

1. **LANSDOWNE ANNUAL REPORT AND COVID-19 IMPACTS UPDATE**
- RAPPORT ANNUEL SUR LE PARC LANSDOWNE ET MISE À JOUR SUR
LES RÉPERCUSSIONS DE LA COVID-19**

COMMITTEE RECOMMENDATIONS

That Council:

- 1. Approve the changes to the Lansdowne Partnership Plan Agreements identified below, as required and as outlined in this report, to assist in mitigating the impacts of COVID-19 by increasing the liquidity of the partnership to better manage cashflows, and delegate the authority to the City Manager, in consultation with the City Solicitor and Chief Financial Officer, to negotiate and execute any amendments required to give effect to Council’s decisions:**
 - a. To extend the partnership and associated closed financial system and Waterfall by ten years from 2044 to 2054; and**
 - b. To remove the participation rent and to maintain base rents at current levels in the event of a permitted transfer of the Retail Component during the term of the Retail Lease; and**
 - c. To remove the City’s provision to terminate the Retail Lease without cause; and**
 - d. To provide the Ottawa Sports & Entertainment Group (OSEG) one-time access to the current capital reserve (lifecycle) funds, while they continue to fund lifecycle investments required based on formalized administrative practices for the City to approve these investments; and**

- 2. Approve the establishment of a Lansdowne Park Partnership Working Group consisting of City staff and representatives from OSEG to explore the options to improve the Lansdowne Park Partnership and position it for continued success in a post-COVID environment as well as a Council Sponsor Group to support the Working Group, as described in this report, with the Working Group**

to report back to the Finance and Economic Development Committee and Council no later than Q2 2021; and

3. Receive the following status update report related to the Lansdowne Partnership Plan:
 - a. The update from the City Manager outlining the delegated authority exercised from October 2019 to date by the City Manager, the City Solicitor and the Chief Financial Officer, under the finalized and executed Lansdowne Partnership Plan Legal Agreements; and
 - b. The update from the City Manager on the August 28, 2020 Lansdowne Master Partnership Meeting and Meetings Amongst Parties to the Unanimous Shareholder Agreements; and
 - c. The status update outlined in this report regarding the operations of the Lansdowne Public-Private Partnership as referenced in Section 10 of the 2019 - Procurement Year in Review report (ASC2020-ICS-PRO-0001).

RECOMMANDATIONS DU COMITÉ

Que le Conseil :

1. **Approuve les modifications aux conventions relatives au Plan de partenariat du parc Lansdowne indiquées ci-dessous, selon les besoins et tel que décrit aux présentes, afin d'atténuer les répercussions de la COVID-19 en augmentant la liquidité de la société en commandite de manière qu'elle puisse mieux gérer les flux de trésorerie, et déléguer au directeur municipal, en consultation avec l'avocat général et le chef des finances de la Ville, le pouvoir de négocier et d'exécuter toute modification nécessaire pour rendre exécutoires les décisions du Conseil suivantes :**

- a. **prolonger de dix ans (de 2044 à 2054) le partenariat, le système financier fermé y afférent et la distribution en cascade ;**
 - b. **abolir le loyer participatif et maintenir les loyers de base aux niveaux actuels en cas de transfert autorisé de la composante « vente au détail » pendant la durée du bail du local de vente au détail ;**
 - c. **abolir la disposition permettant à la Ville de résilier le bail de vente au détail sans motif ;**
 - d. **permettre à l'Ottawa Sports and Entertainment Group (OSEG) d'accéder en une seule occasion aux fonds de la réserve d'immobilisations actuelle (cycle de vie), tout en continuant à financer les investissements requis au titre du cycle de vie selon des pratiques administratives officialisées pour que la Ville approuve ces investissements ;**
2. **Approuve la création d'un groupe de travail sur le Partenariat du parc Lansdowne composé de membres du personnel de la Ville et de représentants de l'OSEG afin d'étudier les possibilités d'améliorer le Partenariat et de le positionner pour qu'il puisse survivre après la crise de la COVID ainsi que la création d'un groupe de parrains du Conseil pour soutenir le groupe de travail, tel que décrit aux présentes. Le groupe de travail devra faire rapport au Comité des finances et du développement économique ainsi qu'au Conseil au plus tard au deuxième trimestre de 2021;**
 3. **Reçoive les comptes rendus de situation ci-après relativement au Plan de partenariat du parc Lansdowne:**
 - a. **le compte rendu du directeur municipal sur les pouvoirs délégués exercés d'octobre 2019 à ce jour par lui-même, l'avocat général et la cheffe des finances en vertu des conventions juridiques conclues et signées à l'égard du Plan de partenariat du parc Lansdowne ;**

- b. le compte rendu du directeur municipal sur l'assemblée tenue le 28 août 2020 par la société en commandite principale du parc Lansdowne et les assemblées tenues par les parties aux conventions unanimes des actionnaires ;**
- c. le compte rendu exposé dans le présent rapport sur les activités du Partenariat public-privé Lansdowne, dont il est question à la page 10 du rapport sur l'examen annuel des achats de 2019 (ASC2020-ICS-PRO-0001).**

DOCUMENTATION/DOCUMENTATION

1. City Manager's report, dated 4 November 2020 (ACS2020-CMR-OCM-0003).

Rapport du Directeur municipal daté le 4 novembre 2020 (ACS2020-CMR-OCM-0003).

2. Extract of draft Minutes, Finance and Economic Development Committee, 12 November 2020

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 12 novembre 2020

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
12 November 2020 / 12 novembre 2020**

**and Council
et au Conseil
25 November 2020 / 25 novembre 2020**

**Submitted on November 4, 2020
Soumis le 4 novembre 2020**

**Submitted by
Soumis par:
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-CMR-OCM-0003

SUBJECT: Lansdowne Annual Report and COVID-19 Impacts Update

**OBJET: Rapport annuel sur le parc Lansdowne et mise à jour sur les
répercussions de la COVID-19**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council:

- 1. Approve the changes to the Lansdowne Partnership Plan Agreements identified below, as required and as outlined in this report, to assist in mitigating the impacts of COVID-19 by increasing the liquidity of the partnership to better manage cashflows, and delegate the authority to the City Manager, in consultation with the City Solicitor and Chief Financial Officer, to negotiate and execute any amendments required to give effect to Council's decisions:**
 - a. To extend the partnership and associated closed financial system and Waterfall by ten years from 2044 to 2054; and**
 - b. To remove the participation rent and to maintain base rents at current levels in the event of a permitted transfer of the Retail Component during the term of the Retail Lease; and**
 - c. To remove the City's provision to terminate the Retail Lease without cause; and**
 - d. To provide the Ottawa Sports & Entertainment Group (OSEG) one-time access to the current capital reserve (lifecycle) funds, while they continue to fund lifecycle investments required based on formalized administrative practices for the City to approve these investments; and**
- 2. Approve the establishment of a Lansdowne Park Partnership Working Group consisting of City staff and representatives from OSEG to explore the options to improve the Lansdowne Park Partnership and position it for continued success in a post-COVID environment as well as a Council Sponsor Group to support the Working Group, as described in this report,**

with the Working Group to report back to the Finance and Economic Development Committee and Council no later than Q2 2021; and

- 3. Receive the following status update report related to the Lansdowne Partnership Plan:**
 - a. The update from the City Manager outlining the delegated authority exercised from October 2019 to date by the City Manager, the City Solicitor and the Chief Financial Officer, under the finalized and executed Lansdowne Partnership Plan Legal Agreements; and**
 - b. The update from the City Manager on the August 28, 2020 Lansdowne Master Partnership Meeting and Meetings Amongst Parties to the Unanimous Shareholder Agreements; and**
 - c. The status update outlined in this report regarding the operations of the Lansdowne Public-Private Partnership as referenced in Section 10 of the 2019 - Procurement Year in Review report (ASC2020-ICS-PRO-0001).**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil ce qui suit.

- 1. Approuver les modifications aux conventions relatives au Plan de partenariat du parc Lansdowne indiquées ci-dessous, selon les besoins et tel que décrit aux présentes, afin d'atténuer les répercussions de la COVID-19 en augmentant la liquidité de la société en commandite de manière qu'elle puisse mieux gérer les flux de trésorerie, et déléguer au directeur municipal, en consultation avec l'avocat général et le chef des finances de**

la Ville, le pouvoir de négocier et d'exécuter toute modification nécessaire pour rendre exécutoires les décisions du Conseil suivantes :

- a. **prolonger de dix ans (de 2044 à 2054) le partenariat, le système financier fermé y afférent et la distribution en cascade ;**
 - b. **abolir le loyer participatif et maintenir les loyers de base aux niveaux actuels en cas de transfert autorisé de la composante « vente au détail » pendant la durée du bail du local de vente au détail ;**
 - c. **abolir la disposition permettant à la Ville de résilier le bail de vente au détail sans motif ;**
 - d. **permettre à l'Ottawa Sports and Entertainment Group (OSEG) d'accéder en une seule occasion aux fonds de la réserve d'immobilisations actuelle (cycle de vie), tout en continuant à financer les investissements requis au titre du cycle de vie selon des pratiques administratives officialisées pour que la Ville approuve ces investissements ;**
- 2. Approuver la création d'un groupe de travail sur le Partenariat du parc Lansdowne composé de membres du personnel de la Ville et de représentants de l'OSEG afin d'étudier les possibilités d'améliorer le Partenariat et de le positionner pour qu'il puisse survivre après la crise de la COVID ainsi que la création d'un groupe de parrains du Conseil pour soutenir le groupe de travail, tel que décrit aux présentes. Le groupe de travail devra faire rapport au Comité des finances et du développement économique ainsi qu'au Conseil au plus tard au deuxième trimestre de 2021;**
- 3. Recevoir les comptes rendus de situation ci-après relativement au Plan de partenariat du parc Lansdowne:**
- a. **le compte rendu du directeur municipal sur les pouvoirs délégués exercés d'octobre 2019 à ce jour par lui-même, l'avocat général et la**

cheffe des finances en vertu des conventions juridiques conclues et signées à l'égard du Plan de partenariat du parc Lansdowne ;

- b. le compte rendu du directeur municipal sur l'assemblée tenue le 28 août 2020 par la société en commandite principale du parc Lansdowne et les assemblées tenues par les parties aux conventions unanimes des actionnaires ;**
- c. le compte rendu exposé dans le présent rapport sur les activités du Partenariat public-privé Lansdowne, dont il est question à la page 10 du rapport sur l'examen annuel des achats de 2019 (ASC2020-ICS-PRO-0001).**

EXECUTIVE SUMMARY

The purpose of this report is to provide Council with a status update on the 2019 Lansdowne Park operations, fulfill the annual reporting requirements of the Lansdowne Partnership and provide an overview of the significant impacts of the COVID-19 pandemic on Lansdowne Park.

The report is divided into two parts. Part 1 of this report outlines the impacts of COVID-19 on Lansdowne's operations given the direct and on-going impact of the pandemic on events, sports and commercial activity – particularly fitness facilities, theatres, and restaurants -- as well as a recommended action plan to mitigate those impacts in a way that will benefit the City and enable Lansdowne Park to weather the current crisis.

Part 2 of this report provides the 'business as usual' annual reports on the exercise of delegated authority, the minutes of the 2020 Lansdowne Master Partnership meeting and meetings amongst parties to the Unanimous shareholders agreements and the status update on operations of the Lansdowne Partnership.

Lansdowne Park is a major destination park owned by the City of Ottawa, and located downtown, off Bank Street and next to the Rideau Canal. Its greenspaces, play areas, public art, sports venues, event venues, restored heritage buildings and new facilities, pathways and parking, retail and restaurant spaces and much more have been made possible through a 30-year partnership between the City of Ottawa and the Ottawa

Sports and Entertainment Group (OSEG), approved by City Council in October, 2012, governed by the Lansdowne Partnership Plan (LPP).

The revitalization of Lansdowne Park has achieved Council's vision of making what had become an admission-only, gated asphalt and concrete campus in disrepair into a thriving, accessible urban park with something for everyone. In the six years since it has opened, there have been over 20 million visitors to the Lansdowne Park and TD Place sports and entertainment district. There have been well over 1,000 large and small events for people of all ages. The site now houses over 50 businesses and has created over 4,000 full and part-time jobs. In 2017, the OSEG Foundation was established to lower the financial barriers of entry to enable kids from all socio-economic backgrounds to participate in organized sport. Since its founding, the OSEG Foundation has contributed \$3.7M to our community and REDBLACKS and 67's players spend 7,000 hours annually off the field volunteering their time with community groups and organizations.

The Lansdowne Park Partnership Plan (LPP) Agreements establish how the City and OSEG work together. The LPP sets out that the City of Ottawa is a "Limited Partner" in the Master Limited Partnership established to manage construction of the Lansdowne project, oversee its ongoing operations, and share in the subsequent revenues that will be distributed through a closed financial system, also called the "waterfall" (described later). The LPP is made up of several components, including the stadium/arena, retail, office, residential, Urban Park, parking, the CFL sports franchise, and the OHL sports franchise. The City retains ownership of the land and is leasing the stadium and the land it sits on as well as the land for the retail and office components. Underground parking has also been constructed for the use of all components, with the cost of the parking shared by each partner and the residential condominium corporations. The Urban Park (including the Horticulture and Aberdeen Pavilion buildings) is not included in the Partnership Agreement, and those costs are borne solely by the City.

The current terms and conditions of the Partnership were established in 2012, and were based on balancing the risks between the parties, and establishing a fair relationship where the City and OSEG aligned their respective investments and risks so that the City received a direct benefit by revitalizing its assets, and transferring thirty years of lifecycle renewal expenses and operating deficits for those assets to OSEG,

and that OSEG would be able to generate a reasonable return on their investment, based on what they invested and not from the investment of the City's funds.

The financial arrangement for the LPP, also known as the waterfall, is based on a closed system that defines equity contributions from the City and OSEG to be used solely for the purposes of the total project. OSEG must contribute minimum equity and additional equity to cover any excess stadium/parking construction costs or to cover any negative operational cash flows. Annual net cash flows from the stadium, sports franchises and retail operations are distributed to each partner (the City and OSEG).

The distribution is based on a "waterfall" of priorities; first, to the Stadium and Parking Lifecycle Replacement reserve; second, return on equity to OSEG and the City (which is zero for the City as it did not contribute any equity); third, return of OSEG additional equity; fourth, return of OSEG minimum equity; fifth return of City's deemed equity; and finally, any remaining balance is shared equally by the City and OSEG.

