

Subject: 2023 Lansdowne Annual Report

File Number: ACS2023-CMR-OCM-0010

**Report to Joint Finance and Corporate Services Committee and Planning and
Housing Committee on 2 November 2023**

and Council 10 November 2023

Submitted on October 24, 2023 by Wendy Stephanson, City Manager

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Ward: Citywide

Objet : Rapport annuel sur le parc Lansdowne 2023

Dossier : ACS2023-CMR-OCM-0010

**Rapport présenté à la réunion conjointe du Comité des finances et des services
organisationnels et du Comité de la planification et du logement**

le 2 novembre 2023

et au Conseil le 10 novembre 2023

Soumis le 24 octobre 2023 par Wendy Stephanson, Directrice municipale

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

**That the Joint Finance and Corporate Services Committee and Planning and
Housing Committee recommend Council receive the following status update
report related to the Lansdowne Partnership Plan.**

- 1. The update from the City Manager outlining the delegated authority
exercised from May 10, 2023 to date by the City Manager, the City Solicitor
and the City Treasurer, under the finalized and executed Lansdowne**

Partnership Plan Legal Agreements;

- 2. The update from the City Manager on the August 30, 2023 Lansdowne Master Partnership Meeting and Meetings Amongst Parties to the Unanimous Shareholder Agreements; and,**
- 3. The status update outlined in this report regarding the operations of the Lansdowne Public-Private Partnership as referenced in Section 11 of the 2022 - Procurement Year in Review report ([ACS2023-FCS-PRO-0002](#)).**

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnels et le Comité de la planification et du logement recommandent conjointement au Conseil municipal de recevoir le rapport d'étape suivant concernant le Plan de partenariat du parc Lansdowne.

- 1. Le compte rendu de la directrice municipale faisant le point sur les pouvoirs délégués qui ont été exercés du 10 mai 2023 à ce jour par elle-même, l'avocat général et la trésorière municipale en vertu des conventions juridiques conclues et signées à l'égard du Plan de partenariat du parc Lansdowne.**
- 2. Le compte rendu de la directrice municipale faisant le point sur l'assemblée tenue le 30 août 2023 par la société en commandite principale responsable du parc Lansdowne et les assemblées tenues par les parties visées par les conventions unanimes des actionnaires.**
- 3. Le compte rendu figurant dans le présent rapport sur les activités du Partenariat public-privé Lansdowne dont il est question dans la section 11 du rapport intitulé Bilan annuel de l'approvisionnement pour 2022 ([ACS2023-FCS-PRO-0002](#)).**

EXECUTIVE SUMMARY

This report fulfills the reporting requirements under the Lansdowne Partnership Plan (LPP) Project Agreements and as directed by Council, which includes a summary of the exercise of delegated authority under the executed Lansdowne Partnership Plan Legal Agreements from May 10, 2023 to date by the City Manager, City Solicitor and City Treasurer.

The report also provides an update on the August 30, 2023 Lansdowne Master Limited Partnership meeting and the Meeting Amongst the Parties to Unanimous Shareholder Agreements.

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

Section 1: Delegation of Authority Summary

Since May, 10, 2023, when City staff last reported on the exercise of the delegated authority through the Lansdowne Partnership Plan Annual Report ([ACS2023-CMR-OCM-0004](#)) the City Manager exercised delegated authority under the Lansdowne Partnership Plan agreements a total of six times. As described in Section 2 below, at the August 30, 2023 partnership meetings, the City Manager concurred with OSEG in approving the financial statements of the Lansdowne Master Limited Partnership and the component limited partnerships and appointing KPMG as the auditors of the partnership.

Section 2: Report on the August 30, 2023 Lansdowne Master Limited Partnership meeting and Meetings Amongst Parties to Unanimous Shareholder Agreements.

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

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

The August 30, 2023 meeting of the parties to the Lansdowne Master Limited Partnership focused on the financial performance results for the period ending March 31, 2023.

