

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee
From: Anna Lisa Barbon, CPA, CGA,
Deputy City Manager, Finance Supports
Subject: Budweiser Gardens Expansion and Renovation Proposal
Date: May 23, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions **BE TAKEN**:

- a) the Budweiser Gardens Expansion Proposal **BE RECEIVED** for information;
- b) Municipal Council **PROVIDE DIRECTION** to Civic Administration to prepare an amending agreement for the proposed expansion and bring forward a confirmed source of financing for Phase 1 funded through the Tourism Infrastructure Reserve Fund, if desired; it being noted that Phase 2 will be forwarded to the 2024-2027 Multi-Year Budget process; and,
- c) Civic Administration **BE DIRECTED** to confirm concurrence in writing for the contract extension with Ovations Food Services.

Executive Summary

This report provides a summary of the present operating arrangements for Budweiser Gardens. The report also presents the proposal for reinvestment in the facility received from OVG360 that will maintain the arena's competitiveness and will generate additional revenue. The proposal has been split into two phases with the first phase focused on customer-centric enhancements, with the second phase dealing primarily with "back of house" enhancements. The estimated cost of both phases is approximately \$33.3 million, with Phase 1 estimated to cost \$15.1 million. The City's contribution to Phase 1 is proposed to be \$9 million, noting that the total cost of the project is proposed to be split on an 80/20 municipal-private basis, generally consistent with the original Budweiser Gardens build.

Should Council wish to proceed with Phase 1 of the expansion project, Civic Administration is seeking direction to develop an amending agreement that would be brought back to Council for approval alongside a confirmed source of financing for the project funded through the Tourism Infrastructure Reserve Fund. Civic Administration recommends that Phase 2 of the expansion proposal be referred to a future budget process recognizing the significance of the proposed municipal contribution to that phase.

Linkage to the Corporate Strategic Plan

The following report supports the 2023-2027 Strategic Plan through the strategic focus area of Economic Growth, Culture and Prosperity. Specifically, this report contributes to making London a destination of choice, through the strategy: "Use existing assets in creative ways, and evaluate opportunities for new assets, that support London's profile as a destination for arts, culture, sport and recreation."

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Corporate Services Committee, March 20, 2023, Agenda item 2.4, 2022 Annual Update on Budweiser Gardens

Corporate Services Committee, May 30, 2022, Agenda item 2.2, 2021 Annual Update on Budweiser Gardens

Investment and Economic Prosperity Committee, March 31, 2014, Consent Item # 4, Budweiser Gardens Contract Extensions

1.2 Budweiser Gardens Overview

Budweiser Gardens is a multi-purpose entertainment and sports facility. The facility strives to perform a significant role in meeting the needs of the community in its overall programming.

Budweiser Gardens completed its 20th year of operations in 2022. As a public private partnership (partnership), it is structured as follows:

- a) The City of London owns the land.
- b) The City of London leases a portion of the lands upon which the facility sits (Ground Lease) to London Arena Trust for a nominal base rent for 50 years. During the term of the lease, London Arena Trust owns the building in trust for the City.
- c) London Arena Trust leases the building (Participatory Occupancy Lease) to the London Civic Centre Limited Partnership. The partners in the Partnership are OVG360 (formerly known as Global Spectrum), and EllisDon Construction Ltd.
- d) OVG360 is the manager of the building on behalf of the Partnership. OVG360 is responsible for the sale of naming rights, advertising, attractions, sale of suites and club seats, and the operation of the facility.

Annually, the City receives a share of the net proceeds from operations, noting it is subject to a minimum \$50,000 payment from Budweiser Gardens, as well as a share of the proceeds from ticket sales. The City's share of the net proceeds from operations varies over the life of the lease. In years one to five, the City's share was 20%; years six to ten, 45% and years eleven to fifty, 70%.

2.0 Discussion and Considerations

2.1 Budweiser Gardens Expansion and Renovation Proposal

Throughout the last 20 years, Budweiser Gardens has always strived to meet the needs of the community through diverse programming while also standing as a landmark of civic pride and community accessibility, tourism, promoting a sense of vibrancy and culture while also providing a wide range of public sports and entertainment. However, to continue attracting world-class events and musical superstars, a renovation that will upgrade amenities and technology to meet today's standards could be considered. There is no provision in the partnership agreement for modernization of the facility over the life of the agreement. However, the initial partnership agreement anticipated that an investment would be required approximately midway through the agreement.

