captured in the fiscal 2020 report, the team won an OHL record 14 consecutive playoff games and filled the arena at TD Place with between 5,000 and 9,000 fans per game.

Ottawa Fury FC averaged over 4,600 fans in their 2018 season, which was down 7% year-over-year. On the pitch, the team failed to make the USL (United Soccer League) playoffs. Off the pitch, Fury players and coaches were active in the community. Over 1,200 kids participated in the Fury's community practice program and thousands more in the Fury in Training (FIT) program and the GOALS program that was set up to engage elementary and high school students to help inspire them to set and reach their academic and athletic goals. In all, players, coaches, cheer team and staff representing all OSEG sports teams and the OSEG Foundation, spent over 7,500 hours attending community events.

Also, in 2018 City Parks and Recreation, in partnership with TD Place, staged numerous large and small events at Lansdowne including the CityFolk and the Escapade outdoor music festivals. The Ottawa Farmers' Market had a successful summer/fall season and also ran a winter market in the Aberdeen Pavilion.

#### **RETAIL:**

Lansdowne's 340,000 sq.ft. retail district increased to 98% leased from 95% in 2017. To-date in calendar 2019, site visitors have increased by over 10% from 2018 and are projected to exceed four million.

#### **CONDOMINIUM/RESIDENTIAL:**

All residences in the two condo towers at Lansdowne and all of the townhomes along Holmwood Avenue have been sold and are occupied.

#### **OFFICE TOWER:**

The office tower was over 87% leased as at the end of fiscal 2019 as compared to 70% leased at fiscal 2017.

#### **SUMMARY FINANCIAL RESULTS:**

As stated previously, to better align with the cycle of the Partnership's business, its financial year end was changed from December 31<sup>st</sup> to March 31<sup>st</sup>. This is the first-year reporting with the new fiscal year end. As such, the period of the report is a 15-month period ending March 31, 2019 (referenced as fiscal 2019).

In the fiscal 2019:

- The Partnership achieved revenues of \$60.8 million, which represents a decrease of \$7 million or 10% over 2017. This decrease is attributed to the absence of a Grey Cup Game and Festival (with revenues totaling \$17.4 million) from the previous fiscal year. Revenues from recurring operations of the Partnership increased by \$10.3 million in fiscal 2019 versus 2017 (excluding the Grey Cup) and the comparable 12-month 2018 calendar year revenues (included in the 15-month fiscal 2019 revenues) increased by \$2 million year-over-year. This is a positive result as it shows the ability of the Partnership to grow the recurring revenue base achieved in a very busy 2017 (Ottawa 2017, Canada 150) as a result of organic growth associated with the Ottawa REDBLACKS, continued improvement with retail operations and a higher TD Place event load.
- Income or profits from recurring operations were \$500,000 lower in fiscal 2019 versus 2017 but improved by \$1.6 million from the fiscal 2016 year (excluding the non-recurring Grey Cup profits in 2017 of \$3.7 million).
- After non-cash depreciation, interest and borrowing costs, the Partnership's net loss from recurring operations was \$12.7 million; an increase of \$1.1 million from fiscal 2017 (excluding the Grey Cup) and an improvement of \$1.7 million from the net loss of \$14.4 million in fiscal 2016.

## **UPDATED 30-YEAR PLAN**

As has been reported previously, a significant financial challenge that the Partnership has faced is the amount of capital that was required to finish the construction and refurbishment project. This included the complex retail construction and the refurbishment of the 50-year-old arena and north stadium complex (including unplanned technology improvements that necessitated \$10 million in incremental capital) and funding for initial operations.

These costs were funded by OSEG with no additional funding provided by the City. By the end of fiscal 2019, OSEG contributed \$144 million which represented an additional \$88 million, to the Partnership compared to what was anticipated at the Partnership's inception in 2012. In its updated 30-year plan, this amount is expected to grow to \$152 million or an increase of \$96 million versus the initial 2012 plan (see chart).