Under this closed system, OSEG is responsible for any deficits that may occur from operations. The primary benefit of this P3 agreement for the City is that the City is protected from having to contribute any money for asset lifecycle maintenance or operating deficits for the Stadium, Parking, Retail or sports teams throughout the entire 30-year agreement.

The overall investment into the revitalizing Lansdowne Park is estimated to be \$425M. The costs of the redevelopment of Lansdowne have been shared between the City of Ottawa and OSEG, as well as other partners. The City's total capital cost to complete the stadium, arena, the City's portion of the parking garage, the Urban Park (which includes the Horticulture Building relocation and retrofit), site servicing costs, site management and all associated soft costs is approximately \$210M. The City paid for the construction of the stadium renovation and expansion up to a maximum of \$135.8M, while OSEG guaranteed the completion of the stadium and parking structure and was responsible for any cost overruns. As of March 31, 2020, OSEG has contributed \$152M, which is \$97M more than projected in 2012.

City Council has been able to review how the financial assumptions in the model have been realized year-over-year through annual reports to Council. Each report provides Council with an assessment of how the Partnership elements are performing against expected benchmarks, as well as identifying influences on current and future operations

that were not anticipated at the time the LPP agreements were originally established. They identify any major changes or events. The financial pro forma (the projected financial results based on the current year's assumptions going forward) for the closed financial system's net cashflows and the waterfall distribution is updated annually to reflect changes based on that year's performance, and actions are taken under delegated authority or recommended to Council as needed and identified to ensure the goals of the Partnership, as envisioned by Council, are achieved.

The LPP Agreements, the waterfall, and the pro forma were all based on conservative financial projections, but they did not anticipate an extraordinary event like the COVID-19 pandemic.

The COVID-19 global pandemic hit Ottawa in March of this year. Lansdowne Park and all of its core activities closed on March 17, 2020 in response to a Provincial Emergency Order. The pandemic is an extraordinary event, affecting all sectors of the local and national economy. Those closures have had a significant and unforeseeable impact on all of the revenue streams the City and OSEG depend on for the success of Lansdowne Park and the Partnership both immediately and over the long-term.

The pandemic remains an active and dynamic challenge as of the writing of this report. Therefore, there is no clear indication of when 'business as usual' operations might return for the sports teams Ottawa REDBLACKS, Ottawa 67s, Ottawa BlackJacks and Atletico Ottawa, the Ottawa Aces (who are scheduled to start in 2021), special events, concerts, weddings, retail operations (particularly the larger retail operations such as Cineplex theatres and Goodlife Fitness), or any of the other activities a destination park and facility like Lansdowne depends on in order to survive and thrive.

OSEG is not in a position to weather the impact of the pandemic under the current conditions in the LPP Agreements. Throughout the course of the Lansdowne project, the City has found OSEG to be a committed, capable, forward-thinking and community-minded partner. From the City's perspective, the public part of the partnership has received both benefit from the site and protection from significant risk. However, each successive annual report has revealed, over time, some fundamental challenges with the assumptions behind the waterfall, that there are some increased risks overall, and with the OSEG bearing most of that risk.

Both the 2017 Annual Report (ACS2019-CMR-OCM-0001), considered by City Council on April 10, 2019, and the 2018 Annual report (ACS2019-CMR-OCM-0002) considered by City Council on November 27, 2019, identified that OSEG has already had to contribute significantly more equity to date than it would be able to recoup in the waterfall, and there were serious operating and financial challenges with the operations of the 50+-year-old north stands and arena.

The pandemic impacts have a profound negative effect on the closed waterfall system within the Lansdowne Park Partnership. Addressing the immediate effects of the pandemic as well as the recovery phase means that OSEG will have to make an estimated cumulative \$192M in equity contributions to the Partnership compared to a total commitment in 2012 of \$55M (minimum equity plus additional equity). With these additional contributions OSEG would be owed well over \$500M under the waterfall in 2044 in unpaid minimum equity, additional equity, and interest, which cannot be recovered within the Partnership.

Given the significant additional equity OSEG has already contributed and will not recoup, OSEG cannot absorb and address the significant COVID-related impacts to Lansdowne Partnership operations without the City providing them with more flexibility in the LPP Agreements to help ensure their financial liquidity is maintained over the short-term that will enable them to secure additional sources of funding. OSEG has a retail loan outstanding of \$106M that must be re-financed within the next two years and the worsened financial projection due to the pandemic will make that difficult, putting them at a very real risk of having default be their best business decision.

OSEG remains committed to the Partnership and to the continued success of Lansdowne Park as a destination for residents and visitors alike. To that end, it has brought forward proposals for urgent amendments to the Lansdowne Park Partnership Agreements to enable the Partnership to weather the COVID-19 impact on the LPP's operations as follows:

- To allow the Partnership to temporarily access the Lifecycle Fund reserves of \$4.7M for operating cashflow purposes in 2021, with the reserve funds used to be replenished over the remaining term of the Partnership based on amounts determined by an independent third-party engineering study;
- To extend the existing Lansdowne Partnership for 10 years to December 31, 2054 under the current terms and conditions; and

- To remove the application of participation rent (which is the “50/50 split” between OSEG and the City of Ottawa of net cashflow from retail operations) from the Retail Lease and to not increase the base rent in the event of a permitted transfer of the Retail Component during the term of the Retail Lease, and removing the early termination provision in the retail lease

Staff believes the proposed changes to the LPP are reasonable, fair and prudent, improving the City’s financial standing within the Partnership. Staff is also of the opinion that these changes are necessary for the health of the Partnership, given the likelihood that OSEG defaulting will be the best business decision for them if the City does not agree.

The City’s Chief Financial Officer has determined, and had validated by an independent third party, that Council adoption of these measures would not only assist the Partnership in addressing the impact of the pandemic, but will improve the City’s financial situation by \$4M to \$21M in NPV2020\$ over the life of the agreement. The City’s position is strengthened largely due to the cost-avoidance and eliminating revenue generating risks from not having to operate the Lansdowne assets and because OSEG remains responsible for operational deficits for an additional ten years.

These changes will not make OSEG whole from the significant additional equity they have already invested, but they will help to restore the clear balance and alignment of risk and potential reward/potential loss that a good partnership should have and which is now unsustainably out of balance due to the extraordinary circumstances of the pandemic.

The City’s Chief Financial Officer has determined, also with independent validation, that, if the amendments are not approved and OSEG defaults, there would be an immediate negative impact on the 2021 operating budget that would range between \$4.5M (optimistic and unlikely) and \$12.5M (pessimistic), depending on the length of time the impacts of the pandemic are experienced, and adding new costs to the City over the term of the Agreements of between \$118M and \$407M.

More specifically, if OSEG defaults, the City would be required to take over the operations of Lansdowne Park, meaning the City would be exposed to the market risk of the retail, and an additional 23 years of stadium operating risk starting in 2021, with the operating costs estimated to be between \$4.5M and \$12.5M a year. In order to minimize

the negative financial impacts to the City, the scope of operations at Lansdowne Park would need to be reduced, the sports teams would be folded/shutdown, there would be fewer events, and retail occupancy would be reduced. The City would also assume outstanding loans (including the retail mortgage of \$106M, and the \$18.6M loan for the repairs to the Civic Centre roof).

Even under the most optimistic assumptions, the default scenario is expected to yield a more negative Net Present Cost to the City than that of the recommended amendments by an order of magnitude (between \$118M and \$407M). Staff believe the optimistic scenario is highly unlikely, as the City would be taking over operations as the impacts of the COVID-19 pandemic would still be affecting downtown retailers disproportionately, as described in the report, and for some time to come. In order for the default scenario to provide a financial gain to Ottawa, the City would have to be confident that it can run the stadium and arena at levels at or above those OSEG achieved (via operating income) and the City can manage the leasing and facility management of the retail site as well as OSEG has been running it and the retail market will recover to pre-COVID levels in the near-term and the professional sports teams would remain.

Should Council approve the recommended amendments to the LPP Agreements, staff will use the opportunity to resolve the outstanding issue identified in the “Follow-up to the 2017 Audit of the Management of the Lansdowne Contract” included in the “Office of the Auditor General – Report on Audit Follow-ups and detailed audit follow-up reports (ACS2020-OAG-BVG-0001)”, approved by City Council on October 14, 2020, to establish an alternative approach to a Trust Account structure for the capital replacement funds OSEG is required to provide for the stadium and the parking structure, as well as reinforcing the City’s monitoring and validation processes, in keeping with recommendations from the Auditor General.

As well, going forward, there is a growing understanding that a post-COVID world will likely look very different than the pre-COVID world in terms of how and where people shop, work and play. Local businesses and governments at all levels are beginning to understand what might be needed in their post-COVID environments.

To address the pre-pandemic challenges to the Partnership’s long-term sustainability before the pandemic, OSEG had previously indicated that it was reviewing the operations of the 50+-year-old north stands and arena in terms of its financial and operational challenges, and work was underway to try to bring more reliable foot traffic

to the site on non-event days, with an overall goal of attracting five million visitors to the site each year. Now, planning for success in the post-pandemic business environment must also be considered.

To ensure that the LPP is positioned to thrive post-pandemic over the term of the Partnership, staff is recommending that a working group comprised of City staff and OSEG representatives be formed to further explore options to enhance the sustainability and long-term financial viability of Lansdowne's operations and the Partnership, including both operating and capital requirements. The working group will be looking at ways to increase foot traffic on the site, including the options to enhance animation, improve public amenities, assess aging infrastructure and to increase the density in keeping with Council's urban intensification principles, including affordable housing. This working group would report on the options it has reviewed no later than the end of Q2 2021. This Q2 report would include a robust public engagement plan to ensure that the community is able to be involved in the future success of Lansdowne Park.

Staff is also recommending that a Council Sponsors Group be struck to support the Working Group, to act as a sounding board and to review the proposed public engagement plan. As this is a city-wide facility, the recommendation is that the Council Sponsors Group be made up of five Members of Council, representing the East, South, West, Rural and Central (presumably the representative for Ward 17), as well as the Chief Financial Officer, the Deputy City Treasurer, the City Solicitor, the Director of the City Manager's Office, the General Manager of Recreation, Cultural and Facility Services and Planning, Infrastructure and Economic Development, or the designates of these individuals, as well as other City staff as needed. It is further recommended that the City Clerk undertake a circulation of interest for this Sponsors Group, and bring forward a motion to the next Council meeting.

Part 2 of 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 October 2019 to date by the City Manager, City Solicitor and Chief Financial Officer.

The report also provides an update on the 2020 Lansdowne Master Limited Partnership meeting and the August 28, 2020 Meetings Amongst Parties to Unanimous Shareholder Agreements and an update on the operations of Lansdowne in 2019.

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

SOMMAIRE

Le but du présent rapport est de fournir au Conseil une mise à jour sur les activités du parc Lansdowne en 2019, de respecter la directive concernant la production d'un rapport annuel sur le Partenariat du parc Lansdowne et de brosser un tableau des répercussions qu'a la pandémie COVID-19 sur le parc.

Le rapport est divisé en deux parties. La première partie du présent rapport décrit les répercussions qu'a la COVID-19 sur les activités du parc Lansdowne, en considérant les effets directs et permanents de la pandémie sur les événements, les activités sportives et les activités commerciales — en particulier les installations de conditionnement physique et de cinéma et les restaurants — et expose le plan d'action recommandé pour atténuer ces effets d'une manière qui profitera à la Ville et qui permettra au Partenariat de surmonter la crise actuelle.

La deuxième partie du présent rapport traite des rapports annuels courants sur l'exercice des pouvoirs délégués, le compte rendu de l'assemblée 2020 de la société en commandite principale du parc Lansdowne et des assemblées tenues par les parties aux conventions unanimes des actionnaires ainsi que de la mise à jour sur les activités du Partenariat du parc Lansdowne.

Le parc Lansdowne est une destination importante appartenant à la Ville d'Ottawa. Il est situé au centre-ville, près de la rue Bank et à côté du canal Rideau. Ses espaces verts, ses aires de jeux, ses œuvres d'art public, ses installations sportives, ses installations événementielles, ses bâtiments patrimoniaux restaurés et ses installations nouvelles, ses sentiers et son stationnement, ses locaux commerciaux et ses restaurants et bien d'autres choses encore sont le fruit d'un partenariat de 30 ans entre la Ville d'Ottawa et l'Ottawa Sports and Entertainment Group (OSEG). Ce partenariat, qui a été approuvé par le Conseil municipal en octobre 2012, est régi en vertu du Plan de partenariat du parc Lansdowne (PPPL).

La revitalisation du parc Lansdowne a permis la concrétisation de la vision du Conseil, qui était de transformer de ce qui était devenu un site en béton et en asphalte en mauvais état avec guichets à l'entrée en un parc urbain prospère et accessible ayant quelque chose à offrir à chacun. Au cours des six années qui se sont écoulées depuis la réouverture du parc, plus de 20 millions de personnes ont visité le district des sports et du divertissement du parc Lansdowne et de la Place TD. Plus de 1 000 événements, grands et petits, y ont été tenus pour des personnes de tous âges. Le site héberge aujourd'hui plus de 50 entreprises et a permis la création de plus de 4 000 emplois à temps plein et à temps partiel. En 2017, la Fondation de l'OSEG a été créée pour atténuer les contraintes financières liées aux coûts d'entrée afin de permettre aux enfants de tous les milieux socio-économiques de participer à des sports organisés. Depuis sa création, la Fondation de l'OSEG a versé 3,7 millions de dollars à notre collectivité, et les joueurs du ROUGE et NOIR et des 67 consacrent 7 000 heures par année à faire du bénévolat auprès de groupes et d'organismes communautaires à l'extérieur du terrain.

Les conventions relatives au Plan de partenariat du parc Lansdowne (PPPL) définissent les modalités de la collaboration entre la Ville et l'OSEG. Le PPPL stipule que la Ville d'Ottawa est un « commanditaire » de la société en commandite principale établie pour gérer la construction du projet Lansdowne, superviser ses activités courantes et partager les recettes subséquentes selon un système de distribution en cascade, également appelé système financier fermé (décrit plus loin). Le PPPL est composé de plusieurs éléments, notamment le stade/aréna, les commerces, les bureaux, les résidences, le parc urbain, le stationnement, la franchise sportive de la Ligue canadienne de football (LCF) et la franchise sportive de la Ligue de hockey de l'Ontario.

Le parc urbain (y compris l'Édifice de l'horticulture et le pavillon Aberdeen) n'est pas inclus dans la convention de partenariat, et les coûts y afférents sont à la charge exclusive de la Ville.