The meeting also included a presentation of the 2023/2024 Operating Budget and monthly Cashflow Statement, and a presentation of a revised proforma for the closed financial system (waterfall, under the LPP). The liquidity and risk exposure of the organization will continue to be monitored by LMLP auditors annually as reflected in notes to the consolidated LMLP financial statements. Work on Lansdowne 2.0 will also move forward in accordance with the process established through City Council.

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 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 year ending March 31, 2023, the adoption and approval of the financial statements of the four Component Limited Partnerships, and the re-appointment of KPMG as auditors of the Master Limited Partnership.

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

OSEG Update Overview

This update covers the fiscal year starting April 1, 2022, through March 31, 2023 for the Lansdowne Master LP (the Partnership) which is a partnership between the Ottawa Sports and Entertainment Group (OSEG) and the City of Ottawa.

In the 2022/23 fiscal year, TD Place returned to pre-Pandemic levels with a full season for all sports teams, including both owned and tenant sport teams. The financial result was negatively affected by the performance of the Ottawa REDBLACKS in their 2023 season. On the other hand, Lansdowne's 343,450 square feet of rentable retail and office space ended the 2022/23 fiscal year at 96 per cent leased, compared to 95 per cent in the previous fiscal year.

The Partnership generated revenues of \$57.2 million which represents an increase of \$15.9 million or 38 per cent from revenues in the 2021/22 fiscal year. The Total Operating Expenses of \$53.6 million compared to \$42.5 million, an increase of \$11.1 million or 26 per cent from the 2021/22 fiscal year. This resulted in a Net Operating Income in 2022/23 of \$3.6 million as compared to Net Operating Loss in the 2021/22 fiscal year of \$(1.3 million) for an improvement of \$4.9 million. After non-cash depreciation, interest and borrowing costs, the Partnership's Net Loss from recurring operations was \$(9.1 million), which represented an improvement from the \$3.8M from the Net Loss of \$(12.9 million) in the 2021/22 fiscal year.

The 2023/24 Proforma was updated to reflect the actual results of the 2022/23 fiscal year and the 2023/24 budget. The overall reforecast adjustments resulted in a reduction of distributions in the 40-year Proforma of \$(55.4 million). This equates to a (3.9 per

cent) reduction in total revenues and a 6.7 per cent increase in total expenditures to the projections that were used in the 2022/23 Proforma.

Recreation, Cultural and Facility Services Programming Overview

This section provides information on the City's operation of the Urban Park at Lansdowne, and its partnership agreements with OSEG, during the period of June 1, 2022, to May 31, 2023.

During this period, the City continued to work closely with OSEG, local community associations, and the Glebe Business Improvement Area (BIA), to rebuild post-pandemic with a focus on increasing the presence of residents and visitors at the site by offering a variety of activities at Lansdowne Park. The financials and statistics highlight the success the City has had with the resurgence of events and activities at the site.

Financial Implications

Despite the success of the retail component at Lansdowne, the LLP has posted net financial losses for each fiscal year and has yet to generate net positive cashflows aside from fiscal years 2015 and 2021/22 that had positive cashflows due to proceeds from borrowing but no distribution payout. The Partnership continues to contribute to the Lifecycle Fund even if there are negative cashflows. These financial results support the need to improve Lansdowne Park and make the Lansdowne Partnership sustainable over the term of the partnership.

As of March 31, 2023, OSEG has contributed \$160.5 million in equity. The City is still not expected to receive any distributions from the partnership over the 40-year term of the agreement. As in past projections, OSEG is not expected to recover all of the equity they have contributed to date. Projected equity contributed from OSEG is \$168 million and only \$23.6 million of that amount has been repaid as part of the 2015 settlement approved by Council to reimburse OSEG for disputed costs. Distributions to the Lifecycle Fund are maintained at \$63.3 million over the term of the agreement.

RÉSUMÉ

Le présent rapport satisfait aux exigences en matière de production de rapports aux termes des ententes relatives au projet du Plan de partenariat du parc Lansdowne ainsi qu'aux exigences dictées par le Conseil, qui incluent un résumé de l'exercice des pouvoirs délégués en vertu des versions signées des accords juridiques du Plan de partenariat du parc Lansdowne de 10 mai 2023 à ce jour par la directrice municipale, l'avocat général de la Ville et la trésorière municipale.