**Table 1: Updated 30-year plan**

(in \$ millions)	Fiscal 2019 Updated Proforma	2012 Project Proforma	Additional
Initial Equity	\$ 30	30	-
Additional Equity:			
Funded to fiscal 2019	114	26	88
Fiscal 2020 onward	8	-	8
	122	26	96
TOTAL	\$ 152	56	96

Based on the updated 30-year pro forma, over the life of the partnership and from Partnership cashflow distributions, OSEG is not expected to recoup a total of \$69 million of interest/funding and the City would not receive \$62 million of accrued interest on its "deemed" equity. This pro forma is based on the consolidation of Lansdowne programming as discussed in this report. If that was excluded the OSEG partners' unrecouped equity would be \$76 million.

### **OSEG STRATEGIC REVIEW UPDATE**

As part of the April 2, 2019 report to the Finance and Economic Development Committee (FEDCO) entitled, "Lansdowne Partnership Plan Annual Report" (ACS2019-CMR-OCM-0001), received by City Council on April 10, 2019, OSEG indicated that, "in 2018 OSEG commenced a wide-ranging strategic review and commenced the development of an updated, long-term strategic plan for the Lansdowne partnership. Work ... includes new near-term operational initiatives aimed at stabilizing the waterfall results. Longer term, larger scope initiatives that increase visitors to Lansdowne, provide additional programming and improve waterfall returns to both OSEG and the City are also being evaluated and will be included as part of this strategic review."

The report noted that OSEG has contributed in excess of \$150 million to the partnership to date, and that their current projections are that OSEG will not have received

repayment of \$102 million in equity contributions that they have made within the 30-year partnership horizon.

OSEG's review has maintained a focus on enhancing the Lansdowne experience as a regional gathering place and sports and entertainment venue. Based on the review undertaken to date, OSEG estimates that an increase of 25% in annual visitors and foot traffic is necessary. Increasing annual attendance from 4 million to approximately 5 million.

On September 24, 2019, OSEG provided the City with a recommendation and request to extend the current Partnership Agreement with the City to allow OSEG to assume all programming and site operations at Lansdowne for the remainder of the Agreement. Their proposal would consolidate operations, programming and facility bookings, providing one point of contact for the public while maintaining the commitments to community programming outlined in the Urban Park Programming Agreement which reflects the Council-approved Lansdowne Urban Park, Aberdeen Pavilion and Horticulture Building Programming Plan. They believe this will help enhance the Lansdowne community and visitor experience as a regional gathering place and sports and entertainment venue and help to increase the annual attendance on the site from 4 million to approximately 5 million.

Staff is supportive of this proposal in principle and is requesting Council direction to enter into negotiations with OSEG to explore the terms and conditions associated with the transfer of programming and operations of the current City-operated components of the site. The negotiations will be premised upon respecting the terms and conditions of the existing Partnership Agreement and community access as reflected in the Urban Park Programming Agreement. Furthermore, the negotiations will need to be informed by public consultations on the community programming aspects of the proposal to be undertaken by the City with the Ward Councillor, within existing budgets. The negotiations will seek to reduce and or eliminate the City's current operating expenses. Any net reduction in expenses could be repurposed for reinvestment in the site such as repairs to the Aberdeen Pavilion. Staff will report back to the Finance and Economic Development Committee and Council on the proposed terms and timing of any change in oversight of operations for its consideration and approval.

OSEG has also indicated that it is reviewing the operations of the 50+-year-old north stands and arena in terms of its financial and operational challenges. OSEG expects to be in a position to deliver recommendations regarding the legacy buildings in the first quarter of 2020.

### *Recreation, Cultural and Facility Services Update*

During the reporting period from June 2018 to May 2019, the Urban Park continued to attract large-scale events such as the City Folk Festival, Escapade, and the Mayor's Canada Day Breakfast. In addition, 95 free public events and 48 registered programs were delivered by staff to balance activities that focus on the local community and those that aim to attract residents and visitors from across Ottawa.

During the reporting period, Lansdowne Urban Park hosted 186 rental events, bringing in an estimated 375,000 participants<sup>1</sup> and generating over \$425,000 in revenues. The site plays an important role in the Ottawa Tourism strategy to attract events to Ottawa and in supporting the local economy.

Table 2 compares the number of events at Lansdowne over the last three years highlighting an increase in bookings from year-to-year and a robust level of community access to the facilities.