Les dispositions actuelles de la convention de partenariat, qui ont été établies en 2012, reposent sur la recherche d'un équilibre des risques entre les parties et sur l'établissement d'une relation équitable dans le cadre de laquelle la Ville et l'OSEG harmonisent leurs investissements et leurs risques respectifs de façon à ce que, d'une part, la Ville bénéficie d'un avantage direct en revitalisant ses actifs et en transférant pendant trente ans les coûts de renouvellement du cycle de vie et les déficits d'exploitation de ces actifs à l'OSEG et que, d'autre part, l'OSEG soit en mesure de

générer un retour sur investissement raisonnable, selon ce qu'il a investi et non selon les fonds investis par la Ville.

Le montage financier du PPPL est fondé sur un « système fermé » (structure de distribution en cascade) qui définit les contributions en capitaux propres de la Ville et de l'OSEG qui serviront uniquement aux fins du projet dans son ensemble. L'OSEG doit injecter un minimum de capitaux propres ainsi que des capitaux propres supplémentaires pour couvrir tout excédent des coûts de construction du stade/stationnement ou pour couvrir tout flux de trésorerie négatif. Les flux de trésorerie nets annuels du stade, des franchises sportives et des activités de vente au détail sont distribués à chaque partenaire (Ville et l'OSEG).

La distribution est effectuée selon une « cascade » de priorités : premièrement, la réserve pour le remplacement en fin de vie du stade et du stationnement, deuxièmement, le rendement sur les capitaux propres de l'OSEG et de la Ville (qui est nul pour la Ville di fait qu'elle n'a pas injecté de capitaux propres), troisièmement, le rendement sur les capitaux propres supplémentaires de l'OSEG, quatrièmement, le rendement sur les capitaux propres minimums de l'OSEG, cinquièmement, le rendement sur les capitaux propres réputés de la Ville et à la toute fin, le partage à parts égales de tout solde restant entre la Ville et l'OSEG.

Dans ce système fermé, l'OSEG est responsable de tout déficit pouvant découler de l'exploitation du parc. Le principal avantage que tire la Ville de cette convention de PPP est qu'elle est exemptée de toute contribution financière pour l'entretien lié au cycle de vie des actifs ou qu'elle n'a pas à éponger les déficits d'exploitation du stade, du stationnement, des commerces de vente au détail ou des équipes sportives pendant les 30 années que dure la convention.

L'investissement global dans la revitalisation du parc Lansdowne est estimé à 425 millions de dollars. Les coûts du réaménagement du parc Lansdowne ont été partagés entre la Ville d'Ottawa et l'OSEG ainsi qu'avec d'autres partenaires. Les investissements totaux de la Ville pour l'achèvement du stade, de l'arène, de la partie du garage de stationnement lui appartenant, du parc urbain (qui comprend le déménagement et la modernisation de l'Édifice de l'horticulture), les coûts d'entretien du site, la gestion du site et tous les coûts accessoires connexes s'élèvent à environ 210 millions de dollars. La Ville a payé pour les travaux de rénovation et d'agrandissement du stade jusqu'à concurrence de 135,8 millions de dollars, tandis que

l'OSEG a garanti l'achèvement du stade et de la structure du stationnement et a été responsable de tout dépassement des coûts. Au 31 mars 2020, l'OSEG avait déboursé 152 millions de dollars, soit 97 millions de dollars de plus que ce qui était prévu en 2012.

Le Conseil municipal a pu examiner comment les hypothèses financières du modèle ont été établies d'une année à l'autre grâce aux rapports annuels qui lui sont présentés. Chaque rapport permet au Conseil, au personnel et aux partenaires d'évaluer le rendement des éléments de la société en commandite par rapport aux objectifs établis ainsi que de relever les facteurs influant sur les activités actuelles et futures qui n'étaient pas prévus au moment où les conventions du PPPL ont été élaborées à l'origine. Ils indiquent tout changement ou événement majeur. Le pro forma financier (les résultats financiers prévus selon les hypothèses de l'année en cours) concernant les flux de trésorerie nets du système financier fermé et la distribution en cascade est mis à jour chaque année afin de refléter les changements liés aux résultats de l'année en cours. Des mesures sont prises en vertu de pouvoirs délégués ou recommandées au Conseil, selon les besoins, et identifiées pour faire en sorte que les objectifs de la société en commandite, comme envisagés par le Conseil, soient atteints.

Les conventions PPPL, les sommes distribuées en cascade et le pro forma étaient tous fondés sur des projections financières prudentes, mais ne prévoyaient pas un événement hors du commun comme la pandémie de COVID-19.

La pandémie de COVID-19 a frappé Ottawa en mars 2020. En réponse à un décret d'urgence provincial, le parc Lansdowne a été fermé le 17 mars 2020, entraînant l'arrêt de toutes les activités principales qui s'y déroulaient. La pandémie est un événement sans précédent qui a touché tous les secteurs de l'économie locale et nationale. Ces fermetures ont eu des conséquences importantes et imprévisibles sur toutes les sources de revenus dont la Ville et l'OSEG dépendent pour assurer le bon fonctionnement du parc Lansdowne et de la société en commandite, tant dans l'immédiat qu'à long terme.

Au moment de rédiger ces lignes, la pandémie demeurait un enjeu en constante évolution. En conséquence, rien n'indique clairement à quel moment les activités courantes pourraient reprendre du côté des équipes sportives d'Ottawa que sont le ROUGE et NOIR, les 67, les BlackJacks, l'Athletico et les Aces (dont les saisons devraient commencer en 2021), des événements spéciaux, des concerts, des

mariages, des commerces de vente au détail (en particulier les grandes franchises comme le Cineplex et Goodlife Fitness) ou toutes les autres activités dont dépend un parc et une installation comme le parc Lansdowne pour survivre et prospérer.

Compte tenu des dispositions actuelles des conventions relatives au PPPL, l'OSEG n'est pas en mesure de faire face aux répercussions de la pandémie. Tout au long du projet du parc Lansdowne, la Ville a trouvé en l'OSEG un partenaire engagé, compétent, avant-gardiste et soucieux de la collectivité. Du point de vue de la Ville, la partie publique du partenariat a profité à la fois du site et d'une protection contre des risques importants. Toutefois, chaque rapport annuel successif a révélé, au fil du temps, certains problèmes fondamentaux liés aux hypothèses qui sous-tendent le régime de distribution en cascade, à l'augmentation des risques dans l'ensemble et au fait que l'OSEG assume la majeure partie de ces risques.

Le Rapport annuel de 2017 (ACS2019-CMR-OCM-0001) et le Rapport annuel de 2018 (ACS2019-CMR-OCM-0002), examiné par le Conseil municipal le 10 avril 2019 et le 27 novembre 2019, respectivement, ont révélé que l'OSEG a déjà dû investir beaucoup plus de capitaux propres à ce jour qu'il ne pourrait en récupérer en vertu du régime de distribution en cascade et que l'exploitation de l'aréna et du stade nord, construit il y a de plus de 50 ans, présentait de sérieux enjeux opérationnels et financiers.

La pandémie a des répercussions négatives majeures sur le régime de distribution en cascade de la société en commandite du parc Lansdowne. Pour pallier les effets immédiats de la pandémie ainsi que la phase de reprise des activités, l'OSEG devra investir 192 millions de dollars en capitaux propres dans le partenariat, alors que l'engagement total en 2012 était de 55 millions de dollars (capitaux propres minimums plus capitaux propres supplémentaires). Avec ces contributions supplémentaires, l'OSEG serait débitrice, en 2044, d'une somme de beaucoup supérieure à 500 millions de dollars dans le cadre du régime de distribution en cascade, constituée de capitaux propres minimums non versés, de capitaux propres supplémentaires et d'intérêts, qui ne peuvent être récupérés dans le cadre de la société en commandite.

Étant donné l'important apport supplémentaire en capitaux propres que l'OSEG a déjà effectué et qu'il ne récupérera pas, ce dernier ne peut pas composer avec les graves répercussions qu'a la COVID-19 sur les activités de la société en commandite du parc Lansdowne sans que la Ville lui accorde une plus grande souplesse au niveau des dispositions des conventions du PPPL pour l'aider à maintenir sa liquidité financière à

court terme qui lui permettra de trouver d'autres sources de financement. L'OSEG a un prêt commercial en cours de 106 millions de dollars qui doit être refinancé dans les deux prochaines années. Or, la dégradation des projections financières provoquée par la pandémie rendra cette tâche difficile, ce qui exposera la Ville à un risque très réel de défaut de paiement, qui sera la meilleure décision d'affaires que l'OSEG puisse prendre.

L'OSEG demeure fidèle à la société en commandite et à la réussite du parc Lansdowne en tant que destination pour les résidents et les visiteurs. À cette fin, il a présenté des propositions concernant des modifications urgentes à apporter aux conventions de partenariat du parc Lansdowne afin de permettre à la société en commandite de surmonter les répercussions qu'a la COVID-19 sur les activités du PPPL :

- permettre à la société en commandite d'accéder temporairement aux réserves du fonds pour le cycle de vie de 4,7 millions de dollars pour les besoins de la trésorerie courante en 2021, le fonds de réserve devant être reconstitué au cours des années qui restent à écouler au partenariat en fonction de montants déterminés dans le cadre une étude technique indépendante réalisée par un tiers ;
- prolonger le partenariat du parc Lansdowne pour une période de 10 ans, soit jusqu'au 31 décembre 2054, selon les modalités actuelles ;
- abolir l'application du loyer participatif (qui est la répartition à parts égales entre l'OSEG et la Ville d'Ottawa des flux de trésorerie nets provenant des activités de vente au détail) pendant la durée du bail de vente au détail et abolir également la clause de résiliation anticipée du bail de vente au détail.

Le personnel estime que les changements proposés au PPPL sont raisonnables, justes et prudents et qu'ils améliorent la situation financière de la Ville au sein de la société en commandite. Le personnel est également d'avis que ces changements sont nécessaires pour assurer la santé de la société en commandite étant donné la probabilité que la faillite de l'OSEG soit la meilleure décision d'affaires pour l'organisme si la Ville refuse tout changement.

La cheffe des finances de la Ville a déterminé et fait valider par une tierce partie indépendante que l'adoption de ces mesures par le Conseil municipal non seulement aiderait la société en commandite à faire face aux répercussions de la pandémie, mais améliorerait la situation financière de la Ville de 4 à 21 millions de dollars (valeur actualisée nette en dollars de 2020) sur la durée de la convention. La position de la Ville

est renforcée en grande partie par le fait qu'elle évite des coûts, élimine les risques liés à l'exploitation des actifs du parc Lansdowne et laisse l'OSEG assumer la responsabilité des déficits d'exploitation pendant dix années supplémentaires.

Ces modifications à la convention ne permettront pas à l'OSEG de récupérer les importants capitaux propres supplémentaires qu'il a déjà investis, mais ils contribueront à rétablir l'équilibre et le rapprochement des risques et des avantages/pertes potentiels qu'une bonne société commandite devrait avoir et qui sont maintenant déséquilibrés de manière insoutenable en raison des circonstances exceptionnelles engendrées par la pandémie.

La cheffe des finances de la Ville a déterminé, y compris avec validation par un tiers indépendant, que si les modifications ne sont pas approuvées et que l'OSEG se retrouve en défaut, le budget de fonctionnement de 2021 serait immédiatement grevé d'un montant se situant entre 4,5 millions de dollars (scénario optimiste et improbable) et 12,5 millions de dollars (scénario pessimiste), selon la durée des effets de la pandémie, et que les nouveaux coûts pour la Ville pendant la durée des conventions se situeraient entre 118 et 407 millions de dollars.

Pour être plus précis, disons qu'une faillite de l'OSEG obligerait la Ville à reprendre les opérations du parc Lansdowne, ce qui signifie qu'elle serait exposée aux risques du marché de la vente au détail et à 23 années supplémentaires de risque d'exploitation du stade à partir de 2021, les coûts d'exploitation étant estimés entre 4,5 et 12,5 millions de dollars annuellement. Afin de limiter les conséquences financières négatives pour la Ville, il faudrait réduire la portée des opérations au Lansdowne Park, les équipes sportives seraient dispersées, il y aurait moins d'événements et le taux d'occupation des locaux commerciaux serait réduit. La Ville prendrait également en charge les prêts en cours (y compris le prêt hypothécaire commercial de 106 millions de dollars et le prêt de 18,6 millions de dollars pour la réparation du toit du Centre civique).

Même avec les hypothèses les plus optimistes, le scénario de faillite devrait entraîner un coût actualisé net négatif plus important pour la Ville que celui résultant des modifications recommandées, et ce, d'un ordre de grandeur compris entre 118 et 407 millions de dollars. Le personnel estime que le scénario optimiste est très peu probable, car la Ville devrait quand même prendre en charge l'exploitation du parc Lansdowne du fait que les conséquences de la pandémie de COVID-19 affecteraient encore les détaillants du centre-ville de façon disproportionnée, comme le décrit le

présent rapport, et pendant un certain temps encore. Pour que le scénario de faillite se traduise par un gain financier pour Ottawa, il faudrait que la Ville soit certaine de pouvoir gérer le stade et l'aréna à des niveaux égaux ou supérieurs à ceux atteints par l'OSEG (grâce aux recettes d'exploitation) et que la Ville puisse gérer la location et la gestion des installations de vente au détail comme l'OSEG l'a fait, que le marché de la vente au détail revienne à court terme aux niveaux antérieurs à la COVID-19 et que les équipes sportives professionnelles restent.

Si le Conseil approuve les modifications recommandées aux conventions relatives au PPPL, le personnel profitera de l'occasion pour résoudre le problème en suspens identifié dans le « Suivi de la vérification de 2017 de la gestion du contrat de Lansdowne » inclus dans le document « Bureau du vérificateur général – Rapport sur les suivis de vérifications et les rapports détaillés connexes (ACS2020-OAG-BVG-0001) », approuvé par le Conseil municipal le 14 octobre 2020, afin d'établir une structure de substitution au compte fiduciaire pour le fonds de remplacement des immobilisations que l'OSEG est tenu de constituer pour le stade et la structure du stationnement, ainsi que de resserrer les processus de contrôle et de validation de la Ville, conformément aux recommandations du vérificateur général.