Le rapport fait également le point sur l'assemblée de la Société en commandite principale du parc Lansdowne du 30 août 2023 ainsi que sur l'assemblée du 30 août 2023 tenue entre les parties aux conventions unanimes des actionnaires.

Enfin, le présent rapport donne une mise à jour sur le fonctionnement du Plan de partenariat du parc Lansdowne.

Section 1 : Synthèse des pouvoirs délégués

Depuis le 10 mai 2023, date à laquelle le personnel de la Ville a rendu compte pour la dernière fois de l'exercice des pouvoirs délégués dans le rapport annuel du Plan de partenariat du parc Lansdowne ([ACS2023-CMR-OCM-0004](#)), la directrice municipale les a exercés à six reprises. Comme il est décrit dans la section 2 ci-dessous, lors de la réunion de la Société en commandite principale du 30 août 2023, la directrice municipale a approuvé avec l'OSEG les états financiers de la Société en commandite principale du parc Lansdowne et des sociétés en commandite qui la composent et a nommé KPMG en tant que vérificateur de la Société en commandite principale.

Section 2 : Rapport sur l'assemblée de la Société en commandite principale du parc Lansdowne du 30 août 2023 et l'assemblée des parties aux conventions unanimes des actionnaires

Dans le cadre du Plan de partenariat du parc Lansdowne, on a constitué la Société en commandite principale, dont la Ville et l'Ottawa Sports and Entertainment Group (OSEG) sont les associés commanditaires et dont Lansdowne Master GP Inc. est l'associé commandité.

La convention de la Société en commandite principale, conclue le 12 octobre 2012, prévoyait que l'exercice financier corresponde à l'année civile; toutefois, la clôture de l'exercice financier a été décalée au 31 mars chaque année à partir de 2019. La convention prévoyait aussi que l'associé commandité doive préparer les états financiers vérifiés de chaque exercice financier ainsi qu'un état des résultats et un bilan non vérifiés à la fin de chaque trimestre de l'exercice.

L'assemblée du 30 août 2023 des parties membres de la Société en commandite principale du parc Lansdowne a essentiellement porté sur les résultats financiers pour la période se terminant le 31 mars 2023.

L'assemblée a également porté sur le budget de fonctionnement de 2023-2024 et sur l'état des flux de trésorerie mensuels de même que sur les projections pro forma révisées pour le système financier fermé (structure en cascade en vertu du PPPL). Les

liquidités et l'exposition au risque de l'organisation continueront à faire l'objet d'un contrôle annuel par les vérificateurs du PPPL, comme il est indiqué dans les notes aux états financiers consolidés du PPPL. Les travaux concernant Lansdowne 2.0 avanceront également conformément au processus établi par le Conseil municipal.

La deuxième assemblée, soit l'assemblée annuelle des parties aux conventions unanimes des actionnaires du PPPL, s'est enchaînée aussitôt après la levée de la première assemblée évoquée ci-dessus et a consisté à tenir une série de « sous-asmblées » se rapportant à chacun des associés commanditaires des volets du projet, à savoir : 1) le stade; 2) le commerce de détail; 3) l'équipe de la Ligue canadienne de football (LCF); et 4) l'équipe de hockey des 67 d'Ottawa; y ont également participé, les parties à la convention unanime des actionnaires de chacune des sociétés commanditaires des volets du projet.

En tout, six décisions ont été adoptées par la Ville et l'OSEG pendant ces deux assemblées. Ces décisions concernaient l'adoption et l'approbation des états financiers vérifiés de la Société en commandite principale du parc Lansdowne pour l'exercice se terminant le 31 mars 2023, l'adoption et l'approbation des états financiers des quatre sociétés en commandite des volets du projet et la reconduction du mandat de KPMG en tant que vérificateur de la Société en commandite principale.

Section 3 : Mise à jour sur les activités du Partenariat public-privé du parc Lansdowne

Aperçu de la mise à jour de l'OSEG

La présente mise à jour couvre l'exercice financier allant du 1^{er} avril 2022 au 31 mars 2023 de la Société en commandite principale du parc Lansdowne (la « société en commandite »), qui réunit l'Ottawa Sports and Entertainment Group (OSEG) et la Ville d'Ottawa.