**Table 2: Number of Rental Events at Lansdowne, 2017-2019**

<b>Programming Year (June 1 – May 31)</b>	<b># Bookings</b>
2016-17	177
2017-18	181
2018-19	186

### **PARTNERSHIPS**

The City and OSEG continued to work together to provide an integrated venue for programming and rental events. Internal City collaborations with respect to traffic demand management, public transportation and shuttles, communications, emergency services, as well as police, continue to occur for large events and game days.

In November 2017, the Auditor General completed an audit of the operations and management of Lansdowne. During the reporting period, staff worked on refining the monitoring processes for the broad range of requirements contained in the Lansdowne agreements.

### **FACILITY RENTALS / LEASES**

<sup>1</sup> Estimated attendances for rental events listed in this report are based on proactive estimates provided by the renting organization. The City does not have the resources to confirm actual attendance for each event.

Between June 2018 and May 2019, Lansdowne's unique and scenic Urban Park facilities hosted 118 community events open to the public and 48 private events. These events generated approximately \$425,000 in revenues and had a combined estimated attendance of over 375,000 participants. The success of prior year events resulted in 58 repeat bookings in 2018-19.

Large and small-scale events in 2018-19 included: CityFolk Festival, Brewfest, Coffeefest, Escapade, Wiggle Waggle, Ottawa Welcomes the World, Panda Concert, Ottawa Vegan Market, Panda Breakfast, City of OM, Indonesia Festival and ESAX. The monthly 613Flea markets have attracted thousands to visit the site, with over 120 vendors, eclectic goods, handmade crafts and vintage finds.

In May of 2019, the Tulip Festival vacated the office space on the second floor of the Horticulture Building and a search has been initiated for a replacement tenant for this lease space. This space was generating just under \$20,000 per year to the City. The retail lease to Boccato's for the front quadrant of the Horticultural Building continued throughout this period.

#### Ottawa Farmers' Market

Between May 2018 and November 2018, the Ottawa Farmers' Outdoor Market held in Aberdeen Square, hosted 28 market days, with an average of 77 vendors per day compared to 70 in 2017. The sales records for the outdoor market show a 17% increase over the same period last year, with total attendance estimated at more than 102,000, an increase of 23% over the previous year. The Christmas market ran for eight days in December 2018 (compared to five days in 2017) and was estimated to have brought in 33,600 people. The Winter markets in the Aberdeen Pavilion ran 20 days between November 2018 and April 2019 bringing in an estimated 24,000 people, with an average of 49 vendors per market day. The total estimated attendance for all 56 market days is over 159,000 this season, an increase of 29%.

#### **PROGRAMMING AND ANIMATION**

Lansdowne is becoming known for a varied and appealing range of events that are primarily hosted by external partners under rental contracts with the City. Direct City programming and animation also continued during the reporting period as a secondary activity. Residents continue to be well served through a diverse collection of activities provided by event organizers, who in turn benefit from the larger facilities and capacity that a site like Lansdowne provides.

In 2018-19, the City continued to offer Lansdowne as a destination for summer camps from across the city, where up to 700 children were hosted and were provided with innovative and creative activities. The 1st Annual Egg Race was introduced during the reporting year and registration sold out. In addition, the popular Roller Disco program almost doubled its registration with close to 400 participating this year. In total the City animated the Lansdowne space by offering 48 registered programs and workshops.

In addition to community-hosted events, the City staged several of its own events at Lansdowne such as: the Mayor's Canada Day Breakfast, the Recreation, Cultural and Facility Services (RCFS) Summer Sizzler and the Youth Future's Graduation.

During this period, the City also organized a wide variety of free drop-in events that offered fun activities such as: Salsa Dancing under the Stars on the Square, Full Moon Yoga, Sidewalk Astronomy, Martial Arts in the Park, Water Plaza Animation, Workshop Garden Tours, Demos and Storytime, and the very popular Summer Arts Series where four local emerging performers, including Big Soul Project, Occasional, Pudding and Fiddlehead Soup were highlighted on Sunday evenings throughout the summer. Thanks to a TD Canada Trust sponsorship, over 2,100 participants enjoyed open air performances. In total, more than 90 free programs, events and exhibitions were offered at the Park between June 2018 - May 2019, attracting over 28,000 participants.