Aujourd'hui, il est de plus en plus évident que le monde sera probablement très différent de ce qu'il était avant la pandémie de COVID-19 en ce qui concerne la façon dont les gens font leurs courses, travaillent et se divertissent et les endroits où ils se prêtent à ces activités. Les entreprises et les administrations locales à tous les échelons commencent à comprendre ce qui pourrait être nécessaire dans leur environnement post-COVID.

Pour relever les enjeux qui se présentaient avant la pandémie et qui compromettaient la viabilité à long terme de la société en commandite, l'OSEG avait déjà indiqué qu'il se penchait sur les problèmes financiers et opérationnels de l'aréna et du stade nord, construit il y a de plus de 50 ans, et que des travaux étaient en cours pour tenter de fiabiliser la fréquentation du site les jours où il n'y a pas d'événement, l'objectif global étant d'attirer cinq millions de visiteurs par année. Or, il faut maintenant réfléchir à la manière de rentabiliser ces installations dans l'environnement commercial post-pandémique.

Afin de s'assurer que le PPPL soit en mesure de prospérer après la pandémie pendant la durée de la convention de la société en commandite, le personnel recommande

qu'un groupe de travail regroupant des membres du personnel de la Ville et des représentants de l'OSEG soit formé afin de poursuivre l'examen des options qui permettraient d'améliorer la durabilité et la viabilité financière à long terme des activités du parc Lansdowne et de la société en commandite, y compris les besoins en matière de fonctionnement et de capital. Le groupe de travail examinerait les différentes façons d'augmenter la circulation des piétons sur le site, y compris les possibilités d'améliorer l'animation et les équipements publics, d'évaluer les infrastructures vieillissantes et d'augmenter la densité conformément aux principes de densification urbaine du Conseil, notamment en matière de logements abordables. Ce groupe de travail ferait rapport sur les options qu'il a examinées au plus tard à la fin du deuxième trimestre 2021. Ce rapport comprendrait un plan détaillé de mobilisation du public afin que la collectivité puisse participer à la réussite future du parc Lansdowne.

Le personnel recommande également qu'un groupe de conseillers parrains soit créé pour soutenir le groupe de travail, pour agir à titre d'organisme de rétroaction et pour examiner le plan de mobilisation du public proposé. Comme il s'agit d'une installation ouverte à toute la population d'Ottawa, la recommandation préconise que le groupe de conseillers parrains soit composé de cinq membres du Conseil représentant l'Est, le Sud, l'Ouest, les secteurs ruraux et du centre (vraisemblablement le représentant du quartier 17), ainsi que de la cheffe des finances, du trésorier municipal adjoint, de l'avocat général de la Ville, du directeur du Bureau du directeur municipal, du directeur général des Loisirs, de la Culture et des Installations et de celui de la Planification, des Infrastructures et du Développement économique, ou de personnes désignées par ces derniers, ainsi que d'autres membres du personnel municipal, selon les besoins. Il est en outre recommandé que le greffier municipal lance un appel à manifestation d'intérêt pour ce groupe de conseillers parrains et présente une motion à la prochaine réunion du Conseil.

La partie 2 du présent rapport répond aux exigences relatives aux comptes rendus à déposer en vertu des conventions se rapportant au projet du Plan de partenariat du parc Lansdowne (PPPL) et conformément aux directives du Conseil, dont la synthèse des pouvoirs délégués exercés par le directeur municipal, l'avocat général et la cheffe des finances dans le cadre des conventions officielles signées pour le Plan de partenariat du parc Lansdowne depuis le mois d'octobre 2019.

Ce rapport fait également le point sur l'assemblée tenue en 2020 par la société en commandite principale du parc Lansdowne, les assemblées tenues le 28 août 2020 par les parties aux conventions unanimes des actionnaires et les activités du parc Lansdowne en 2019.

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 was the final step in a three-year process to define a 30-year partnership between the City of Ottawa and the Ottawa Sports and Entertainment Group (OSEG) to transform Lansdowne Park from what was described as a, “once proud landmark [that had] fallen into disrepair, [with] aged facilities no longer able to satisfy community needs and the expectations of residents”¹ into a “world class park accessible to all and hosting a variety of activities that attract residents and visitors alike, [with programming] that is complementary to and supportive of development and activities in the stadium, Civic Centre and commercial sections of the site.”²

The Lansdowne Park Partnership Plan (LPP) sets out that the City of Ottawa is a “Limited Partner” in the Master Limited Partnership established to manage construction of the Lansdowne project, oversee its ongoing operations, and share in the subsequent revenues that will be distributed through a closed financial system, also called the “waterfall” (described later). The LPP is made up of several components, including the stadium/arena, retail, office, residential, Urban Park, parking, the CFL sports franchise, and the OHL sports franchise. The City retains ownership of the land and is leasing the stadium and the land it sits on as well as the land for the retail and office components. Underground parking has also been constructed for the use of all components, with the cost of the parking shared by each partner and the residential condominium corporations. The Urban Park (including the Horticulture and Aberdeen Pavilion

¹ “Proposed Lansdowne Partnership Plan” report (ACS2009-CMR-OCM-006), tabled at City Council on Sept. 2, 2009.

² Lansdowne Partnership Plan Implementation Status Update (ACS2012-CMR-REP-004), considered at City Council on Feb. 22, 2012.

buildings) is not included in the Partnership Agreement, and those costs are borne solely by the City.

The current terms and conditions of the Partnership were established in 2012, and were based on balancing the risks between the parties, and establishing a fair relationship where the City and OSEG aligned their respective investments and risks so that the City had a strong chance of repayment on its deemed equity, and a reasonable chance of a positive return on that investment, and that OSEG would be able to generate a reasonable return on their investment, based on what they invested and not from the investment of the City's funds.

The City of Ottawa's Recreation, Cultural and Facility Services (RCFS) department is responsible for the animation, programming 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, the community garden and the day-to-day management of the partnership. OSEG operates the stadium, arena and parking garage and is responsible for the public realm throughout the retail and residential portion of the site. OSEG also provides ongoing maintenance to the Urban Park through a maintenance agreement with the City.

The overall investment into the revitalization of Lansdowne Park is estimated to be \$425M. All of the new buildings, pathways, plazas and green spaces were designed and built to a LEED Stage 3 silver certification. The costs of the redevelopment of Lansdowne have been shared between the City of Ottawa and Ottawa Sports and Entertainment Group (OSEG), and other partners. The City's total capital cost to complete the stadium, arena, the City's portion of the parking garage, the Urban Park (which includes the Horticulture Building relocation and retrofit), site servicing costs, site management and all associated soft costs is approximately \$210M. The City paid for the construction of the stadium renovation and expansion up to a maximum of \$135.8M, while OSEG guaranteed the completion of the stadium and parking structure and was responsible for any cost overruns. As of March 31, 2020, OSEG has made \$152M, in equity contributions to the Partnership, which is \$97M more than the total estimated financial commitment in 2012 of \$55M million (minimum equity plus additional equity).

In the six years since the Lansdowne revitalization project was completed, there have been over 20 million visitors to the Lansdowne Park and TD Place sports and

entertainment district. The campus now houses over 50 businesses and has created over 4,000 full and part-time jobs. In 2017, the OSEG Foundation was established to lower the financial barriers of entry to enable kids from all socio-economic backgrounds to participate in organized sport. Since its founding, the OSEG Foundation has contributed \$3.7M to our community and REDBLACKS and 67's players spend 7,000 hours annually off the field volunteering their time with community groups and organizations.

Since July of 2014, Lansdowne has hosted well over 1,000 large and small events for people of all ages. Memorable large-scale events included FIFA Women's World Cup Soccer, the NHL 100 Outdoor Classic hockey game between the Ottawa Senators and Montreal Canadiens, the Tim Horton's Brier Canadian curling championships, the Canadian Figure Skating Championships, Davis Cup Tennis between Canada and Great Britain, a UFC Fight Night, 67's hockey, Fury FC soccer, stadium concerts featuring AC/DC and Guns N' Roses and music festivals in the Urban Park including FolkFest and Escapade. Lansdowne hosted the 2017 Grey Cup and Grey Cup Festival, which generated over \$76M in economic activity, including \$33 million in locally spent tourist dollars.

Lansdowne Park has also hosted hundreds of smaller events since its reopening including high school football and soccer, free public skates on school holidays, the Ottawa Farmers' Market, 613 Flea, Ottawa Christmas Market, Yoga in the Park, the Om Yoga Festival, DessertFest and many others.

The Lansdowne Park transportation plan incorporates public transportation to Lansdowne in the price for ticketed events, free parking and shuttle service from remote lots and free valet bike parking on-site for major events, ensuring that the goal of a 50% modal share for non-vehicular transportation to Lansdowne was achieved or surpassed in each year of operation.

The financial arrangement for the LPP, also known as the waterfall, is based on a "closed system" that defines equity contributions from the City and OSEG to be used solely for the purposes of the total project. OSEG must contribute minimum equity and additional equity to cover any excess stadium/parking construction costs or to cover any negative operational cash flows. Annual net cash flows from the stadium, sports franchises and retail operations are distributed to each partner (City and OSEG). The distribution is based on a "waterfall" of priorities; first to the Stadium and Parking

Lifecycle Replacement reserve, second return on equity to OSEG and the City (0 as the City did not invest any equity), third return of OSEG additional equity; fourth return of OSEG minimum equity; fifth return of City's deemed equity and finally, any remaining balance is shared equally by the City and OSEG.

Under this closed system, OSEG is responsible for any deficits that may occur from operations. The specific waterfall distribution structure is as follows:

1. Payments to life cycle reserves on a cumulative basis; and then
2. To each of OSEG and the City, 8% return on the Equity and City Funding Equity (N.B. City funding equity is \$0); and then
3. Return of additional equity to OSEG; and then
4. Return of the Minimum Equity to OSEG and the City Funding Equity (N.B. City funding equity is \$0); and then
5. 8% return on the City Deemed Equity; and then finally,
6. Any balance distributed to OSEG and the City in equal shares.

The first priority is the payment to the lifecycle reserve to maintain and invest in the City's assets (i.e. Stadium and Parking). To date, OSEG has contributed \$7.5M to the lifecycle fund and the fund has earned interest of \$150K. These funds are drawn by OSEG to spend on lifecycle replacements as and when required to maintain the City's asset in a state of good repair, based on an agreed to lifecycle plan. To date, the lifecycle reserve has a balance of \$4.7M.

Since 2012 (operations commenced post construction in 2014), there have been no "net positive cash flows" from the Lansdowne operations. OSEG is required by the Agreements to contribute to the Lifecycle Fund in any case, and they are required to contribute additional equity to cover the negative cashflows, which they have done each year (any net positive cashflows earned in the future would be distributed to OSEG first, since the City has no invested funding equity). It is only after OSEG equity and interest on equity is returned that the City will receive payment on the interest earned on the deemed equity.

The deemed equity represents the market value of the retail lands contributed by the City, which was valued at \$23.75M and accrues interest of 8% over the life of the Agreements contributed; the deemed equity did not require any cash outlay by the City. The original forecast in 2012 valued this deemed equity to be \$61M, to be distributed to the City after the return of all equity and interest on equity to OSEG, which was forecast to only be in the final two years of the 30-year agreement. Once the 30-year term expires, the waterfall distribution system ends, and the City begins to collect market and participation rent (participation rent is the “50/50 split” between OSEG and the City of Ottawa of net cashflows from retail operations).

The primary benefit of this P3 agreement for the City is that the City is protected from having to contribute any money for asset lifecycle maintenance or operating deficits for the Stadium, Parking, Retail or sports teams throughout the entire 30-year agreement.

At the time Council considered and approved the Lansdowne Park Partnership Plan, it was understood that there was risk for the City built into the financial projections (30-year pro forma) and in the waterfall. City Council, when it approved Lansdowne Partnership Plan proposal on November 9, 2009, also directed, “that the Office of the Auditor General provides Council with a supplementary report on the accuracy of [the financial] forecasts as well as the reasonableness of the assumptions used.” To meet Council’s direction, the Office of the Auditor General (OAG) engaged Hunden Strategic Partners (HSP), a Chicago-based firm with extensive experience in similar development projects, to assist in the audit, which was presented as a companion report to the Lansdowne Partnership Plan and Implementation report (ACS2010-CMR-REP-0034) at the Special City Council meeting of June 17, 2010. The Conclusion section of the 2010 Audit of the Lansdowne Park Proposal Financial Model report (ACS2010-OAG-BVG-1) summarized the risk as follows (emphasis added):

“In response to the recommendation approved by Council requesting this audit, we can confirm the accuracy of the financial forecasts. Regarding the reasonableness of the assumptions in the LPP model we have identified three areas of risk including retail vacancy rates, the proposed contribution from savings on maintenance of the existing facility and interest rates.

The structure of the project has progressed significantly since the model was developed in the fall of 2009. The assumptions have become more conservative and the likelihood of financial success has improved. Even if the project is not a

commercial success, the security of the public investment is generally sound.

Extraordinary events that would impact the local economy are assumed not to occur. If these do occur, the return on public investment has a much greater chance of being reduced.

As such, based on our assessment, we conclude that **the financial model for the LPP can achieve its projected results. The key to doing so is that the assumptions contained in the model hold true over time.** In our view, the current assumptions are reasonable and present a realistic expectation for the future. The sensitivity analysis included in the model demonstrates the potential impact of changes to these assumptions. In particular, increases to the assumed vacancy rates for the retail development can and will have a significant impact on the expected tax and rental revenues to be generated. This in turn will of course alter the anticipated distribution of these revenues. There are no doubt risks associated with proceeding, nevertheless; in our opinion the proposed financial model is achievable.”

City Council has been able to review how the financial assumptions in the model have been realized year over year through annual reports to Council. Each report provides Council, with an assessment of how the Partnership elements are performing against expected benchmarks, as well as identifying influences on current and future operations that were not anticipated at the time the LPP agreements were originally established. They identify any major changes or events. The financial pro forma (the projected financial results based on the current year’s assumptions going forward) for the closed financial system’s net cashflows and the waterfall distributions is updated annually to reflect changes based on that year’s performance, and actions are taken under delegated authority or recommended to Council as needed and identified to ensure the goals of the Partnership, as envisioned by Council, are achieved.