Based on feedback over the years from the operator, there are areas of additional investment that the City and its partners could consider. Initial assessments done by OVG360 would suggest that an expansion of the back of house space is required to address several current limitations. Further, the facility should be looked at to enhance the experience for patrons and every artist, athlete and performer who play at Budweiser Gardens. The result of a renovation may not only maintain the arena competitiveness with other facilities, but it would generate significant increases in net cash flow.

Details of the expansion and renovation proposal from OVG360 can be found in Appendix A.

The project has been split into two proposed phases and the key elements of these phases are summarized as follows:

Phase 1:

The upgrades planned for Phase 1 include the majority of the customer-facing upgrades. As outlined in Appendix A, the components of Phase 1 include:

- Level 100 Club Lounge Expansion
- Level 100 Multipurpose Event Space Expansion (partial shell)
- Level 100 Knights Locker Room Renovation
- Level 200 Private Suites and Corridors Refresh
- Level 200 East Bowl Loges
- General Food and Beverage Concessions Upgrades
- General Audio/Visual and Technology Upgrades

Phase 2:

The upgrades included in Phase 2 are more focused on the back-of-house renovations. The components of Phase 2 include:

- Level 100 Multipurpose Event Space Expansion (remainder)
- Level 100 Office Renovation
- Level 200 Backstage Club/Kitchen
- Level 200 Administrative Office Expansion & Refresh
- Level 300 Feature Bar at North Concourse
- General Audio/Visual and Technology Upgrades

This proposal has been brought forward at this time for Council's consideration as OVG360 wishes to proceed with upgrades contemplated in Phase 1 starting in summer 2023.

Should Council wish to support the Budweiser Gardens expansion and renovation plan, Civic Administration would proceed to develop an amending agreement for Phase 1 along with a confirmed source of financing for Council to review and consider.

2.2 Budweiser Gardens Food Services

Under the terms of the City's agreement with the London Civic Centre Corporation, any contracts with a non-arm's length related company must be disclosed to the City and must receive prior written consent to proceed which would not be unreasonably withheld. These contracts are between Oakview Group and the third parties. Oakview Group is the parent company of OVG360 and Ovations Food Services.

In 2002, Council provided concurrence with Global Spectrum, as the Manager of the facility at that time, in contracting with Ovations Food Services to September 30, 2022. This agreement was deemed to be at market value and was deemed to be the best proposal received. Ovations contributed towards the capital improvements to the food and beverage portion of the facility, which contributes to the additional revenues for the facility. In 2014, Council also provided concurrence to a five-year extension of the contract to September 30, 2027, which would continue with the same terms of the agreement and additional capital improvements.

OVG360 is proposing, as part of the proposed renovation plan and upgraded food and beverage programs with new technology, that the existing Food and Beverage contract with Ovation Food Services be extended through to May 2051 to coincide with the London Civic Centre agreement expiry. The additional investment towards general food and beverage concessions upgrades are included as part of Phase 1 totalling approximately \$1.9 million which is expected not only to provide a better experience for patrons of the venue, but also will drive increased revenue for Budweiser Gardens.

3.0 Financial Impacts/ Considerations

3.1 Financial Highlights

The proposal from OVG360 has been split into 2 phases. The proposed total cost of the project is approximately \$33.3 million, of which OVG360 has proposed that the City finance 80% of the cost, while the private share would be 20%. The proposed capital expenditure split was based on and generally consistent with the original Budweiser Gardens build.

The cost breakdown of the two phases is as follows:

(\$ millions)	Phase 1	Phase 2	Total	%
City Contribution	\$9.0	\$17.7	\$26.7	80%
Private Contribution	\$6.1	\$0.5	\$6.6	20%
TOTAL:	\$15.1	\$18.2	\$33.3	

The proposal is anticipated to generate incremental available cash flows that would be shared amongst the partners, it being noted that most of the incremental cash flows will be realized from the upgrades included in Phase 1. The proposed available cash flow (proceeds) sharing model would see 70% of the proceeds go to the City for the first 5 years (2024 to 2028), with 60% going to the City thereafter. As noted on slide 9 of the proposal in Appendix A, the expansion build is estimated to result in approximately \$2 million per year of net available cash flow after completion of both phases, an increase from the 2023 projected amount of approximately \$265,000 as of the time of writing. It should further be noted that the figures above do not include any indirect financial benefits or economic spin-offs associated with the expansion.