Programming highlights during the reporting period include:

- 4th Annual Pumpkin Derby - A Halloween-themed event that keeps growing in popularity and size. Kids of all ages put their creative and engineering sides to the test by designing, decorating and racing pumpkin cars. This event brought an estimated 4,000 participants to the site.
- CUPE 503, continued its sponsorship of Movies in the Park at Lansdowne. CUPE 503 supports this program through its generous funding to staff movie events, as well as donating the large inflatable movie screen and audio/visual equipment. Nine free outdoor movies were shown with more than 1,800 patrons of all ages attending the viewings.
- Winterlude at Lansdowne - The City complemented the 2019 Winterlude festivities by offering programming and events such as the Roller Skating event in the Aberdeen Pavilion and outdoor movie screenings hosted by the Asinabka Film Fest.

- Christmas at Lansdowne grew this year with the introduction of the European-style outdoor Christmas Market, while the Ottawa Farmer's Christmas Market in collaboration with OSEG offered carolers, buggy/sleigh rides and a Santa chair drawing an estimated 22,000 participants. The excitement was highlighted by the lighting of the 50-foot-high Christmas tree in front of the Aberdeen Pavilion along with various activities organized in partnership with OSEG and the Ottawa Farmers' Market.
- The outdoor refrigerated rink operated for a total of 120 days between November 2018 and April 2019 and was well-used by skaters of all ages. During the off-season, the rink court has also become a popular area for pick-up basketball, skateboarding and rollerblading.

## **SITE IMPROVEMENTS**

Following the Spring 2018 reinstallation and repair of the "Moving Surfaces" art piece, climbing deterrents were put in place to prevent visitors from climbing the structure and damaging the LED light installation. A dense cluster of bushes and perennials were planted strategically to deter access to the base of the structure. As well, signage was installed to make visitors aware that the "Moving Surfaces" was not designed for climbing.

An assessment of the Aberdeen Pavilion's roof was also initiated to establish engineering requirements to replace the roof. Other smaller improvements on the building include: door realignments, window replacements and floor repairs to ensure that the usability of the building remained intact.

## **FINANCIAL RESULTS**

Financial results for the 2018 fiscal year are outlined in the table below. City operations work within a \$1.754 million net budget allocation to program and maintain the Urban Park. Consistent with prior years, actual expenditures continued to be lower than budgeted to reflect lower than budgeted revenues.

The Urban Park continues to have a net operating cost that is lower than the budgeted net. In 2018, revenues grew by just over 9% over 2017, primarily fueled by the popularity of renting park facilities. The strong rental demand illustrates the unique nature of the site and how it has evolved in the first few years since the park reopened.

Expenses decreased by 2%, reducing the net cost of operations by approximately \$97,000, or 7% compared to 2017.

**Table 3: Financial Results for the 2018 Fiscal Year**

		Expenses		Revenue	Account
2017	<i>Budget</i>	2,351,601	-	615,000	1,736,601
	<b>Actual</b>	<b>1,933,751</b>	-	<b>540,765</b>	<b>1,392,986</b>
2018	<i>Budget</i>	2,329,125	-	574,527	1,754,598
	<b>Actual</b>	<b>1,885,064</b>	-	<b>589,522</b>	<b>1,295,541</b>

The number of City-run registered programs decreased again during this period, reflecting a trend towards greater demand for community and partner hosted activities through rentals.

**Table 4: City-run Registered Programs**

June 1 - May 31	# Barcodes	Revenue	Participation (participants x program hours)
2015-16	24	\$7,500	1,406
2016-17	61	\$14,691	3,055
2017-18	57	\$10,576	1,323
2018-19	48	\$11,710	1,667

The downturn in the number of registered programs reflects the evolving nature of public demands on the site and the growing popularity of third-party offerings at the park delivered around a core offering of free activities and events in the public spaces. Staff and OSEG continue to solicit feedback from the public on programming. A public survey was recently conducted to gain a better understanding of community preferences for programming at Lansdowne and activation of the Aberdeen Square. Over 1,430 responses were received offering valuable input into programming.