Au cours de l'exercice 2022-2023, la Place TD est revenue aux niveaux d'avant la pandémie avec une saison complète pour toutes les équipes sportives, qu'elles soient détenues ou locataires. Les résultats financiers ont été affectés par les performances du ROUGE et NOIR d'Ottawa au cours de la saison 2023. Par ailleurs, les 343 450 pieds carrés de locaux de vente au détail et de bureau louables de Lansdowne étaient occupés à 96 % à la fin de l'exercice 2022-2023, comparativement à 95 % au cours de l'exercice précédent.

La Société a généré des revenus de 57,2 millions de dollars, soit une augmentation de 15,9 millions de dollars, ou 38 %, par rapport aux revenus de l'exercice 2021-2022. Le

total des dépenses de fonctionnement s'élève à 53,6 millions de dollars, comparativement à 42,5 millions de dollars en 2021-2022, soit une augmentation de 11,1 millions de dollars ou de 26 %. Le résultat d'exploitation net est de 3,6 millions de dollars en 2022-2023, comparativement à la perte d'exploitation nette de 1,3 million de dollars enregistrée en 2021-2022, soit une amélioration de 4,9 millions de dollars. Après les amortissements hors décaissement, les intérêts et les coûts d'emprunt, la perte nette récurrente de la Société en commandite s'élève à 9,1 millions de dollars, ce qui représente une amélioration par rapport à la perte nette de 12,9 millions de dollars de l'exercice 2021-2022 (différence de 3,8 millions de dollars).

Les projections pro forma pour 2023-2024 ont été mises à jour pour refléter les résultats réels de l'exercice 2022-2023 et le budget de 2023-2024. Les rajustements globaux de la nouvelle estimation se sont traduits par une réduction des distributions dans les projections pro forma sur 40 ans de 55,4 millions de dollars. Cela équivaut à une réduction de 3,9 % des recettes totales et à une augmentation de 6,7 % des dépenses totales par rapport aux projections pro forma de 2022-2023.

Aperçu de la programmation de la Direction générale des loisirs, de la culture et des installations

La présente section traite de l'exploitation par la Ville du parc urbain de Lansdowne et de ses ententes de partenariat avec l'OSEG pour la période allant du 1^{er} juin 2022 au 31 mai 2023.

Au cours de cette période, la Ville a continué à travailler en étroite collaboration avec l'OSEG, les associations communautaires locales et la Zone d'amélioration commerciale (ZAC) du Glebe pour assurer la relance du parc Lansdowne après la pandémie en offrant un éventail d'activités visant à ramener les résidents et les visiteurs. Les données financières et statistiques révèlent que la Ville a gagné son pari d'augmenter le nombre d'événements et d'activités sur le site.

Répercussions financières

Malgré le succès du volet commercial du parc Lansdowne, le PPPL a enregistré des pertes financières nettes à chaque exercice et n'a pas encore généré de flux de trésorerie positifs nets, à l'exception des exercices 2015 et 2021-2022 qui ont enregistré des flux de trésorerie positifs en raison du produit d'emprunts, mais sans versement de distribution. L'OSEG continue de contribuer au fonds de cycle de vie même en cas de flux de trésorerie négatifs. Ces résultats financiers confirment qu'il faut améliorer le parc

Lansdowne et faire en sorte que le Partenariat du parc Lansdowne soit viable pendant toute sa durée.

Au 31 mars 2023, l'OSEG avait versé 160,5 millions de dollars en capitaux propres. Rien ne laisse présager que la Ville recevra une quelconque somme de la part du Partenariat au cours des 40 ans que dure la convention. Comme dans les projections antérieures, l'OSEG ne devrait pas récupérer la totalité des capitaux propres qu'elle a versés à ce jour. Les projections relatives aux capitaux propres injectés par l'OSEG s'élèvent à 168 millions de dollars, et seulement 23,6 millions de dollars de cette somme ont été remboursés dans le cadre du règlement de 2015 approuvé par le Conseil pour rembourser à l'OSEG les coûts contestés. Les versements au Fonds du cycle de vie sont maintenus à 63,3 millions de dollars pendant toute la durée de la convention.