Accumulated losses incurred during COVID-19 induced restrictions in recent years will continue to be recouped from future years' profits. However, the proposal suggests a reduction to the loss repayment cap from \$880,000 (current 2023 cap) to \$500,000 starting in 2024 (which would then be indexed by an inflationary factor thereafter). Combined with the anticipated increased revenues generated from the renovation, this has the impact of increasing the near-term cash flow for the City relative to the status quo arrangement.

3.2 Phase 1 Proposed Funding Source

Should Council wish to proceed with Phase 1 of the expansion proposal, Civic Administration would recommend that the City's \$9.0 million contribution be financed by debt serviced through the Tourism Infrastructure Reserve Fund (TIRF).

The TIRF was established to house the City's 50% share of revenues from the 4% Municipal Accommodation Tax (MAT), noting that the other 50% of net MAT revenues are allocated to Tourism London. As outlined in previous reports, the City's share of MAT revenues will be allocated to municipal tourism related capital infrastructure projects such as:

- “upsized” or enhance a recreation facility (e.g. sports fields, pools, arenas) already included in the capital plan to make that facility viable for hosting a major event;
- enhance parks infrastructure to better support festivals and other gatherings;
- new tourism infrastructure (e.g. way-finding signage);
- lifecycle improvements to existing tourism infrastructure where these improvements are necessary to maintain tourism draw;
- to act as a catalyst to leverage private sector and government capital investment to support initiatives that encourage tourism related development; and,
- investments in Budweiser Gardens and other public-private partnerships.

The use of MAT revenues for the purposes of tourism-related municipal infrastructure projects listed above was endorsed by Council on June 25, 2019.

The expansion proposal from OVG360 would align well with the intended use of MAT funds. As of the time of writing, the TIRF has an uncommitted balance of approximately \$2.9 million. While MAT revenues were significantly reduced during COVID-19 restrictions during 2020 and 2021, the City's share of MAT revenues for 2022 was approximately \$1.6 million. The City's share of MAT revenues in 2019 was approximately \$1.7 million, indicating that MAT inflows have almost recovered to pre-COVID levels.

While the balance of the TIRF is unable to fully fund the City's \$9 million contribution to Phase 1, debentures could be issued for this purpose, with the debt servicing costs funded from the TIRF through the City's share of annual MAT revenues. Based on current indicative pricing at the time of writing, annual debt servicing costs are estimated to be in the range of \$700,000 (on a 20-year term) to \$1,100,000 (on a 10-year term) per year. It is important to note that rates are subject to change until such time that the City formally issues the debt. Issuing on a 10-year term has the advantage of lower total borrowing costs and earlier retirement of the debt. The benefit of a 20-year term is that it utilizes a smaller portion of the City's annual MAT revenues, providing greater capacity to fund other initiatives as well.

3.3 Phase 2 Financing

Due to the more significant City investment required for Phase 2 as outlined in the proposal, it is recommended that consideration of that component be referred to a future budget process, such as the 2024-2027 Multi-Year Budget.

Proceeding with Phase 1 should not be viewed as an obligation to then proceed with Phase 2. Phase 2 should be considered and weighed against other investments requiring City funding. Referring Phase 2 to a future budget process will allow it to be assessed side-by-side with other priorities.

Conclusion

As Budweiser Gardens has now completed its first 20 years of operation, OVG360 has prepared an expansion and renovation proposal to ensure the modernization and continued success of the facility. If Council wishes to consider and proceed with Phase 1 of the proposed expansion and renovation, Council should provide direction to Civic Administration to prepare an amending agreement that captures the terms authorized by Council. The amending agreement would be brought back for Council approval with the confirmed source of financing at that time.

Submitted by:	Ian Collins, CPA, CMA Director, Financial Services
Submitted by:	Kyle Murray, CPA, CA Director, Financial Planning and Business Support
Recommended by:	Anna Lisa Barbon, CPA, CGA Deputy City Manager, Finance Supports

