

Downtown Event and Entertainment District Funding Strategy

ISSUE

The Downtown Event and Entertainment District is a bold vision that includes multiple infrastructure projects and has been designed considering extensive engagement to help ensure the initiative reflects the vision shared by the community. To effectively work towards the vision, Administration was tasked with developing a funding strategy that achieves the goal of constructing the Downtown Event and Entertainment District (DEED) with no increase in property taxes. The funding strategy for the DEED has been formulated, encompassing a mix of funding sources, including public and private contributions, grants, and other funding tools. The Administration is pleased to report that the funding strategy outlined in this report does not rely on a property tax increase to fund the project.

City Council's approval of the funding strategy is not a commitment to initiate construction. Approval of the recommendations in this report would signal to the Administration and to funding partners that the project is a priority for Saskatoon and would instruct the Administration to work towards a fully funded project.

This approach is modelled after other large projects in Saskatoon such as the completion of Circle Drive South in 2013, the Traffic Bridge, North Commuter Parkway and Chief Mistawasis Bridge project that was completed in 2018, and the recently announced Bus Rapid Transit initiative. The approach is to evolve the project so that it is 'shelf-ready' for the point in time when funding from other levels of government becomes available, and the economic environment is conducive for a major public infrastructure investment. Although the vision may seem ambitious, Saskatoon has a track record of turning ambitious projects into reality by having the right project ready at the right time.

RECOMMENDATION

- That the Administration proceed with execution of the Funding Strategy, including:
1. Advancement of the funding tools included in this report subject to further engagement with partners and future reporting to approve specific assumptions on rates, timing, and projections; and
 2. Working towards securing firm financial commitments from other orders of government consistent with cost sharing arrangements from previous major infrastructure programs.
 3. Continuing to seek additional revenue sources and project savings, with the intent to fortify the City's ability to fund the project with no property tax increase and reduce the financial reliance on the accommodation industry and amusement tax revenue streams.

BACKGROUND

At its April 26, 2021 Regular Business Meeting, City Council received a report entitled "[A Vibrant Future for Saskatoon's Downtown – An Exploration of Potential Funding Opportunities to Bring the Vision to Life.](#)" This report identified the Arena/Event Centre, Convention Centre, and Bus Rapid Transit (BRT) as catalyst projects for Downtown development. The report also provided an analysis of the potential combination of new revenue sources, transfers from other orders of government, and existing revenue sources to fund major capital infrastructure projects without increases to property tax.

City Council, at its Regular Business Meeting held on September 26, 2022, received the report entitled "[Investing in Canada Infrastructure Program Application Intake](#)" and resolved that the Administration be directed to submit proposed projects to the Investing in Canada Infrastructure Program (ICIP) for the BRT and East Leisure Centre Projects. Project funding totalling \$250 million for all elements of the BRT project applied for through ICIP has been approved as of June 28, 2024, with a total of \$183,325,000 contributed by other orders of government. The [Bus Rapid Transit - Project Update July 2024](#) report presented at the July 17, 2024 Governance and Priorities Committee meeting provided information on the current project status, planned construction schedule and expected service launch date.

At its September 13, 2023 meeting, the Governance and Priorities Committee received an information report entitled "[Downtown Event and Entertainment District – Revenue Instruments,](#)" which described the alternative revenue instruments the Administration would be exploring further to help formulate the funding strategy.

DISCUSSION/ANALYSIS

The focus of the funding strategy is not about deciding to proceed with construction but to determine if the financial tools identified should be further pursued to work towards a fully funded plan.

As has been highlighted in previous reporting, intergovernmental financial support is a fundamental component of the funding strategy. Similar to other major City projects that have benefitted from federal and provincial funding programs, Administration will work towards securing financial commitments from other orders of government consistent with cost sharing arrangements from recent major infrastructure programs such as the ICIP and Building Canada Fund. There is no question this project will have a broad provincial benefit, far greater than just the Saskatoon area. Having a modern entertainment and event centre in the heart of Saskatchewan's largest city will be essential in maintaining and enhancing both Saskatoon and Saskatchewan's competitive advantage.

The City's portion of funding within the funding strategy builds on the KPMG Study presented in 2023 and none of these funding tools require an increase in the property tax rate to support the project. The tools are comprised of the following elements:

1. Accommodation Funding Contributions;
2. Amusement Tax;
3. Parkade Revenues;
4. Tax Incremental Financing;
5. Property Realized Reserve Contribution;
6. SaskTel Centre Reserve Contributions; and
7. Private Partner Contribution.

This funding strategy is based on a 33-year plan that includes a 30-year debt repayment. Additional detailed information on each revenue tool and its assumptions are found in Appendix 1.

Overall, it is estimated that approximately \$602 million to \$777 million in cash flow could be generated from these revenue tools over the course of 33 years. This cash flow, when adjusted for borrowing costs would translate into \$354 million to \$424 million in 2024 buying power/project funding. This includes an initial capital contribution and ongoing revenues to the City from the private partnership, projected to be \$170 million in cash flow over a 25-year term which would provide approximately \$89 million in 2024 buying power/project funding.