**A look ahead:**

In the next reporting period, the City and OSEG will work together to tackle new and emerging issues and pursue new opportunities for park enhancements. Specifically:

- The Urban Park Property Management Agreement has reached end-of-term in June 2019 and will be renegotiated.
- Work will be undertaken to identify and prioritize maintenance and capital replacement investment requirements.
- Efforts will be placed on securing a new tenant for the vacated office space in the Horticultural Building.
- Labour negotiations with the International Alliance of Theatrical Stage Employees (IATSE) concluded and have impacted operational costs and the complexity of bringing major events to the site. With two different IATSE Collective Agreements

(City and OSEG) onsite, the parties will work to clarify boundaries for the application of each agreement within Lansdowne.

- Implementation of the Casino Lac Leamy sponsorship and naming agreement and pursuit of additional sponsorship and naming opportunities.
- Public Art staff will develop and action a call for artists to produce a new electronic art feature to be displayed on the Moving Surfaces installation.

## **RURAL IMPLICATIONS**

There are no specific rural implications associated with the approval of this report. The Ottawa Farmers' Market operates in the Urban Park under a Licence of Occupation and supports rural producers through this initiative.

## **CONSULTATION**

The working committee was re-established by the Ward Councillor in 2019 and has met once to date. Additionally, monthly meetings are held between City staff, OSEG and the Ottawa Farmers' Market.

## **COMMENTS BY THE WARD COUNCILLOR**

Councillor Menard provided the following comments:

My comments are focused on Recommendation #4 from this report.

In a meeting held on October 22<sup>nd</sup> 2019, representatives from OSEG, the City of Ottawa, my office, and communities surrounding Lansdowne **unanimously agreed that before any decision to provide delegated authority is made or any decision to negotiate this item, that a robust consultation must occur.** This will be to the benefit of all parties involved.

The proposal contained in this report (item #4) is pre-mature for consideration for several reasons:

- Zero consultation has been done with current vendors on the site, including the Farmer's Market
- Community Associations have only just recently been informed about this prospect and have expressed concerns about current publicly booked events on the site vs. private-for-profit events and new impacts
- No business plan has been presented about the potential benefits/detractors of this plan

- City Councillors often attend Lansdowne for various events related to their wards, this should be discussed with them in a robust consult
- Leaving one day between FEDCO and City Council for a decision such as this does not afford it the weight it deserves
- Providing delegated authority that allows for a decision without reporting back to Committee and Council will not encourage the type of relationship OSEG and the City are trying to foster in a renewed Lansdowne Partnership

This is a significant issue that will have impacts on the public areas of the park and the surrounding communities. If transferring control to OSEG is the preferred course of action, that should only be determined when we have all necessary information, and we have done thorough public consultations with all impacted parties.

### **LEGAL IMPLICATIONS**

There are no legal implications to the receipt of the report for information. Staff are required to report out on the exercise of delegated authority under the Lansdowne Partnership Plan.

### **RISK MANAGEMENT IMPLICATIONS**

Risk implications have been identified and are being managed as outlined in this report.

### **ASSET MANAGEMENT IMPLICATIONS**

The 2018-2019 term will include a focus on several key items:

- Scoping and estimating required lifecycle capital investments in the Aberdeen Pavilion, including roof repairs and,
- Renewal of the Urban Park Property Management Agreement with OSEG that expires in 2019.

### **FINANCIAL IMPLICATIONS**

The Lansdowne Partnership Plan (LPP) is based on a “closed financial system” that captures capital costs and contributions that have been agreed upon by the City and OSEG, and cash-flows from operations to provide the basis for future distributions to the partners. Under this closed system, OSEG is responsible for any deficits that may accrue from operations. The subsequent distribution of any additional net cash-flows is based on a waterfall distribution structure, as follows: contribution to the lifecycle fund,

then provides for the City and OSEG to realize return on equity of eight per cent (non-compounded), then a return of OSEG's additional equity, then a return of equity to the City and OSEG, then for the City a return on deemed equity of eight per cent (non-compounded), and finally, for a fifty-fifty sharing of any residual net cash-flow between the City and OSEG.