**Appendix A – Budweiser Gardens Expansion and Renovation
Proposal**

BUDWEISER GARDENS PROPOSED RENOVATION PLAN

MAY 2023

**BRISBIN
BROOK
BEYNON**
ARCHITECTS



London
CANADA

OVG
OAK VIEW GROUP

HOW WE GOT HERE

- ❖ In 2001 Global Spectrum (now OVG360) partnered with Ellis-Don to create the London Civic Centre, LP (LCC) and established a public-private partnership with the City of London to develop a new arena.
- ❖ Peter Luukko, Brian Ohl and Jim King were all part of the team that negotiated and signed the original contract with the City.
- ❖ OVG360 has been a partner of the venue since groundbreaking when we operated as Global Spectrum, then Spectra, and now OVG360
- ❖ The venue celebrated its 20th Anniversary on October 2, 2022
- ❖ OVG360 has recently completed six new arena projects across North America and a modernization of the arena in Baltimore.
- ❖ When the original contract was signed over twenty years ago, there was an understanding that upgrades would be a necessity in the future. We now have an excellent opportunity to accomplish the necessary betterments with little impact on business.



WHY RE-INVEST IN BUDWEISER GARDENS

Budweiser Gardens has established itself as a well renowned and respected venue within the sports and entertainment industry, both nationally and internationally. This has been shown through the numerous venue accolades it has received including:

- ❖ 2010 and 2012 Canadian Venue of the Year at the Canadian Music and Broadcast Industry Awards
- ❖ Hosted the 2019 Canadian Juno Awards in March 2019
- ❖ 2014 Large Business of the Year award at the London Business Achievement Awards sponsored by the London Chamber of Commerce
- ❖ 2019 Best Teamwork in a Major Arena at the Live Music Industry Awards
- ❖ 2021 Corporate Icon Award at the London Business Achievement Awards sponsored by the London Chamber of Commerce
- ❖ Hosted 2019 Canadian Juno Awards
- ❖ Hosted the 2016 and 2021 Canadian Country Music Awards
- ❖ Hosted the Memorial Cup in 2005 and 2014, The World Figure Skating Championships in 2012 and the Tim Horton's Brier in 2011 and 2023

** Each of these events required additional temporary infrastructure to be erected to meet the needs of the event, which added considerable costs to event organizers and will be a roadblock for hosting future events.

WHY RE-INVEST IN BUDWEISER GARDENS CONTINUED

- ❖ The 10,000 SF of multi-purpose event space in the proposed expansion will alleviate the need for temporary infrastructure and reduce costs for the organizers, making London a desirable option to host future high-profile events again.
- ❖ The expansion of Budweiser Gardens will allow the London Knights to have the modern facilities that have become the expectation in the Canadian Hockey League.

WHAT THE RENOVATION WILL ACCOMPLISH

The renovation will introduce new revenue streams and increase existing revenue opportunities while significantly upgrading the patron experience at the venue through:

- ✓ Upgrade of existing suites
- ✓ Expansion of the existing Club Lounge
- ✓ Addition of East Bowl loge boxes
- ✓ Upgrade Food and Beverage programs with new technology
- ✓ New centre hung scoreboard

Additionally, renovating and upgrading the London Knights facilities will have a positive effect on on-going contract negotiations and continued Knight's success.

PROPOSED BUSINESS TERMS

- ❖ London Civic Centre, LP (LCC) agreement is through May 2051
 - Profit share with City of 70/30 (City/LCC) for first 5 years
 - Profit share with City is revised to 60/40 (City/LCC) after 5 years
 - Deficiencies cap related to Covid losses reduced from \$880k to \$500k to ensure greater cash flow to City in near term
 - Approval of Food and Beverage contract through May 2051 to coincide with the LCC agreement terms
 - Other current terms remain intact, including cashflow deficiencies protection for the City

PROPOSED PROJECT COSTS

❖	Full Project Costs (both phases):	\$33,337,900
	▪ London Civic Centre investment	\$6,667,580 20%
	▪ Public investment	\$26,670,320 80%
❖	Phase I Costs	\$15,146,900
	▪ City - \$9,000,000	
	▪ London Civic Centre - \$6,146,900	
❖	Phase II Costs	\$18,191,000
	▪ City - \$17,670,320	
	▪ London Civic Centre - \$520,680	

RENOVATION PROJECTS PRIORITY PHASING

PRIORITY #1

L100 Club Lounge Expansion	2,800 SF x \$600	\$1,680,000
L100 Multipurpose Event Space Expansion - (PARTIAL SHELL) 1/3 OF FOOTPRINT	4,800 SF x \$725	\$3,480,000
L100 Knights LR Renovation	6,200 SF x \$400	\$2,480,000
L200 Private Suites & Corridors Refresh	14,090 SF x \$110	\$1,549,900
L200 Develop East Bowl Loges	1,345 SF x \$600	\$807,000
General Food & Beverage Concessions Upgrade	Lump Sum	\$3,250,000
General AV/Technology Upgrades	Lump Sum	\$1,900,000
Total		\$15,146,900