Throughout the course of the project, the City has found OSEG to be a committed, capable, forward-thinking and community-minded partner. From the City’s perspective, the public part of the partnership has received both benefit from the site and protection from significant risk. However, each successive annual report has revealed, over time, some fundamental challenges with the assumptions built into the initial projections, with some increased risks overall, and with the OSEG bearing most of that risk. As described in the 2019 Annual Report (ACS2019-CMR-OCM-0001), received by City

Council on April 10, 2019, “In the updated 30-year pro forma, OSEG partners are not expected to recoup \$102M of their funding and the City would not receive \$62M of accrued interest on its non-cash “deemed equity” investment of \$24M. With the completion of its start-up phase, in 2018, OSEG commenced a wide-ranging strategic review and commenced the development of an updated, long-term strategic plan for the (sustainability of the) Lansdowne partnership. Work is ongoing and 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 2018 Annual report (ACS2019-CMR-OCM-0002) considered by City Council on November 27, 2019, included a recommendation and request to change 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. (NOTE: OSEG withdrew this proposal when it became clear that there was not universal community consensus). OSEG also indicated that it was reviewing the operations of the 50+-year-old north stands and arena in terms of their financial and operational challenges and that they expected to be in a position to deliver recommendations regarding the legacy buildings in the first quarter of 2020.

While that work was underway, and just prior to the fiscal year end on March 31, 2020, the COVID-19 global pandemic hit Ottawa, closing Lansdowne Park and all of its core activities: recreational, event, sports and retail operations on March 17, 2020 in response to a Provincial Order. Affecting all other sectors of the local and national economy, the pandemic is an extraordinary event as mentioned in the audit of the Lansdowne Park Partnership financial models, and has had a significant and unforeseeable impact on all of the revenue streams the City and OSEG depend on for the success of Lansdowne Park and the Partnership both immediately and over the long-term.

The pandemic remains an active and dynamic challenge as of the writing of this report. Therefore, there is no clear indication of when ‘business as usual’ operations might return for the sports teams Ottawa REDBLACKS, Ottawa 67s, Ottawa BlackJacks and Atletico Ottawa, special events, concerts, weddings, retail operations (particularly the larger retail operations such as Cineplex theatres and Goodlife Fitness) or any of the

other activities a destination park and facility like Lansdowne depends on in order to survive and thrive.

While OSEG has taken measures to contain costs and operational losses, the COVID-related closures and restrictions to all Lansdowne operations means deficits will be experienced for much longer and retail occupancy and stadium events are expected to decline significantly over the next several years before they come back to pre-COVID levels.

The pandemic impacts have a profound effect on the closed waterfall system within the Lansdowne Park Partnership. OSEG's current projections are that a total of \$192M in equity will be required to be contributed to the Lansdowne Partnership. As of March 31, 2020 OSEG has contributed a total of \$152M of equity and, as a result of the impact that this pandemic will have on its business, it is expected that an additional \$40M will be required over the next five years. A total of \$192M in equity contributions represents an increase of \$137M over the revised \$55M (minimum equity plus additional equity) that was forecast to be required as at the project's inception in 2012. The result is that OSEG would be owed well over \$500M from the waterfall in 2044 in unpaid minimum equity, additional equity, and interest, which cannot be recovered within the partnership.

Given those projections, OSEG does not have the ability to absorb the full effects of the pandemic within the current parameters of the LPP Agreements, and is at real risk of default. Urgent action is needed to provide OSEG with more flexibility immediately to help ensure their financial liquidity is maintained over the short-term and to enable them to secure additional sources of funding.

Staff have been working with OSEG to identify what will need to be done over the short term, in this fiscal year and the 2021 fiscal year, to mitigate the impact of the pandemic on Park and Stadium operations, and on the LPP as a whole, and to protect the sustainability of Lansdowne Park's infrastructure and amenities over the long term.

Going forward, there is a growing understanding that a post-COVID world will likely look very different than the pre-COVID world in terms of how and where people shop, work and play. Local businesses and governments at all levels are beginning to understand what might be needed in their post-COVID environments, and the City and OSEG also need to undertake the work to determine what assumptions underpinning the current

LPP might need to be adjusted and adapted to continue to be successful post-pandemic.

The first part of this report provides an update on the impact of COVID-19 on the Lansdowne Park Partnership. It provides recommendations to amend the LPP agreements in a way that will mitigate the immediate financial impact of the pandemic on OSEG's ability to sustain its operations and improve the City's financial position within the waterfall through the avoidance of taxpayer contributions to the operations and facility lifecycle contributions. This report also outlines the need to immediately begin work to plan for a successful post-pandemic recovery for Lansdowne Park over the long term.

The second part of this report fulfills 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 August 28, 2020 Lansdowne Master Limited Partnership meeting and the August 28, 2020 Meetings Amongst Parties to Unanimous Shareholder Agreements; and, an update on the operations of the Lansdowne Partnership Plan over the past year.

DISCUSSION

Part 1 – IMPACT OF COVID-19 ON LANSDOWNE PARK AND RECOMMENDED MITIGATION APPROACH

As Council will see in the 2019-2020 Annual Reports in Part 2 of this document, the Lansdowne Partnership Plan redevelopment has continued to meet Council's vision of transforming an important part of Ottawa into its historic role as a meeting spot for its surrounding neighbourhoods, the whole City of Ottawa and visitors to the National Capital region. It attracted over four million visitors in 2019 alone.

However, as noted, the financial investment required for this redevelopment from OSEG was already challenging prior to the COVID-19 pandemic. As of March 31, 2020, the Partnership has required \$152M in equity, all of which has been contributed by the Ottawa Sports and Entertainment Group (OSEG). OSEG had already indicated that work would need to be done to try to increase the number of visitors to Lansdowne Park to five million a year, and was working on options that would make the site more vibrant and attractive on non-event days.

Then, in March of this year, the COVID-19 pandemic resulted in the effective closure of the Lansdowne site and TD Place by the Provincial Orders enacted to protect public health. As a result, the remainder of the Ottawa 67's 2019-20 regular season and playoffs was cancelled, the 2020 CFL and REDBLACKS' season was cancelled and the all scheduled arena and stadium events for 2020 (including the start of the 67's 2020-21 season) have also been cancelled or postponed. In addition, the new Ottawa BlackJacks of the Canadian Elite Basketball League and Atletico Ottawa of the Canadian Premier League (soccer), who were both to play their inaugural seasons at TD Place in the summer of 2020, were re-located to "bubble" cities to play abbreviated seasons.

The pandemic is still having a daily impact on life in Ottawa, and there is a requirement for on-going public health measures now and possibly for some time to come. Currently, TD Place remains closed. It is unlikely that the arena or stadium will see any ticketed events until into 2021 at the earliest. The majority of Lansdowne tenants shut down normal operations in March and commercial rent collections have generally been less than 50% from April through September. As of this writing, the Ontario government has moved Ottawa back to a modified Stage 2 state of emergency, closing cinemas, fitness centres and indoor dining for at least another 28 days. Only now are the permitted Lansdowne retail operations slowly coming back to life. However, the Partnership's successful operations depend on mass gatherings and thriving retail and restaurants most days of the year. It is expected that sports and entertainment and retail operations will be among the last industries to fully emerge from this pandemic and will likely take years to fully recover. As has been stated, the breadth and depth of these necessary public health measures will have a lasting, long-term detrimental financial impact on the Partnership.

Lansdowne Park is, of course, in the same situation as many (if not most) downtown retailers. Much like other large cities across the country, Ottawa's whole retail market is experiencing devastating impacts as a result of the pandemic. Many retailers were struggling with shifting consumer preferences before the pandemic. Those struggles were compounded by the COVID-19-related closures of all non-essential businesses and the resulting rise in e-commerce. With evolving consumer shopping habits, it is essential that retailers adapt their business models and focus on understanding and exceeding customer expectations in order to survive. Retailers require a robust online presence to complement their storefront location but it is anticipated that, for some

retailers, the pandemic will force permanent closures or a pivot away from storefronts to a direct-to-consumer business model. This trend could result in a significant number of vacancies along Ottawa's traditional main streets and in shopping centres across the region.

Retailers in Ottawa's urban core have been disproportionately impacted by the prolonged pandemic. Thousands of office employees now work from home, and thousands of secondary and post-secondary students now distance-learn from home. Both leisure and business visits have dropped to unprecedented levels, leaving downtown hotels largely empty. In the absence of predictable and sustained daytime foot-traffic, and despite available government assistance programs, many retailers, restaurants, and services will likely be forced to close over the next several months. A mass exodus of commercial activity from the core would leave behind significant vacancies in office tower and residential podiums and along main streets. Should this happen, finding replacement uses will likely present a significant challenge to property owners and landlords. This challenge could create some downward pressure on rents, which would be helpful in attracting replacement tenants. In addition, a high vacancy rate would force landlords to consider more attractive lease terms, including consideration for short-term tenants (i.e. pop-ups, showrooms).

That said, and even though the outlook for retail activity in the downtown core is diminished in the near term, Ottawa is generally weathering the economic impacts of the pandemic better than other large cities. This suggests that the pace of recovery across all sectors in Ottawa, including retail and entertainment, is anticipated to be positive.

While OSEG is just one of the businesses experiencing the impacts of the pandemic, OSEG has obligations within the Lansdowne Partnership Plan – obligations that it has met and with contributions that have gone well beyond what could have been reasonably expected – that hamper its ability to respond to this unanticipated situation. OSEG is forecasting an additional \$40M in operating losses and capital expenditures over the next five years mainly on account of the pandemic. The result of those losses is that OSEG will have made a cumulative \$192M in equity contributions to the Partnership compared to the 2012 estimate of \$55M. The current Agreements will not see any of that contribution returned to OSEG over 30 years, making the relative risk/reward balance upon which the Partnership is based one-sided and unsustainable.

When the original Lansdowne Partnership Plan ‘waterfall’ was developed, it was based on a fair assignment of risk and reward to both the City and OSEG. As characterized in the Risk/Reward Balance section (5.1) of the 2010 Audit of the Lansdowne Park Proposal Financial Model report (ACS2010-OAG-BVG-1) (emphasis added):

“When considering any real estate partnership, such as that being proposed here, **there should be a clear balance and alignment of risk and potential reward/potential loss. One party should not put more investment at risk than another party.** In this case, one would expect the City and OSEG to balance and align their investments and risks so that the public not only has a strong chance of repayment of invested capital, but a reasonable chance of a positive return on that investment. One would expect that OSEG would be able to generate a reasonable return on investment, but on its own investment, and not from the investment of public sector funds.

We have reviewed the flow of funds in the proposed model and believe that there is an appropriate amount of risk for each party. We examined all of the assumptions for the various structures and believe these to be reasonable and fair to both parties. In a scenario where the project succeeds, the public is protected and rewarded and the private sector is rewarded as well.”

While OSEG has taken measures to contain costs and operational losses, the COVID-related closures and restrictions to all Lansdowne operations described requires OSEG to fund all of the resulting deficits. The risk/reward balance that makes a successful public-private partnership would no longer exist.

Given the significant additional equity OSEG has already contributed and will not recoup, OSEG cannot absorb and address the significant COVID-related impacts to Lansdowne Partnership operations without the City providing them with more flexibility in the LPP Agreements to ensure their financial liquidity is maintained over the short-term and to enable them to secure additional sources of funding. OSEG has a retail loan outstanding of \$106M that must be re-financed within the next two years and the worsened financial projection due to the pandemic will make that difficult, putting them at a very real risk of default.

OSEG remains committed to the Partnership and to the continued success of Lansdowne Park as a destination for residents and visitors alike. To that end, it has

brought forward proposals for urgent amendments to the Lansdowne Park Partnership Agreements to enable the Partnership to weather the COVID-19 impact on the LPP's operations as follows:

- To allow the Partnership to access the Lifecycle Fund reserves of \$4.7M for operating cashflow purposes in 2021, with the reserve funds used to be replenished over the remaining term of the Partnership based on amounts determined by an independent third-party engineering study;
- To extend the existing Lansdowne Partnership for 10 years to December 31, 2054 under the current terms and conditions; and
- To remove the application of participation rent (which is the “50/50 split” between OSEG and the City of Ottawa of net cashflow from retail operations) from the Retail Lease and to not increase the base rent in the event of a permitted transfer of the Retail Component during the term of the Retail Lease, and removing the early termination provision in the retail lease.

Staff supports these measures, which will be described in more detail below. The City's Chief Financial Officer has determined, with independent validation, that Council adoption of these measures would not only assist the Partnership in addressing the impact of the pandemic, but improve the City's financial situation by \$4M to \$21M in NPV2020\$ over the life of the agreement, largely due to the cost-avoidance and elimination of revenue generating risks associated with not having to take over operations of the Lansdowne sports facilities for an additional ten years. OSEG remains responsible for operational deficits throughout the term of the Agreements.

These changes will not make OSEG whole from the significant additional equity they have already invested, but they will help to restore the “clear balance and alignment of risk and potential reward/potential loss ... [where] one party should not put more investment at risk than another party” that a good partnership should have, as characterized in the 2010 Audit, and which is now unsustainably out of balance due to the extraordinary circumstances of the pandemic.

City staff and OSEG also agree that the Lansdowne Park Partnership needs to be reviewed to ensure that it is better positioned to thrive over the longer term in what is expected to be a significantly changed post-COVID retail, sports and entertainment

environment. To ensure that time is not lost in positioning the Partnership for success, staff is also recommending establishing a working group comprised of City staff and OSEG representatives to further develop options to enhance the sustainability and long-term financial viability of Lansdowne's operations and the Partnership, including both operating and capital requirements.

As noted, staff believes the proposed changes to the LPP are reasonable, fair and prudent. Staff is of the opinion that, not only do they improve the City's financial standing within the Partnership, but they are necessary for the health of the Partnership, given the likelihood that OSEG defaulting will be the best business decision for them if the City does not agree. The Chief Financial Officer has determined, with independent validation, that, if the amendments are not approved and OSEG defaults, there would be an immediate negative impact on the 2021 operating budget that would range between \$4.5M (optimistic) and \$12.5M (pessimistic), depending on the length of time the impacts of the pandemic are experienced, and new costs to the City over the term of the Agreements of between \$118M and \$407M.

More specifically, if OSEG defaults, the City will be required to take over operations of Lansdowne Park, meaning the City will be exposed to the market risk of the retail and an additional 23 years of stadium operating risk starting in 2021, with the operating costs estimated to be between \$4.5M and \$12.5M a year. In order to minimize the negative financial impacts to the City, the scope of operations at Lansdowne Park would need to be reduced, the sports teams would be folded/shutdown, there would be fewer events, and retail occupancy would be reduced. The City would also assume outstanding loans (including the retail mortgage of \$106M, and the \$18.6M loan for the repairs to the Civic Centre roof).