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](#)), the final step to define a 30-year partnership between the City and the Ottawa Sports Entertainment Group to transform Lansdowne Park. This report satisfies the direction by Council and the reporting requirements under the Lansdowne Partnership Plan Project Agreements. This report also provides an update on the operations of the Lansdowne Partnership Plan (LPP).

As approved by Council on June 28, 2012, and October 10, 2012, the LPP is comprised of a master limited partnership, incorporated under the laws of the Province of Manitoba, in order to limit the legal liability of the City and the Ottawa Sports and Entertainment Group.

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

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 and maintains 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.

At the Audit Committee meeting on November 24, 2020, the Auditor General tabled the results of the Audit of Lansdowne Accounting/Waterfall ([ACS 2020-OAG-BVG-0006](#)). Management agreed with the recommendations and has since implemented several enhancements to the City's financial review procedures of the Lansdowne financial results and projections. The level of detail of the annual analysis of financial statements, financial reports and pro forma projections has increased to a level sufficient to identify and assess material variances at the account level and sufficiently assess the basis of allocation and assumptions used in the forecasts. In addition, calculations of interest are reconciled, to ensure that the Waterfall and the Statement of Cash Flows accurately reflect the appropriate calculations for interest/return on equity. Furthermore, staff conduct a variance analysis of the monthly breakdown of Net Cash Flow actuals against the reported amounts in the Statement of Cash flow.

Further to the Auditor General's recommendations, this report includes additional details in the financial implications section of this report to Committee and Council that compare the current pro forma projections to the original projections in 2012 and the revised baseline projections in 2015 which better reflected the economic and operating assumptions after Lansdowne began operations. Additionally, the report includes a summary of revenues and expenditures: Statement of Operations, for all components of the LMLP since the beginning of operations in 2014 to the present.

DISCUSSION

The purpose of this report is to fulfill the reporting requirements under the LPP Project Agreements and as directed by Council, which include a summary of the exercise of delegated authority from May 10, 2023 to date, by the City Manager, City Solicitor and City Treasurer; report on the August 30, 2023 Lansdowne Master Limited Partnership meeting and Meeting Amongst the Parties to Unanimous Shareholder Agreements; and, an update on the operations of the Lansdowne Partnership Plan since the last report to Council on May 10, 2023 ([ACS2023-CMR-OCM-0004](#)).

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 30, 2023 Lansdowne Master Limited Partnership meeting and Meeting Amongst the Parties to Unanimous Shareholder Agreements
- Section 3: Update on the operations of the Lansdowne Public-Private Partnership

Section 1: Delegation of Authority Summary

Since May 10, 2023, when City staff last reported on the exercise of the delegated authority through the Lansdowne Partnership Plan Annual Report ([ACS2023-CMR-OCM-0004](#)), the City Manager exercised delegated authority under the Lansdowne Partnership Plan agreements a total of six times. As described in Section 2 below, at the August 30, 2023 partnership meetings, the City Manager concurred with OSEG in approving the financial statements of the Lansdowne Master Limited Partnership and the component limited partnerships and appointing KPMG as the auditors of the partnership.

Section 2: Report on the August 30, 2023 Lansdowne Master Limited Partnership meeting and the August 30, 2023 Meetings Amongst Parties to Unanimous Shareholder Agreements

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

The Master Limited Partnership Agreement was entered into on October 12, 2012, and provided that the fiscal year is the calendar year, however, the fiscal year end was changed to March 31 of each year, commencing in 2019. 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. The Financial Implications section of this report summarizes the Master Limited Partnership's Statement of Operations, which is also referred to as the Income Statement, dating back to 2014. Approved financial statements received by the City are on file with the City Clerk's Office.

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 several 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 30, 2023, the meetings amongst the parties to the LPP Master Limited Partnership and the LPP Unanimous Shareholder Agreements took place at City Hall in the City Manager's Boardroom.