PRIORITY #2

L100 Multipurpose Event Space Expansion - (PARTIAL SHELL) 2/3 OF FOOTPRINT	9,600 SF x \$735	\$7,056,000
L100 Office Renovation	2,400 SF x \$750	\$1,800,000
L200 Backstage Club/Kitchen	8,180 SF x \$825	\$6,748,500
L200 Admin Office Expand/Refresh	9,230 SF x \$50	\$461,500
L300 Feature Bar at North Concourse	750 SF x \$700	\$525,000
General AV/Technology Upgrades	Lump Sum	\$1,600,000
Total		\$18,191,000

PROJECTED ANNUAL REVENUE

Projected net available cash flow after completion of both phases
\$2,062,000

Current year projection is \$265,000



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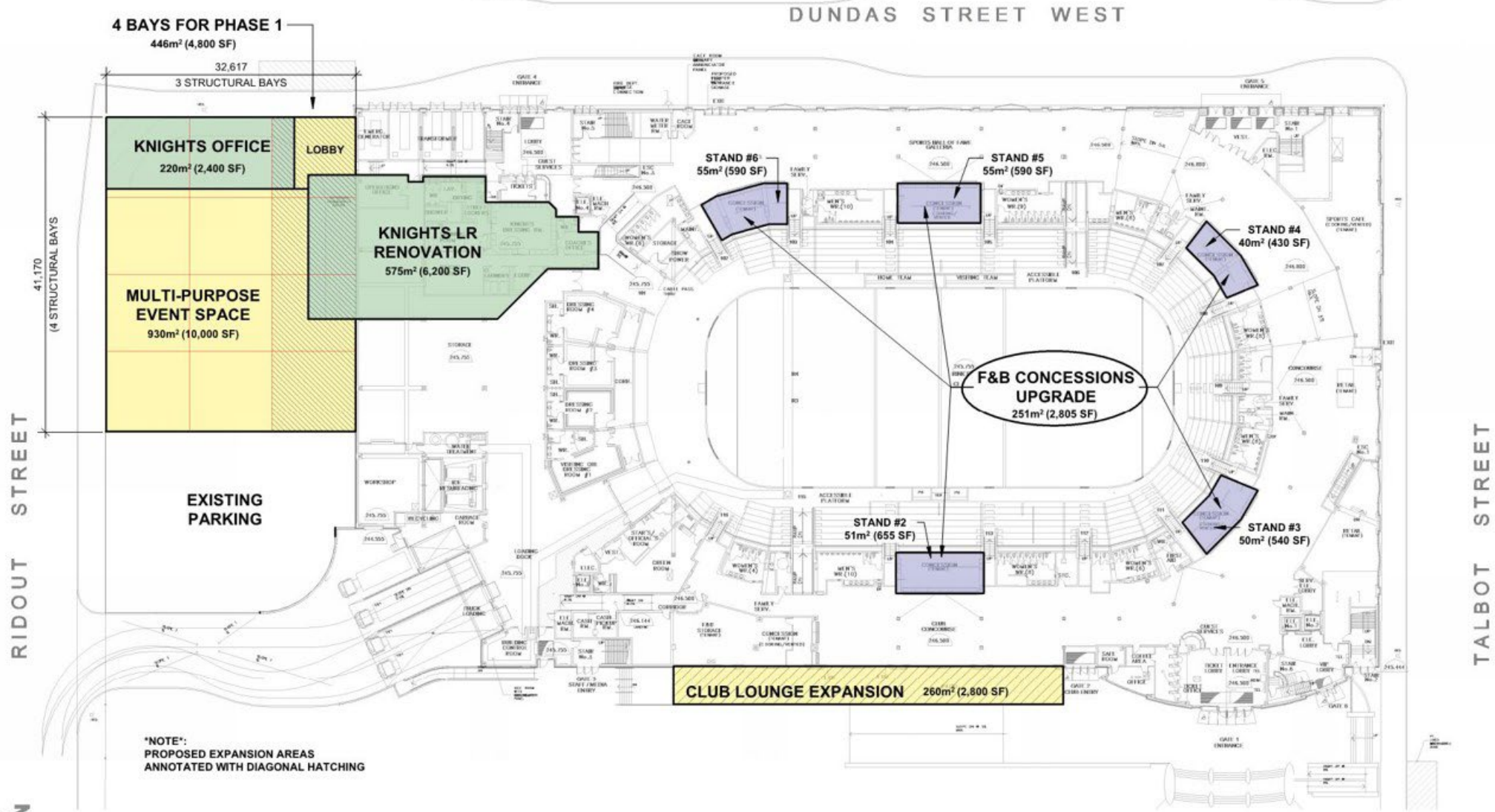
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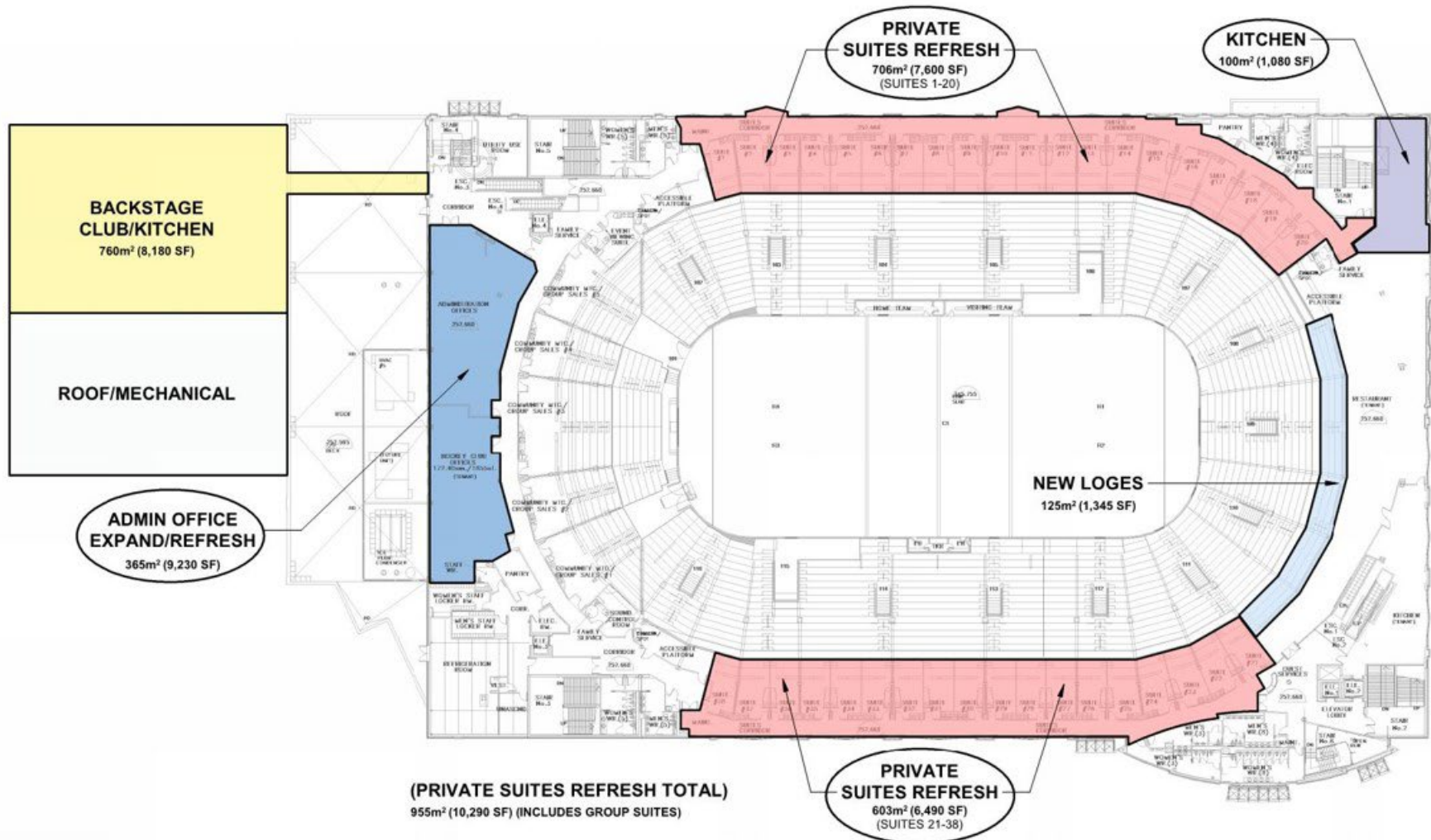
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Budweiser
GARDENS