Even under the most optimistic assumptions, the default scenario is expected to yield a more negative Net Present Cost to the City than that of the recommended Amendments by an order of magnitude (between \$118M and \$407M). Staff believe the optimistic scenario is highly unlikely, as the City would be taking over operations as the impacts of the COVID-19 pandemic would still be affecting downtown retailers disproportionately, as described earlier, and for some time to come. In order for the default scenario to provide a financial gain to Ottawa, the City would have to be confident that it can run the stadium and arena at levels at or above those OSEG achieved (via operating income)

and the City can manage the leasing and facility management of the retail site as well as OSEG has been running it and the retail market will recover to pre-COVID levels in the near-term and the professional sports teams would remain.

Financial and Other Impacts of the Recommended Amendments to the Lansdowne Park Partnership Agreements

As Council was made aware with the two most recent LPP annual reports, one significant financial challenge that the Partnership faced was the amount of capital that was required to finish the construction and refurbishment project, including the Lansdowne Urban Design Review Panel's requirements for the retail construction and the refurbishment of the 50 plus-year-old arena and north stadium facilities and capital required to fund initial operations.

These costs were funded by OSEG with no additional funding by the City. By the end of fiscal 2020, OSEG contributed \$152M, which represented an additional \$97M compared to what was initially estimated to be committed at the Partnership's inception in 2012.

As a result of the materially adverse impact that COVID-19 is having, and will continue to have for an undetermined period of time, on Lansdowne's sports, entertainment and retail operations, the Partnership has recast projections based on what it expects both the aforementioned short-term impact and longer-term impacts the pandemic will have on the industries within which it operates.

At a high level, the Partnership's updated plan includes the following assumptions: there will be no ticketed events at TD Place until 2021 (which translates to a reduction of ticket revenue of 90% from the initial 2021 plan), 75% of retail rents will be collectable in fiscal 2021 and rents will take five years to get back to pre-COVID-19 rental revenue levels, sponsorship revenues and league distributions and parking revenues will be reduced significantly. Overall, the updated plan assumes that the Partnership will generate revenues fiscal 2021 of approximately 40% that was reported in fiscal 2020. In addition, the effects of COVID-19 are expected to have an adverse impact on overall revenues over the next several years.

In its updated plan to the end of the Partnership and closed financial system and waterfall term as currently contracted, the total amount of capital that is now expected to be required to be funded has increased to \$192M, or an increase of \$40M over what

was expected from the 2019 pro forma, and an increase of \$137M versus the capital what was committed in the initial 2012 plan (refer to Table 1).

Table 1

(in \$ millions)	Fiscal 2020 Updated Proforma	Fiscal 2019 Proforma	2012 Initial Project Proforma
Minimum Equity	\$ 30	30	30
Additional Equity:			
Funded to end of fiscal year	122	114	
To be funded	40	8	25
	162	122	25
TOTAL	\$ 192	152	55

Based on the updated COVID-19 pro forma, the waterfall is expected to yield \$286M in distributions over the current term of the Partnership (compared to an estimate of \$452M in the 2019 pro forma). OSEG partners are not expected to recoup \$533M of accrued funding and interest, and the City would not receive \$61M of accrued interest on its “deemed” equity.

As noted earlier, the amendments to the LPP requested by OSEG and recommended by City staff are:

- Allow the Partnership to temporarily access the surplus funds in the Partnership lifecycle reserve fund of \$4.7M, to be used in fiscal 2021 operations. In the three years ending in fiscal 2023, any and all amounts required for capital repairs to TD Place determined by the Partnership and the City of Ottawa’s asset management group would be funded by OSEG and, thereafter, the fund would be replenished over the remaining term of the Partnership based on amounts determined by an independent third-party engineering study.
- Extension of the Waterfall Expiry Date and Initial Term of the Lansdowne partnership which includes the Stadium Lease and Retail Leases by ten years, with the same terms and conditions, to December 31, 2054;

- Remove the application of the Participation Rent and Early Termination, or without cause option, from the Retail Lease through the Retail Lease term, and do not increase the base rent in the event of a permitted transfer of the Retail Component during the term of the Retail Lease. Participation Rent is defined as 50% of the net retail operating cashflow.

Staff have worked closely with OSEG and external financial experts to assess the financial implications of these changes on the City. Three options were assessed.

1. **Current Agreement:** reflects the current agreement for comparison purposes, as it has become financially unsustainable, particularly with the financial impact of COVID, and is almost certainly to result in OSEG defaulting. In this scenario, the City is taking over the Stadium in 2045, assuming all the operating costs and revenue generating risks of operating the Stadium, but with participation rent included;
2. **Agreement Amendments:** reflects a revised forecast as a result of the proposed changes to the Partnership Agreement, which increases OSEG's ability to secure additional funding sources and more time to recoup contributed equity, delays the City's expected receipt of participation rent, but protects the City from any risk of operating deficits until 2054; and
3. **OSEG Default:** reflects the significant risk to the City, as the City would then have to take over operations when there is uncertainty as to the future of the sports teams without OSEG, the costs of operating the facility, unpredictable revenues from events and retail, and potential increases in retail vacancy rates due to the pandemic, as well as taking over current liabilities. All of these risks were included in the financial analysis of this scenario.

Table 2 provides an overview of the cost to the City in 2020\$ Net Present Value terms for a range of outcomes from pessimistic to optimistic for each scenario over the revised 30 year plus ten-year extension to the waterfall and an additional twelve years removing the participation rent to 2066:

Table 2:
Scenario Analysis of Estimated Net Cashflow to the City (in 2020 NPV \$)

Option	Optimistic Scenario (in millions\$)	Pessimistic Scenario (in millions\$)	Variance from Current (in millions \$)
Current Agreement*	52	14	-
Agreement Amendments	56	35	4 to 21
OSEG Default	(118)	(407)	(170) to (421)

*NOTE: This option is not viable, due to the required additional equity contributions by OSEG without any chance of their recovery. The Current Agreement numbers are for comparison purposes only.

Extending the waterfall and giving OSEG 10 years of 100% of the net retail cashflows under the retail lease will realign the risk/reward balance in the Partnership, while improving the City’s financial position over the life of the Partnership by \$4M to \$21M in NPV2020\$ over the term of the agreement, largely due to the cost-avoidance and eliminating revenue generating risks from not having to operate the Lansdowne assets and because OSEG remains responsible for operational deficits for an additional ten years.

However, amending the agreement will help enable OSEG to sustain current operations through the pandemic, refinance the retail loan and provide the flexibility they need to secure external sources of funding. OSEG will also have more time to recoup the interest on the equity that they contributed to the Partnership (in the waterfall arrangement, OSEG is paid 8% non-compounding interest on contributed equity from net cashflows). While OSEG won’t recover all the interest from what they have contributed, they will recover almost \$252M more than with the current terms. The City benefits from the requirement of OSEG to fund the lifecycle maintenance of the Stadium and Parking, as well as protects the city from funding any operating deficits, for an additional ten years.

Staff will also resolve the outstanding issue identified in the “Follow-up to the 2017 Audit of the Management of the Lansdowne Contract” included in the “Office of the Auditor General – Report on Audit Follow-ups and detailed audit follow-up reports (ACS2020-OAG-BVG-0001)”, approved by City Council on October 14, 2020, to establish an alternative approach to a Trust Account structure for the capital replacement funds

OSEG is required to provide for the stadium and the parking structure to “mitigate risks and effectively protect the funds from misuse and other creditors.”

As noted in the Management Response to that recommendation, Finance is looking for an alternative to a Trust Account structure that will also protect the funds. The requirements that banks place on trust accounts generally make those accounts suitable for use where a fund has very few transactions. In the case of Lansdowne, there are a significant number of transactions for the account and, for that reason, the parties have determined that a trust account is not workable. Finance staff have been working closely with the OSEG Chief Financial Officer and legal counsel and with the City’s legal counsel to identify possible solutions to this issue. Should the solution require amendments to the LPP Agreements, the necessary changes can be accomplished as part of the negotiations for the other recommended amendments, and reported back to Council as part of the next Annual Report. Should Council approve the amendments, staff will also ensure that the City’s monitoring and validation processes are reinforced, in keeping with recommendations from the Auditor General.

Should Council choose not to approve the recommended amendments, extensive due diligence would be required to forecast Ottawa’s financial position and to determine a ‘go-forward’ understanding of full Lansdowne operations were OSEG to default, although it is unlikely the City would be given this opportunity prior to that occurring. The default scenario outlined earlier in this report does not include the costs for this due diligence.

Preparing for Lansdowne Park in a post-COVID 19 environment

To address the pre-pandemic challenges to the Partnership’s long-term sustainability before the pandemic, OSEG had previously indicated that it was reviewing the operations of the 50+-year-old north stands and arena in terms of its financial and operational challenges. Work was also underway to try to bring more reliable foot traffic to the site on non-event days, with an overall goal of attracting five million visitors to the site each year. Now, planning for success in the post-pandemic business environment must also be incorporated into this analysis.

To ensure that the LPP is positioned to thrive post-pandemic over the term of the Partnership, staff is recommending that a working group comprised of City staff and OSEG representatives to further explore options to enhance the sustainability and long-

term financial viability of Lansdowne's operations and the Partnership, including both operating and capital requirement. This review will include ways to increase foot traffic on the site, including the options to enhance animation, improve public amenities, assess aging infrastructure and to increase the density in keeping with Council's urban intensification principles, including affordable housing. This working group would report on the options it has reviewed no later than the end of Q2 2021. This report would include a robust public engagement plan to ensure that the community is able to be involved in the future success of Lansdowne Park.

Staff is also recommending that a Council Sponsors Group be struck to support the Working Group, to act as a sounding board and to review and facilitate the proposed public engagement plan. As this is a city-wide facility, the recommendation is that the Council Sponsors Group be made up of five Members of Council, representing the East, South, West, Rural and Central (presumably the representative for Ward 17), as well as the Chief Financial Officer, the Deputy City Treasurer, the City Solicitor, the Director of the City Manager's Office, the General Managers of Recreation, Cultural and Facility Services and Planning Infrastructure and Economic Development, or the designates of these individuals, as well as other City staff as needed. It is further recommended that the City Clerk undertake a circulation of interest for this Sponsors Group, and bring forward a motion to the next Council meeting.

Part 2 – 2019/20 Lansdowne Park Annual Reports

The purpose of this section 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.

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's office at the time that Council approved the final LPP Legal Agreements and the legal close of the LPP on October 10, 2012.

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

Section 1: Delegation of Authority Summary

Section 2: Report on the August 28, 2020 Lansdowne Master Limited Partnership meeting and the August 28, 2020 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 October 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 on three occasions. In two cases, the delegated authority was exercised to approve the sale of units of ownership in OSEG in accordance with Article XXV of the Project Agreement. Each transaction involved a sale by a minority owner to the two majority owners. The total units transferred through the transactions represented ten per cent of the total ownership units and each majority owner gained an additional five per cent of the total units. The approval of the transactions was essentially a routine requirement as they did not introduce any new owners to OSEG or significantly change the ownership structure.

The third exercise of delegated authority was a waiver of a right of first offer to purchase the Fury FC soccer team prior to the franchise being sold to new owners in Miami. The right of first offer was contained in Article V of the Project Agreement.

Section 2: Report on the August 28, 2020 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 31st of each year, commencing in 2019. The Agreement 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 August 28, 2020, 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 via Teams.

The City was represented in each of the two meetings by the City Manager, the Chief Financial Officer and City Solicitor, the Deputy City Treasurer was also in attendance. 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, 2020. Since the fiscal year end basically coincided with the onset of COVID, the financial performance did not show any major impact from the onset of the Covid-19 pandemic and provincial declaration of emergency.

The meeting also included a presentation of the 2020 / 2021 Operating Budget, a presentation of a revised proforma for the 30-year closed financial system (waterfall, under the LPP), and highlighted significant matters and other business. The most significant matter was the effect of COVID on Lansdowne and that major negative effect was shown in the 2020 / 2021 Operating Budget.

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, 2020, 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 August 28, 2020, the General Partner presented the Financial Statements for the year ended March 31, 2020. 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 fulfil Council-directed reporting to provide an annual update on the operations of the Lansdowne Public-Private Partnership. This report covers the year 2019 up to the fiscal year end of March 31, 2020. It also includes

details on Recreation, Cultural and Facility Services department (RCFS) programming for the period from June 2019 until the end of May 2020.

OSEG Update Overview

This update covers the fiscal year starting April 1, 2019 through March 31, 2020 for the Lansdowne Master LP (the Partnership) which is a partnership between the Ottawa Sports and Entertainment Group (OSEG) and the City of Ottawa. Comparative figures for fiscal 2019 are for the 15-month period (January 1, 2018 to March 31, 2019) associated with the Partnership's approved change in its year-end.

In response to the spread of Covid-19 to North America, on March 17, 2020 the Partnership closed TD Place to the public. It remains closed with no events scheduled as of the date of this report. The likely impact of the global pandemic on the Partnership will be addressed in this report as well as OSEG's request for emergency mitigation measures.

Overall, the Partnership programed a total of 105 events in fiscal 2020 (compared to 121 events for the 15-month fiscal 2019 period). Five events were cancelled in the second half of March 2020, in conjunction with the closure of TD Place. Larger-scale events included REDBLACKS home games and the annual Carleton University/uOttawa Panda Game (which again sold out and was the biggest attended single event in the Canadian uSports schedule). The Partnership launched what is hoped will become its annual Ottawa Christmas Market at Lansdowne in December 2019 and hosted a diverse range of other events that included concerts, musicals and skating, dance, comedy and music shows. Sporting events also included:

- a very successful run to the Ontario Hockey League (OHL) finals by the Ottawa 67's;
- the return of basketball to the Arena at TD Place with the relocation of the annual uOttawa-Carleton University Capital Hoops Classic men's and women's games; and
- the uSports men's and women's Final 8 Basketball Championships (which featured uOttawa men's team and Carleton University's women's and men's teams) and which saw the Carleton University's men's team captured its 15th National Championship.

Following their third Grey Cup appearance in their first five years in the CFL, the Ottawa REDBLACKS experienced a disappointing season on and off the field. The team finished last in the CFL's eastern conference with a record of three (3) wins and 15 losses. A disappointing record, along with weather that plagued the majority of its home games, resulted in a decline in regular season attendance to 22,531 which is 94% of capacity (compared to 23,282 and 97% of capacity in the 2018 regular season).