The City was represented in each of the two meetings by the City Manager, the Acting Chief Financial Officer, the Deputy City Treasurer, the Corporate Public Policy Advisor, the General Manager - Recreation Cultural & Facility Services, the City Solicitor, the Senior Legal Counsel and the Associate General Counsel. The Ottawa Sports and Entertainment Group was represented in each of the two meetings by Roger Greenberg, Executive Chair and Managing Partner.

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, David Porter, Senior Vice President - Finance and Technology, and Matt Perron, Associate General Counsel.

The annual meeting of the parties to the Lansdowne Master Limited Partnership focused on the financial performance results for the year ending March 31, 2023.

The meeting also included a presentation of the 2023/2024 Operating Budget and monthly Cashflow Statement, and a presentation of a revised proforma for the closed financial system under the LPP. The liquidity and risk exposure of the organization will continue to be monitored by LMLP auditors annually as reflected in notes to the consolidated LMLP financial statements. Work on Lansdowne 2.0 will also move forward in accordance with the process established through City Council.

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 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 year ending March 31, 2023, the adoption and approval of the financial statements of the four Component Limited Partnerships, and the re-appointment of KPMG as auditors of Master Limited Partnership.

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 April 1, 2022 up to the fiscal year end of March 31, 2023.

OSEG Update Overview

This update covers the fiscal year starting April 1, 2022, through March 31, 2023 for the Lansdowne Master LP (the Partnership) which is a partnership between the Ottawa Sports and Entertainment Group (OSEG) and the City of Ottawa.

In the 2022/23 fiscal year, TD Place returned to pre-Pandemic levels with a full season for all sports teams, including both owned and tenant sport teams. In addition, Concerts/Events were hosted for the full 12 months of the 2022/23 fiscal year. Retail operations were unencumbered by COVID-19 restrictions and returned to pre-Pandemic levels. The financial result was negatively affected by the performance of the Ottawa REDBLACKS (who did not qualify for the CFL playoffs for the third consecutive season) and the abnormal number of player injuries the team sustained and their resultant costs in their 2023 season. The REDBLACKS unfavorable financial variance to Budget was partially offset by the favorable Net Contribution from other parts of the business including Concerts and Events and the strong post-pandemic operating results of Retail business.

2023/24 Updated Proforma:

The 2023/24 Proforma was updated to reflect the actual results of the 2022/23 fiscal year and the 2023/24 budget. Future year forecasts were reviewed based on current

operating results with lower growth rates being used across most business lines based on current circumstances. The impact of a higher interest rate on the renewal of the Retail Mortgage and the higher than anticipated inflationary costs saw significant increases to costs.

In addition, the 2023/24 Proforma also considers an arena and stadium that is at the end of its useful life and will not be replaced or materially upgraded during the remaining term of the partnership. The impact of these are: (i) attracting future concert and events, including sport events, and retaining and attracting new guests, will be difficult and (ii) increases to expenses. This assumption is consistent with how previously updates have been provided and are separate from the Lansdowne 2.0 program due diligence that is occurring separately.

After taking all of the above into consideration, the overall reforecast adjustments resulted in a reduction of distributions in the 40-year Proforma of \$(55.4 million). This equates to a (3.9 per cent) reduction in total Revenues and a 6.7 per cent increase in total expenditures to the projections that were used in the 2022/23 Proforma.

Retail and Site:

Lansdowne's 343,450 square feet of rentable retail and office space ended the 2022/23 fiscal year at 96 per cent leased, compared to 95 per cent in the previous fiscal year. There were four vacant units at the end of the 2022/23 fiscal year with a weighted average lease term remaining for tenants of 4.74 years. Parking Revenues were favorable to 2021/22 levels by 33% but still (9%) lower than pre-Pandemic levels.

Summary Financial Results:

As stated previously, the fiscal 2022/23 period includes the 12-month period from April 1, 2022 to March 31, 2023.

In the 2022/23 fiscal year:

The Partnership generated revenues of \$57.2 million which represents an increase of \$15.9 million or 38 per cent from revenues in the 2021/22 fiscal year. The Total Operating Expenses of \$53.6 million compared to \$42.5 million, an increase of \$11.1 million or 26 per cent from the 2021/22 fiscal year. This resulted in a Net Operating Income in 2022/23 of \$3.6 million as compared to Net Operating Loss in the 2021/22 fiscal year of \$(1.3 million) for an improvement of \$4.9 million.

