

INFORMATION SHEET

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TOPIC: MSECC Arena Proposal (Markham Sports, Entertainment and Cultural Centre)

LAST UPDATE: Sept 24, 2012

URA CONTACTS: Committee Co-Chairs; Brian Brewer and Mike Gannon.
Committee members: Alick Siu, Bill Trainor, Dave Wilson.

BACKGROUND:

The City of Markham (“Markham”) is now negotiating with a private company, (“GTA Sports”) to build a major 20,000 seat arena just west of the Unionville Go Train station. This arena, tentatively named the GTA Centre would be used for major sporting, entertainment and cultural events serving the entire GTA. The potential deal has not been finalized and Markham has committed to holding a series of public meetings prior to a final Council vote.

The tentative deal is complex, but in summary:

- Markham would own the arena and land, and incur \$325 million of debt.
- GTA Sports would commit to and guarantee payment of half the debt.
- Markham would pay their half of the debt from taxes on developers and revenues related to the arena.
- Markham would lease the building to GTA Sports under a long term lease, terms not yet known.
- GTA Sports would pay all ongoing costs, and be responsible for building upgrades.
- Markham expects to avoid any property tax increase to residents.
- Markham would have certain usage rights to the building, terms not yet known.
- The proposal to be voted on by Markham Council does not include an NHL team.
- GTA Sports has the right to pursue an NHL team at some future date.

UPCOMING PUBLIC MEETINGS:

Scheduled Dates (subject to change) – Location, Council Chamber	Tentative Dates
Wednesday, October 3rd 3:15 p.m. to 6:15 p.m. MSECC Sub-committee.	November 5th , Financial Framework Review.
Thursday, October 4th 7:00 p.m. to 9:30 p.m. Community Open House.	November 6th , Development Services Committee final approval of site plan.
Thursday, October 18th 2:00 p.m. to 5:00 p.m. MSECC Sub-committee.	November 6th , Council Meeting final site plan approval.
Tuesday, October 23rd 9:00 a.m. Development Services Committee, MSECC Site Plan Review.	Mid November , Final Council votes on the entire project.
Wednesday, October 24th 7:00 pm to 9:30 pm. MSECC Site Plan Review.	
Tuesday, October 30th 2:00 pm to 5:00 pm. MSE&CC Sub-committee.	

URA APPROVED MOTIONS:

Motion 1: That URA request the City to release all relevant documents and studies related to the arena project to the public that can legally be done so at this time. Request has been communicated to the Mayor and Council.

Motion 2: That URA request the City to commission an independent review of the arena project and release the report to the public prior to the final Council decision on the project. Request has been communicated to the Mayor and Council.

TWO PERSPECTIVES

The Mayor and supporters of the project believe it is the core building block to developing a vibrant Markham Centre that will finally unite all of the communities within Markham by providing a true downtown with world class entertainment, pedestrian promenades, shops, restaurants, and cafes.

They believe that the deal needs to be structured as a public private partnership if it is going to play this role. They ask those who insist that it can be done privately why they believe it would be done in Markham and not in places like Vaughan or Durham.

They share a vision of everyone in Markham benefiting from being able to stay in Markham and watch world class sports and entertainment targeted at all age groups and all members of our diverse community. They are confident that the financial viability has been anchored on conservative assumptions and is a solid success model.

They believe that a vibrant Markham downtown, anchored by the GTA Centre will attract businesses to Markham, expanding the vision of more residents being able to live, work and play in the community.

They know that Markham is debt free and this project will use only 40% of available debt repayment capacity. They see it as reasonable that the debt can be paid off by additional development charges from developers who will benefit most from Markham being a more attractive place to develop real estate; and by people attending arena events.

They see the community access rights as providing an important venue for local sports, entertainment and cultural activities. They believe that the tax status will be determined by how the Centre gets used, and do not believe that a private arena would be built on the site, thus attracting more tax revenue.

They are comfortable that there is sufficient demand for another major sports and entertainment venue in the GTA; particularly given that the Leafs and Raptors dominate the Air Canada Centre for much of the year.

They state that an NHL team would be a “nice to have”, but that the financial framework is sound without an NHL team.

They feel that the perceived lack of transparency has been a practical necessity as the City completes complex negotiations to finalize this proposal before bringing it to the public in a series of public meetings over the next several weeks.

Many residents however have voiced concerns about the project, including financial risks to taxpayers, lack of transparency, validity of certain assumptions and the impact on the community of traffic, transit, and parking. There are examples of financial problems with similar ventures elsewhere, such as the Rogers Centre. They believe the Mayor has not addressed these concerns.

They believe that financial risks to taxpayers include;

1. What happens if the Arena is not a commercial success and the operators go bankrupt?
2. Who pays for associated costs such as road improvements?
3. Does Markham have adequate debt financing capacity for this as well as other infrastructure projects?
4. Will developers pay the “voluntary” charges to fund the project and can this be legally challenged?
5. Could the money be better spent elsewhere?
6. Is an NHL team required for commercial success, and will Markham get one?

Some residents believe that the financial risks are such that Markham City should not be in the sports and entertainment business. They believe that if there is a market demand for this arena, then it can be best served by private enterprises. City staff analysis shows a tax increase only under worst case scenarios.

Lack of transparency concerns include;

1. Many Councilors and all residents have not had access to key internal reports about the project, which were paid for with taxpayer’s money.
2. The financial framework was passed by Council in April with only a few days notice for the public to participate.
3. Meetings of the Council sub Committee for the project have been held in camera.

Some residents are questioning certain assumptions, such as Markham’s right to sole source the procurement, and the designation of the facility as Municipal (“MCF”) to avoid certain taxes which could be usefully generated under a different proposal.

Detailed site planning for the Arena is now underway. Some residents are questioning the validity of published assumptions about required parking spaces (4,400), how many visitors will take transit, and road capacity.