The Partnership's fiscal year started with an exciting run by the Ottawa 67's to the OHL Finals with sold-out playoff games in April and May 2019. The club fell two wins short of an OHL championship and a berth in the 2019 Memorial Cup. The 2019-20 regular season (which runs from September to March) was cut short by Covid-19 with six game remaining to be played. The club was in first place in the 20-team OHL and was on pace to set franchise records for most wins and points in a season (records that they tied and broke in the 2018-19 season). Regular season attendance averaged 4,390 fans which didn't include the final three cancelled game which would have been the largest attended games of the season.

Ottawa Fury FC qualified for the United Soccer League (USL) playoffs for the first since they joined the league ahead of the 2017 season. Fury FC lost to Charleston in penalty kicks before a home crowd at TD Place. The club also advanced to the semi-finals of the 2019 Canadian Championships before succumbing to Toronto FC. Fury FC averaged 4,488 fans for home games during their 2019 season. Subsequent to the season, Fury FC was forced to cease operations as a result of not being able to secure approval from soccer's governing body in the region (CONCACAF/FIFA) to continue play in the US-based USL. This was seen to be a politically motivated decision by CONCACAF.

During the fiscal year, the Partnership signed leases with three new sports tenants. The Ottawa BlackJacks professional basketball club of the Canadian Elite Basketball League and Atletico Ottawa professional soccer club of the Canadian Premier League (soccer) were to commence their inaugural seasons in the Arena and Stadium at TD Place respectively in the summer of 2020 (which did not occur as a result of Covid-19. However, both clubs are expected to play at TD Place in 2021) and the Ottawa Aces professional rugby club who will play in the Rugby Football League (based in England) are scheduled to commence play at the Stadium at TD Place in 2021. Including the REDBLACKS and Ottawa 67's that will bring the total to five sports tenants at TD Place.

Also, in fiscal 2020 the City's Recreation, Culture and Facility Services (RCFS) department, in partnership with OSEG and TD Place, staged many other 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 and was an integral part of the inaugural Ottawa Christmas Market.

RETAIL AND SITE:

Lansdowne's 343,450 square feet of rentable retail and office space ended fiscal 2020 at 96.9% leased (compared to 98% and 95% leased in the two previous fiscal years. Calendar 2019 Lansdowne site visitors totaled over 4 million for the first time since a rejuvenated Lansdowne re-opened in 2014.

CONDOMINIUM / RESIDENTIAL:

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

OFFICE TOWER:

The office tower was over 89% leased as at the end of fiscal 2020 (compared to 87% and 70% leased at the end of the two preceding fiscal years).

TRANSPORTATION DEMAND MANAGEMENT:

Transportation Demand Management (TDM) initiatives maintained their outstanding success levels as visitors continued to use OC Transpo (and STO) services to and from TD Place. The TDM Modal share targets for transit and shuttle usage have been met or exceeded in all event categories since the inception of the Partnership in 2014. The TDM report for this year is expected to be finalized in October 2020 and OSEG expects that these targets will continue to be met including for major events (attendance of 15,000 or higher) where transit and shuttle modal share for REDBLACKS games has consistently been over 50%.

OSEG continues to ensure that public inquiries regarding traffic and transportation demand related issues are able to be received and addressed. OSEG will have a named TDM coordinator function post COVID-19.

SUMMARY FINANCIAL RESULTS:

As stated previously, the fiscal 2020 period includes the 12-month period from April 1, 2019 to March 31, 2020. The comparative fiscal 2019 period included a 15-month period ending March 31, 2019 as the Partnership sought and received the City's approval to change its year end in fiscal 2019 to align better with the business cycle of the Partnership.

In the fiscal 2020:

- The Partnership generated revenues of \$51.0M which represents a decrease of \$9.8M from revenues of \$60.8M in fiscal 2019. This decrease is attributed mainly to a shorter 12-month fiscal year as compared to the aforementioned 15-month fiscal period, a decline REDBLACKS revenues (\$4.7M) on account of no home playoff game in fiscal 2020, the REDBLACKS' share of funding required to operate the CFL-administered Montreal Alouettes until a new owner could be secured, lower paid attendance as a result of weak team performance and generally poor home game weather forecasts that had a negative impact on week-of-game ticket sales and a lower number of events at TD Place partially on account of events cancelled on account of the closure of TD Place in March.
- Income or profits from recurring operations was \$2.8M in fiscal 2020 which represents a decrease of \$1.5M from the operating income of \$4.3M in fiscal 2019. This decrease is on account of revenues that were \$9.8M lower during fiscal 2020 (and which were explained above) offset by operating expenses that decreased by \$8.3M in fiscal 2020. The decrease in expenses were again on account of a shorter 12-month fiscal period (compared to 15-months fiscal 2019), no REDBLACKS' playoff game-related expenses and generally lower overall operating expenses as the Partnership took measures to reduce expenses in light of lower REDBLACS and TD Place revenues.
- After non-cash depreciation, interest and borrowing costs, the Partnership's net loss from recurring operations was \$11.3M, which represented a decrease of \$1.4M from the net loss of \$12.7M in fiscal 2019. Lower non-operating expenses, including interest charges and non-cash depreciation, on account of a fiscal year that was three months shorter than the comparison period offset

partially by \$600K of mortgage guarantee fees being forgiven by corporate entities related to OSEG partners in the prior year accounted for the improvement in net income.

Recreation, Cultural and Facility Services City Urban Park Programming Update

This report covers operations in 2019 and includes an update on operations through to May of this year. Throughout 2019 the City has maintained a focus on increasing participation (and, since the commencement of the COVID-19 pandemic, adherence to Public Health directives and ensuring the safety of the public and staff in its operations) attendance and participation levels at the site from across Ottawa while balancing the types of activities offered at Lansdowne Park. The Urban Park continued to attract a variety of community and private rentals while also offering free public activities and registered programs.

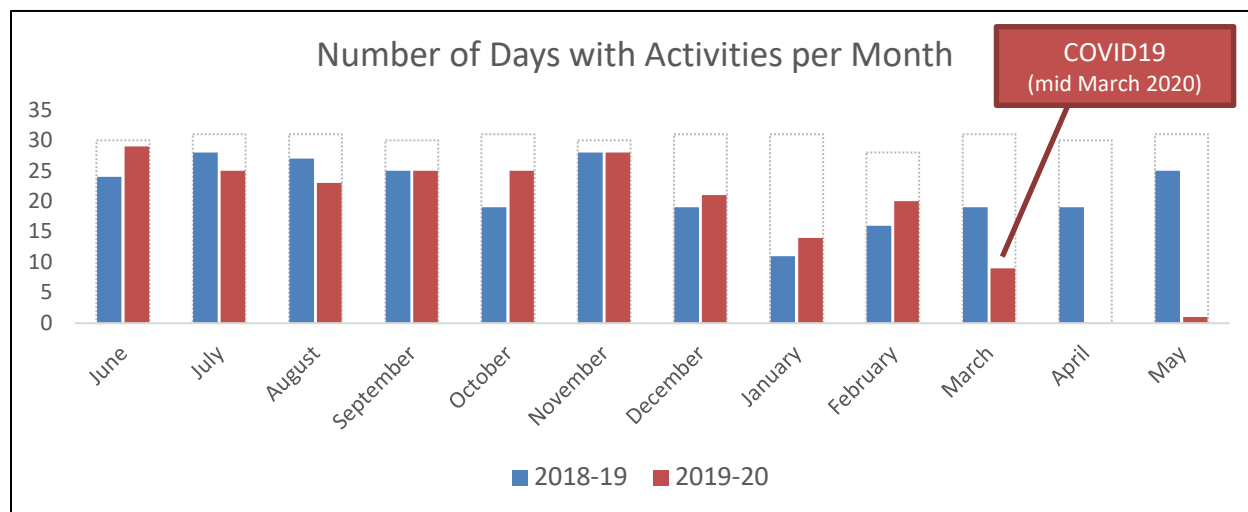
Table 3: Usage of Aberdeen Pavilion, Horticulture Building, Plaza, and Rest of park, June 2019 to May 2020

Facility	TOTAL # Activity days	# Event days	# City programming days	# set up/take down days
Aberdeen	124	59	19	46
Horticulture Building	162	134	15	13
Plaza	73	54	8	11
Rest of the park	104	32	41	31

During the pre-COVID-19 period, the Aberdeen Pavilion was used for a total of 124 days consisting of 59 event days, 19 programming days and 46 days used for set up and take down. The Horticulture Building was utilized for 162 days; 134 event days, 15 programming days and 13 set-up and take down days. The outdoor space was used for a total of 177 days made up of 86 event days, 49 programming days and 42 set up and take down days. In total, these activities attracted an estimated 1,134,000 people³ and generated over \$434,000 in revenue. These statistics do not include the passive use of the park (skating court/basketball court, skateboard park, etc). As a result of COVID-19, 56 activities were cancelled between March and May 2020, including 51 third-party

³ Estimated attendances for rental events listed in this report are based on proactive estimates provided by the renting organization..

rentals such as Coffeefest, Ottawa Brewfest, St. Patrick’s Day Party and numerous weddings; thereby, decreasing event and attendance numbers and reducing revenues by just over \$209K.



The City had anticipated surpassing last year's statistics as trends in number of activities had increased. Efforts to bring national and provincial events, such as the Jump Start Championships, Ontario Indigenous Summer Games, as well as the Masters Indigenous Games to Ottawa in collaboration with Ottawa Tourism were underway; however, the pandemic quickly altered plans. These major events benefit Ottawa’s economy and help support the tourism sector, therefore staff are working collaboratively towards rescheduling these events for 2021 or beyond.

Table 4 compares the number of rentals at Lansdowne over the last three years. Although rental trends were increasing, the decline shown is a result of COVID-19 cancellations.

Table 4: Number of Rental Bookings at Lansdowne, 2016-2020

Programming year (June 1 - May 31)	Rentals	Recurring events*			TOTAL
		OFM	613flea	Other	
2016-17	177	46	7	0	230
2017-18	181	46	7	0	234
2018-19	184	48	9	0	241
2019-20	149	37	6	6	198
2019-20 pre-COVID targets	195	48	9	2	254

PARTNERSHIPS

The City and OSEG have a shared objective to realize the vision for Lansdowne to be a dynamic people and gathering place accommodating a variety of activities, both active and passive. During this period, a focus was placed on leveraging the sponsorship of Aberdeen Square, now Casino Lac Leamy Plaza, to enhance the programming and passive use of the space through the installation of new amenities. Preliminary design concepts for the Plaza were developed and a public consultation was planned for summer to solicit ideas on programming and physical improvements to the space.

Standard Operating Procedures have been implemented in order to facilitate the maximization of the site. 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.

THIRD PARTY RENTALS / LEASES

Between June 2019 and May 2020, Urban Park facilities hosted 198 bookings, including 99 events open to the public, 61 private events and 38 Ottawa Farmers' Market days. These events were offered by third party users, including City Folk, the Ottawa Farmers' Market (OFM), 613Flea, private weddings and fundraisers, and generated approximately \$434K in revenues and had a combined estimated attendance of over 1,134,000 (978,000 + 156,000 OFM) participants. The success of prior year events resulted in 74 repeat bookings from 2018-19 in 2019-20.

Large and small-scale events in 2019-20 included: City Folk Festival, The Super League Triathlon, Winter Brewfest, NHL Black History Tour, Escapade, Wiggle Waggle, Panda Breakfast, Ottawa Vegan Market, City of OM, and ESAX. The monthly 613Flea markets added a summer Friday night 613Flea market to their 613Flea weekend which attracted thousands to visit the site.

In 2019, the City initiated a search for a replacement tenant for the lease space in the Horticulture Building. In early 2020, a new tenant was found and was to assume the space by March 2020. Unfortunately, COVID-19 restrictions have delayed occupancy of the space. The retail lease to Boccato's for the front quadrant of the Horticultural

Building continued throughout this period, with a pause in operations during provincial and public health pandemic restrictions.

Ottawa Farmers' Market

The Summer Market, held in the Aberdeen Square, saw an increase in sales of eleven per cent from the estimated sales of 2018, with a slight increase in the number of vendors, which allowed for some expansion into the East Court. The Summer market spanned 27 weeks – May 5 to October 27 – with an average daily vendor count of 77.89 vendors and 98,550 in attendance. The Christmas Market ran for nine days in December 2019 with an estimated attendance of 35,000 people. The Winter 2019/2020 market held in the Aberdeen Pavilion between November 2019 and April 2020 saw an increase in sales of nearly nine per cent over 2018, and an overall increase in the number of vendors who attended the market with an estimated attendance of 23,400; however, the Ottawa Farmers' Market was forced to close down on March 22, 2020 due to COVID-19. The total estimated attendance for all 49 market days is over 156,000 in 2019-20. A modified market, click and collect with scheduled time slots model, was able to resume on May 31, 2020 with a limited number of vendors and public health restrictions.

CITY PROGRAMMING AND ANIMATION

Over the last year, the Urban Park programmers have once again offered a variety of programs and activities that are well suited to the uniqueness of the site and not commonly found in neighbourhood recreation facilities. Twenty-five different registered programs were offered onsite. For those wanting to dust off their roller skates and enjoy music they could register for the Disco Derby program, or participate in the competition to design, build and enter a pumpkin car in the Pumpkin Derby Race or the Family Maker Program that attracted participants with a technical itch that wanted to learn more about building cool electronic gadgets. The Urban Park is becoming known for a varied and appealing range of free community programming such as the Full Moon Yoga, Halloween Event, the Summer Arts Showcase, the TreeFest Art Exhibition and Movies in the Park. Over 14 different types of free community programs occupying over 110 days of the year with 27,500 in attendance were animated by City staff.

In Summer 2019, the Urban Park was once again a destination for summer camps from across the city. Kids from all over the City came to the Park to enjoy the open space of the Great Lawn for organized games, and the many play amenities.

Programming highlights during the reporting period include:

- 5th 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;
- Thirteen free outdoor movies were shown with more than 3,400 in attendance compared to 1,800 the previous year. The movies were offered on the weekend this year which doubled attendance;
- Christmas at Lansdowne surpassed attendance expectations by bringing over 50,000 people to the site. The Indoor Christmas Market offered by the Ottawa Farmer's Market was a hit again this year with its many vendors and delicious treats. OSEG enhanced the Christmas spirit by taking it outside and turning the Square into a magical Christmas village under a canopy of twinkling lights and running an Outdoor Market. Many gathered to visit the eight European-style cabins, where you could purchase from a variety of artisans, warm up with a hot cup of cocoa for the little ones and a shot of VODCOW for the adults. The Choir took the stage as well as singer Chantal Kreviazuk while the 50-foot-high Christmas tree provided the perfect backdrop. The Governor General's Band Concert played on in the Aberdeen Pavilion for those looking to warm up.
- The outdoor refrigerated rink operated for a total of 125 days between November 22, 2019 and March 25, 2020 and was well-used by skaters of all ages. The rink was only closed twice because of inclement weather and was a welcome alternative to a short 35-day canal skating season. Every Sunday morning, from January 12 to February 16, skating lessons were offered to four to five and six to 12 year-olds and the Lansdowne rink was once again host to the Great Canadian Kilt Skate day in January.