The 2019 proforma shows an overall increase of \$3.3 million in waterfall distributions over the 30-year period compared to what was projected in the 2018 proforma. These projections are subject to fluctuations each year as projections get refined to better reflect trends. The overall projected distribution of \$451.6 million is \$137.3 million, or 44% higher than the original projections in 2012 of \$314.3 million.

The following table provides a summary of the waterfall distributions to OSEG and to the City over the 30-year period, in nominal dollars:

**Table 5: Comparison of 30-year Waterfall Distributions (in Nominal \$)**

(in millions \$)	2018 Projection	2019 Projection	Change
<b>Waterfall Summary</b>			
L1 – Additions to Lifecycle Fund	57.1	57.1	-
L2 – OSEG – Return on Equity	336.1	318.2	(17.9)
L2 – City of Ottawa – Return on Funding Equity	-	-	-
L3 – OSEG - Return of Additional Equity	38.1	59.3	21.2
L4 – OSEG - Return of Equity	17.0	17.0	-
L4 – City of Ottawa - Return of Equity *	-	-	-
L5 – City of Ottawa – Return on Deemed Equity	-	-	-
L6 – OSEG – Residual Share	-	-	-
L6 – City of Ottawa – Residual Share	-	-	-
<b>Total</b>	<b>448.3</b>	<b>451.6</b>	<b>3.3</b>

\*City funding equity is nil.

The most significant change is a reduction of \$17.9 million in the return on equity realized by OSEG, but with an offsetting increase in return of equity to OSEG. The City is currently conducting an external review of the waterfall projections. Preliminary findings identified a change that was required in the methodology used to calculate interest on equity, which has been reflected in the revised pro forma.

Similar to the 2018 projections, OSEG is not expected to recover all of the equity they have contributed to this project. Projected equity contributed from OSEG is \$152.3 million and only \$76.3 million of that amount will be repaid.

At the September 23, 2019 unitholder meeting the General Partner presented a revised proforma, to reflect the impact on the waterfall if the site programming was managed entirely by OSEG. The costs and revenues of this activity would now flow through the Partnership's closed financial system and is expected to modestly increase overall waterfall distributions.

This revised proforma shows an estimated overall increase of \$9.8 million in waterfall distributions compared to the current 2019 proforma projection which shows an increase of \$3.3 million from 2018; a difference of \$6.5 million. The revised projections continue to show no distributions to the City, consistent with the current 2019 projections, and distributions to the Lifecycle Fund are maintained at \$57.1 million.

### **ACCESSIBILITY IMPACTS**

There are no accessibility implications associated with this information report.

### **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this information report.

### **TECHNOLOGY IMPLICATIONS**

There are no technology implications associated with this information report.

### **TERM OF COUNCIL PRIORITIES**

The Lansdowne Partnership Plan and revitalization initiative relates to the following Strategic priorities of Council:

#### *Economic Prosperity*

Objective: Promote Ottawa - Revitalized Lansdowne provides an Ottawa venue for hosting major sporting and cultural events.

#### *Transportation and Mobility*

Objective: Provide and promote infrastructure to support safe mobility choices - A key element of the Lansdowne revitalization was the development and implementation of a comprehensive and aggressive TDM program to encourage and promote use of sustainable transportation for day-to-day activities and for events.

#### *Sustainable Environmental Services*

Objective: Reduce long-term costs through planned investment and staging of diversion and conservation strategies - The Lansdowne revitalization significantly improved the manner in which stormwater flows into the City system, decreased storm run-off, improved the quality of storm flow to the Rideau Canal and provides for use of stormwater for site irrigation.

#### *Healthy and Caring Community*

Objective: revitalize recreation services - The revitalization has established Lansdowne as a significant urban place that is grounded in the site's history. It provides improved opportunities for sporting and cultural endeavours through a re-purposed stadium and a significant Urban Park to accommodate events and for day-to-day community use.

### **SUPPORTING DOCUMENTATION**

Document 1: Minutes from the October 2, 2019 Lansdowne Master Partnership Meeting

Document 2: Minutes from the October 2, 2019 Meetings Amongst Parties to the Unanimous Shareholder Agreements

### **DISPOSITION**

Staff will implement any directions related to Council receiving this report.

Staff will report out on the Lansdowne Partnership on an annual basis in accordance with established reporting requirements.