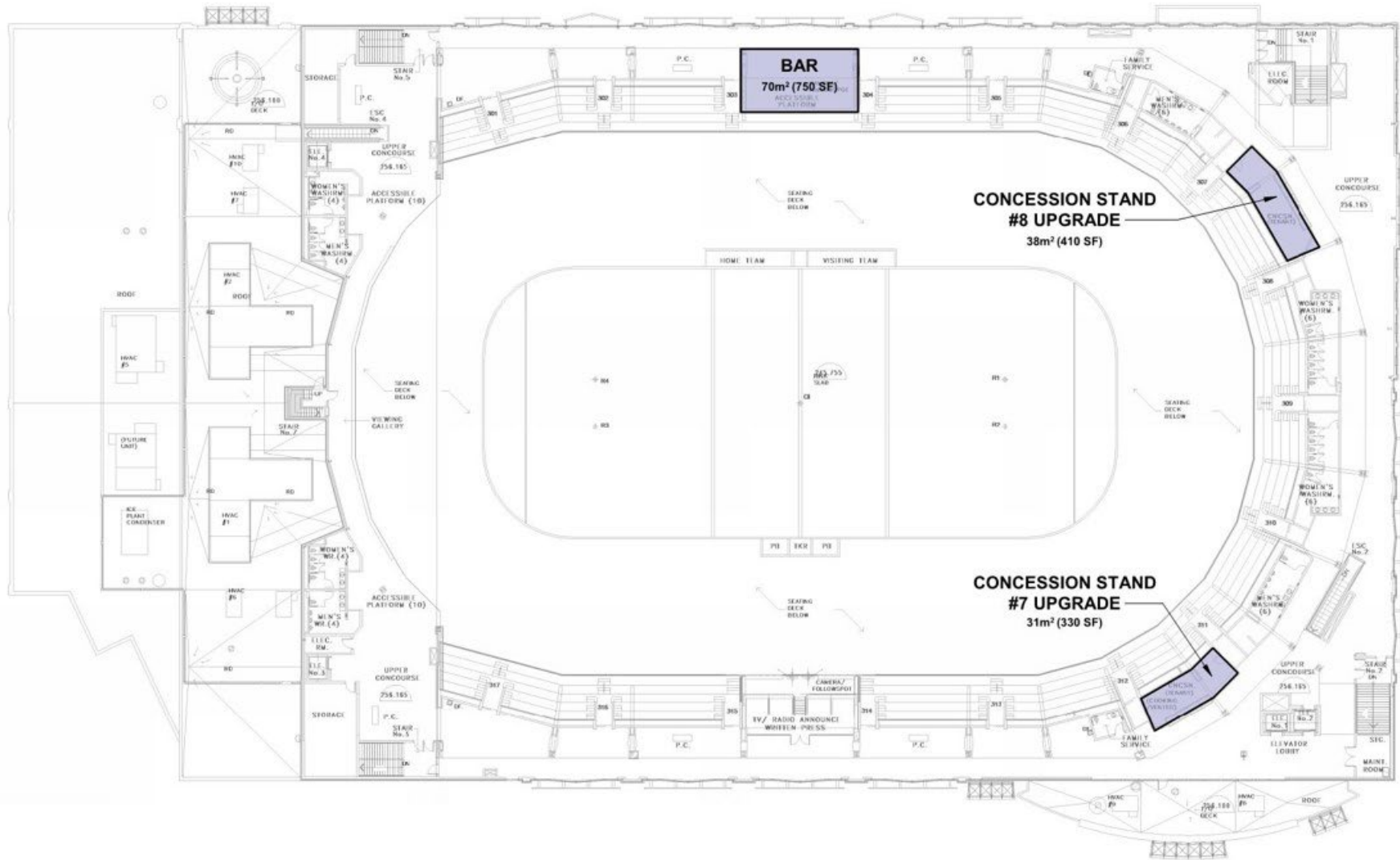






(PRIVATE SUITES REFRESH TOTAL)
 955m² (10,290 SF) (INCLUDES GROUP SUITES)





BUDWEISER GARDENS

UPPER CONCOURSE





Burdweiser
GARDENS

THANK YOU

**BRISBIN
BROOK
BEYNON**
ARCHITECTS



London
CANADA



OAK VIEW GROUP