SITE IMPROVEMENTS

In 2019 the Urban Park Management Agreement with OSEG was renegotiated and renewed for a five (5) year term. Changes to the agreement included increased security patrols for the site, additional reporting requirement on maintenance activities, as well as key performance indicators in support of contract monitoring.

An assessment of the Aberdeen Pavilion's roof was completed in 2019 to establish engineering requirements for replacement.

Other site improvements, both indoor and outdoor, include: Great Lawn irrigation improvements, rebuild of turf combined with aggregate at the east side of the park, connection of the garden water cistern to Horticulture Building, park's lighting system analysis, LED lighting upgrade to the exterior of Aberdeen Pavilion, preparation work for repair of Horticulture Building membrane, rekeying of both buildings and replacement of Horticulture Building AC units.

A call for artists to produce a new electronic art feature to be displayed on the Moving Surfaces installation was conducted and the successful artist is currently working on the new design.

FINANCIAL RESULTS

Financial results for the 2019 fiscal year are outlined in the table below. City operations work within a \$1.658M net budget allocation for programming and maintenance. Consistent with prior years, actual expenditures continue to be lower than budgeted and revenues continue to exceed budget.

The Urban Park continues to have a net operating cost that is lower than the budgeted net. In 2019, revenues grew by almost five per cent over 2018, 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.

Revenue exceeded expectations bringing the net cost of operations to 96% of the budgeted amount.

Table 5: Financial Results for the 2019 Fiscal Year

	Expenses	Revenue	Net
2018 Budget	2,329,125	- \$574,527	\$1,754,598
2018 Actual	1,885,064	- \$589,522	\$1,295,541

2019 Budget	2,261,172	-	\$602,758	\$1,658,414
2019 Actual	2,214,636	-	\$617,893	\$1,596,743

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 6: City-run Registered Programs

June 1 - May 31	# Barcodes	# Days	Revenue	Participation (participants x programs hours)
2017-2018	57	126	\$ 10,576	1,323
2018-2019	48	112	\$ 11,710	1,667
2019-2020	42	106	\$ 10,046	1,542

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:

- Our next 2020-21 reporting year will reflect more fully the COVID-19 restrictions that resulted in upcoming events such as Escapade, The Super League Triathlon, Jump Rope Championships, OFM and City Folk to cancel their use of the Park. Between June 1st and end of year, 113 events with a total of \$409.5K in revenues have been cancelled or postponed as a result of COVID-19.
- The Ottawa Farmers' Market moved to a more traditional market during the summer, however the reduction in the number of vendors onsite and health restrictions will have an impact on attendance and financial performance.
- Staff are working within the evolving resumption of service directives to consider community programming needs and opportunities and carefully re-establishing operations and rentals in a safe manner while adhering to all Provincial and Ottawa Public Health guidelines.
- Complete the repair of the garage membrane on South, West and North Walls of Horticulture Building. Repairs to the east membrane was undertaken in summer 2020.

- New tenant will occupy their space in the Horticulture Building when conditions permit.
- Completion of consultation and next steps on enhancements to the Casino Lac Leamy Plaza
- Renewal of Ottawa Farmers' Market's License of Occupation in the Urban Park

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. Additionally, monthly meetings are held between City staff, OSEG and the Ottawa Farmers' Market.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report. The Ward Councillor was made aware in advance of the publication of the report.

LEGAL IMPLICATIONS

The recommended extension of the Lansdowne Partnership and associated closed financial system for an additional 10 years simply preserves and extends the City's current legal rights concerning Lansdowne.

The removal of the City's right to terminate without cause from the Retail Lease must be considered in the context of the payment required by the City in the event a decision was ever made to exercise this right. The City would have had to compensate OSEG for all the equity it had invested in the Project up to the point of termination. That would have resulted in a payment of in excess of \$100 million and, therefore, the right of termination for convenience, which was included in the Lansdowne agreements in order to cover every potential eventuality, was very unlikely to have ever been exercised. The Retail Lease is subject to a mortgage on the leasehold interest that is due for renewal in

two years and the City's right to terminate without cause presents a real barrier to future investment.

Similarly, maintaining the current, nominal base rent under the Retail Lease if a new investor is added, simply ensures that the current legal provisions that govern Lansdowne will continue on after a new investor becomes involved in the Retail component. The City has the right to approve any new investor.

The City continues to retain its right to terminate in the event of a breach of any of the Material Agreements and also continues to have the right to terminate the other Material Agreements for convenience, subject to the required termination payment.

The postponement of the participation rent until 2066 is really a financial decision that, again, preserves and extends the City's current legal rights at Lansdowne. The one-time access to the capital reserve fund represents a reduction in the current level of security around capital funds for the site in the short term, however, the changes in the agreement should provide an acceptable level of legal security that properly reflects the financial realities at Lansdowne.

There are no legal implications to the receipt of the standard annual report items 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 2018-2022 term will include a focus on several key items:

- Scoping and estimating the required lifecycle capital investments in the Aberdeen Pavilion, including roof repairs has been completed and,
- Renewal of the Urban Park Property Management Agreement with OSEG to 2025 has been completed.

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 in 2012, 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:

1. Payments to life cycle reserves on a cumulative basis; and then
2. To each of OSEG and the City, 8% return on the Equity and City Funding Equity (N.B. City funding equity is \$0); and then
3. Return of additional equity to OSEG; and then
4. Return of the Minimum Equity to OSEG and the City Funding Equity (N.B. City funding equity is \$0); and then
5. 8% return on the City Deemed Equity; and then finally,
6. Any balance distributed to OSEG and the City in equal shares.

First and foremost is the payment to the lifecycle reserve to maintain and invest in the City’s assets (ie. Stadium and Parking). As at March 31, 2020, OSEG has contributed \$7.5M to the lifecycle fund and the fund has earned interest of \$150K. These funds are drawn by OSEG to spend on lifecycle replacements as and when required to maintain the City’s asset in a state of good repair, based on an agreed to lifecycle plan. To date, the lifecycle reserve has a balance of \$4.7M.

Since the beginning in 2012, there have been no “net positive cash flows” from the Lansdowne operations, but OSEG must contribute to the Lifecycle Fund even if there are negative cashflows and they must contribute additional equity to cover the negative cashflows, which they have done each year. Any net positive cashflows earned in the future would be distributed to OSEG first, since the City has no invested funding equity. It is only after OSEG equity and interest on equity is returned that the City can receive payment on the interest earned on the deemed equity.

The deemed equity contributed by the City did not require any cash outlay. Hence the term “deemed” equity. It represents the market value of the retail lands contributed by the City, which was valued at \$23.75 million. In the waterfall, this amount is accruing interest of 8%. Per the original forecast in 2012, this amount would have accrued to a value of \$61 million and been distributed to the City after the return of all equity and interest on equity to OSEG, which was forecast to only be in the final two years of the 30-year agreement. Based on the most current forecasts, OSEG does not recover all of their invested equity, and for this reason there is no forecast payment to the City in those future years at the end of the 30-year agreement. However, the City is continuing to accrue interest on the deemed equity and if net cashflow forecasts improve sufficiently over the remaining years of the contract, then there is still the possibility that the City will earn this interest. Once the 30-year term expires, the waterfall distribution system ends, and the City begins to collect land market and participation rent from the retail net cashflows and enter into a new lease stadium lease agreement. The benefit of this P3 agreement is that throughout the entire 30-year agreement the City is protected from having to contribute any money for asset lifecycle maintenance or operating deficits for the Stadium, Parking, Retail or sports teams.

As described in the report, the 2020 proforma, is now revised to reflect the projected impact of COVID-19 in the near term and impact it will have on the overall financial distributions over the 30-year agreement. The revised proforma shows an overall decrease of \$165.5 million or 36.6% in waterfall distributions over the 30-year period compared to what was projected in the 2019 proforma. These projections are subject to fluctuations each year as projections get refined to better reflect trends. The 2020 proforma now takes into consideration the impact of the pandemic that is expected to significantly reduce revenues over the next several years.

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

Table 7: Comparison of 30-year Waterfall Distributions (in Nominal \$)

(in millions \$)	2019 Projection	2020 Projection	Change
Waterfall Summary			
L1 – Additions to Lifecycle Fund	57.1	52.6	(4.5)
L2 – OSEG – Return on Equity	318.2	216.5	(101.7)

L2 – City of Ottawa – Return on Funding Equity	-	-	-
L3 – OSEG - Return of Additional Equity	59.3	-	(59.3)
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	-	-	-
Total	451.6	286.1	(165.5)

*City funding equity is nil.

These projections now show a reduction of \$101.7 million in the return on equity realized by OSEG, and a further reduction of \$59.3 million in return of additional equity to OSEG.

As in the 2019 projections, OSEG is not expected to recover all of the equity they have contributed to this project, but this situation has worsened with the impact of COVID on operations. Projected equity contributed from OSEG has increased to \$191.6 million from \$152.3 million projected in 2019. OSEG is also expected to accrue \$575.3 million in interest on the contributed equity based on an 8% return, however they will only receive \$216.5 million of that amount. When we also take into account all of the additional equity contributed by OSEG that they will not recoup, the “effective” rate of return to OSEG is projected to be significantly lower than 8%.

In response to the serious financial challenges facing the Partnership, OSEG has made a request for help to the City of Ottawa, as a partner in Lansdowne. Four key changes to the LMLP agreement have been proposed to improve cashflow and the financial sustainability of Lansdowne:

1. Allow the Partnership to access surplus funds of \$4.7 million in the Partnership lifecycle reserve fund to be used in fiscal 2021 operations. In the three years ending in fiscal 2023, any and all amounts required for capital repairs to TD Place determined by the Partnership and the City of Ottawa’s asset management group would be funded by OSEG and, thereafter, the fund would be replenished over the remaining term of the Partnership based on amounts determined by an independent third-party engineering study.
2. Extend of the Waterfall Expiry Date and Initial Term of the Stadium Lease by ten years, on the same terms and conditions, to December 31, 2054;

3. Remove the application of the Participation Rent and Early Termination, or without cause option, from the Retail Lease through the Retail Lease term, and to not increase the base rent in the event of a permitted transfer of the Retail Component during the term of the Retail Lease. Participation Rent is defined as 50% of the net retail operating cashflow.

Staff have worked closely with OSEG and external financial experts to assess the financial implications of these changes on the City. Three options were assessed.

1. **Current Agreement:** OSEG continues with the current agreement which has become financially unsustainable, particularly with the financial impact of COVID; and is almost certainly to result in OSEG defaulting. In this scenario, the City is taking over the Stadium in 2045, assuming all the operating costs and revenue generating risks of operating the Stadium, but with participation rent included;
2. **Agreement Amendments:** reflects a revised forecast as a result of the proposed changes to the Partnership Agreement, which increases OSEG's ability to secure additional funding sources and more time to recoup contributed equity, delays the City's expected receipt of participation rent, but protects the City from any risk of operating deficits until 2054; and
3. **OSEG Default:** There is a significant risk in the default scenario, as the City would then take over operations when there is uncertainty as to the future of the sports teams without OSEG, the costs of operating the facility, unpredictable revenues from events and possible increases to retail vacancy rates. All of these risks were included in the financial analysis of this scenario.

Table 8 provides an overview of the cost to the City in 2020\$ Net Present Value terms for a range of outcomes from pessimistic to optimistic for each scenario over the revised 30-year plus ten year extension to the waterfall and an additional twelve years removing the participation rent to 2066:

Table 8: Scenario Analysis of Estimated Net Cashflow to the City (in 2020 NPV \$)

Option	Optimistic Scenario (in millions\$)	Pessimistic Scenario (in millions\$)	Variance from Current (in millions \$)
Current Agreement*	52	14	-

Option	Optimistic Scenario (in millions\$)	Pessimistic Scenario (in millions\$)	Variance from Current (in millions \$)
Agreement Amendments	56	35	4 to 21
OSEG Default	(118)	(407)	(170) to (421)

*NOTE: This option is not viable, due to the required additional equity contributions by OSEG without any chance of their recovery. The Current Agreement numbers are for comparison purposes only.

Council adoption of the proposed Partnership Agreement amendments would improve the City's financial situation by \$4M to \$21M in net present value dollars, over the term of the agreement, avoid the risk of default and provide time for OSEG and the City to explore additional measures to achieve a sustainable financial operating model. The City's financial situation is improved largely due to the cost-avoidance and eliminating revenue generating risks from not having to operate the Lansdowne assets and because OSEG remains responsible for operational deficits for an additional ten years.

These amendments will also allow OSEG to recoup more of its accrued interest on contributed equity but not all. The following table shows the impact of the amendment agreement on the proforma forecast, extending it by ten years and making use of the lifecycle fund for cashflow purposes over the first three years.

Table 9: Comparison of 2020 Waterfall Distributions (in Nominal \$)

(in millions \$)	Status Quo Projection 30-Year Projection	Agreement Amendment 40-Year Projection	Change
Waterfall Summary			
L1 – Additions to Lifecycle Fund	52.6	66.3	9.2
L2 – OSEG – Return on Equity	216.5	468.4	251.9
L2 – City of Ottawa – Return on Funding Equity	-	-	-
L3 – OSEG - Return of Additional Equity	-	-	-
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	-	-	-

(in millions \$)	Status Quo Projection 30-Year Projection	Agreement Amendment 40-Year Projection	Change
Total	286.1	551.6	265.5

*City funding equity is nil.

In this revised proforma, overall distributions increase by \$265.5M. OSEG receives an additional \$251.9M in accrued interest on equity, but does not receive any additional unrecouped equity, overall contributed equity from OSEG is reduced slightly by \$5.6M, and unrecouped equity is estimated to be \$169M. An additional \$9.2M is estimated to be contributed to the Lifecycle Fund over the 40-year period.

ACCESSIBILITY IMPACTS

There are no accessibility implications associated with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this 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 August 28, 2020 Lansdowne Master Partnership Meeting

Document 2: Minutes from the August 28, 2020 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.