The total estimated project cost is approximately \$1.22 billion (2024 dollars) for the full scope of the Downtown Event and Entertainment District project, as outlined in Appendix 2. This includes the new arena/event centre, renovated and expanded convention centre, renovated theatre, new parkade, public plazas, park space, utility upgrades, public realm improvements and land assembly. The City would be able to fund approximately 27.5% to 33.0% of the total project costs. This proportion is consistent with past funding requirements under the City's ICIP (40% federal, 33.33% provincial, and 26.67% municipal) as well as the previous Building Canada Fund (33.33% from each order of government).

Construction inflation and higher interest rates have driven up project estimates since the project was conceived, however the estimated project costs are felt to be conservative, and further work will be done to attempt to reduce capital costs. The intention is not to overbuild either new anchor facility, but instead to ensure that Saskatoon remains on-the-map and can continue to attract world-class entertainment and major conventions, which all contribute to the economic health of the city and ensure people will continue to view Saskatoon and region as a place to live. As a point of comparison, the cost estimate for the proposed arena/event centre is between \$4,000 and \$9,000 per seat less than three recent National Hockey League arena projects, which reflects more modest fit-out requirements within Saskatoon's proposed arena/event centre.

The City of Saskatoon has a long history of bringing large and important infrastructure projects to life. The ideas and planning for these projects happen over multiple years before they are built. As done in the past, the initial conversations around a Downtown

Event and Entertainment District, which includes multiple infrastructure projects, started back in 2018 and it will be years before construction would begin.

The vision for the DEED is more than just an arena/event centre and convention centre; it includes revitalizing a significant portion of Downtown to be attractive places for residents and visitors of all walks of life to enjoy.

City Council's approval at this stage signals to the public, the Administration, private investors, community stakeholders, and other orders of government that the project is a priority for Saskatoon. What remains is a funding contribution by other orders of government and the necessary enabling legislative changes or agreements to take full advantage of the revenue tools described in this report and appendices.

FINANCIAL IMPLICATIONS

The financial implications are considered above and in Appendix 1.

OTHER IMPLICATIONS

The Administration has had regular conversations with the Downtown Event and Entertainment Advisory Group, SaskTel Centre, TCU Place, Discover Saskatoon, Saskatoon Destination Marketing Hotels, and various hoteliers regarding the revenue tools considered within the funding strategy. There is the potential for an alternative agreement with local hotelier partners that would achieve similar outcomes to an Accommodations Tax without the need for legislative change. This engagement will continue until funding commitments are confirmed.

The Administration has heard from Discover Saskatoon and from the hotel industry that the possible future financial contribution from the accommodation industry as outlined in Appendix 1 is too high and puts an undue burden on their industry while others who will benefit from the project are not currently included as providing a financial contribution. Similarly, SaskTel Centre and TCU Place leadership have indicated that the amusement tax is high and could negatively impact ticket sales. As such, the Administration has committed to continue to seek additional sources of appropriate revenue for the project, and to continue to seek efficiencies and cost savings to reduce the project cost, with the expressed intent to reduce the proposed future reliance on the accommodation and event centre industries from what is considered in the current funding strategy.

The full Class 4 cost estimate (+/- 15% to 20%) prepared by BTY Group for the project is posted to the project webpage at saskatoon.ca/eventdistrict and includes a cost estimate of \$4.8 million (2024 dollars) for the possible future demolition of SaskTel Centre. City Council is not being asked to make a decision regarding the future potential adaptive reuse or demolition of SaskTel Centre at this time. This decision is not anticipated to be necessary until the project is fully funded and construction of the new arena/event centre commences.

There are no communications, policy, privacy or CPTED implications or considerations at this time. These will be considered in other future reports as required.

NEXT STEPS

The Administration will continue to work with the private partner and representatives from the Midtown Mall to identify possible ways to reduce project costs. The Administration believes further efficiencies can be found to reduce estimated project costs.

Subject to City Council’s approval, the Administration will continue to work towards bringing the assumptions included in the funding strategy to realization. This includes seeking out the necessary legislative changes, agreements, and further financial commitments with the provincial government, federal government, and private partners.

The funding strategy will remain adaptable to accommodate new opportunities and mitigate risks associated with uncertain funding sources. The Administration will keep City Council informed of progress and any significant changes to the funding strategy and will seek City Council’s approval of the individual funding elements as commitments are confirmed.

APPENDICES

1. Downtown Event and Entertainment District Funding Strategy Assumptions and Overview
2. Downtown Event and Entertainment District Conceptual Design Cost Estimate Summary

REPORT APPROVAL

Written by: Clae Hack, Chief Financial Officer
Mike Jordan, Chief Public Policy and Government Relations Officer
Dan Willems, Director of Technical Services

Reviewed by: Terry Schmidt, General Manager, Transportation and Construction

Approved by: Jeff Jorgenson, City Manager

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