After non-cash depreciation, interest and borrowing costs, the Partnership's Net Loss from recurring operations was \$(9.1 million), which represented an improvement from the \$3.8 million from the Net Loss of \$(12.9 million) in the 2021/22 fiscal year.

Recreation, Cultural and Facility Services Programming

City Urban Park Programming and Animation Update

During the reporting period of June 2022 to May 2023, with the impact of the pandemic mostly behind us, the City's goal was to rebuild and focus on increasing the presence of residents and visitors to the site by offering a variety of activities at Lansdowne Park.

The Urban Park's registered programs such as roller-skating, dog obedience and various drawing and gardening programs resulted in over 800 visits. Drop-in programs generated over 5,500 visits.

The indoor skateboarding pilot project, which started in 2022 attracted over 4,000 skateboarding enthusiasts of all ages. In June, a live art event, held in collaboration with the Glebe BIA, was a remarkable success, featuring Indigenous Artist Stephanie Babij with artwork later exhibited at the Beandigen Cafe.

Twenty free offerings brought approximately 8,195 attendees to Lansdowne. The Urban Park offered a wide range of free programming such as the Summer Arts Showcase, performances by the Ottawa Chamberfest, OMIC City Sounds, and Full Moon Yoga events. Skaters were able to dust off their roller skates as the Winterlude Roller Disco returned. Many activities and performances were also offered at the Aberdeen Heritage Festival.

The outdoor refrigerated rink operated for a total of 141 days between November 21, 2022, until April 10, 2023, with no closures as a result of inclement weather. This was the longest and busiest season for the rink, as the Rideau Canal was closed all winter. Winterlude also brought some of their planned Canal activities to Lansdowne Park.

Urban Park Rentals Update

With the recovery of the performance, festival and special event sector still a priority, the City continued to offer reduced rental fees for Park amenities until the end of December 2022. This initiative was originally developed by the Economic Recovery Task Force. The 50 per cent reduction in rental rates was provided to 25 eligible events, some occurring over multiple days, at the Aberdeen Pavilion and Horticulture Building. The incentive pricing valued at \$85,000 forgone revenue facilitated the staging of events that attracted over 162,000 people to the park.

Table 1 compares the number of Urban Park facility rentals for the last five reporting periods and demonstrates the resurgence of events and activities in 2022-2023 following the removal of Provincial health restrictions.

Table 1: Number of Rental Bookings at Lansdowne, 2018-2023

Programming year (June 1 - May 31)	# Rentals Contracts	# Activities	# Booking Days	Ottawa Farmers Market Days
2018-19	186	301	245	48
2019-20	149	299	213	37
2020-21	16	35	126	55
2021-22	63	315	242	54
2022-23	95	293	215	55

From June 2022 to May 2023, the Urban Park facilities hosted 215 events days, demonstrating a steady return of public activities including popular events such as the Men's World Curling Championship, Ottawa Race Weekend Expo, City Folk, Escapade, Wiggle Waggle, the Ottawa Farmers' Market (OFM), 613Flea, and the Aberdeen Heritage Festival, which generated approximately \$739,000 in revenues and had a combined attendance estimate of over 510,000 visitors.

Ottawa Farmers' Market

The Summer Market, held in Aberdeen Square from May to October, reverted back to its pre-pandemic layout, allowing vendor tables to be placed closer together, customers to shop more freely, minimized waiting in lines, and return to the vibrant market it once was in 2019 with prepared food vendors and artisans. Overall, the outdoor market was a success with an average of 69 vendors per market day and approximately 64,000 in attendance throughout the summer. The indoor market from November until May attracted over 34,000 market goers. The OFM returned to its full capacity and grandeur, welcoming more customers inside the Aberdeen Pavilion along with community partners, musical guests and activities.

In December 2022, Aberdeen Square was transformed by OSEG into dusted with a bit the outdoor Ottawa Christmas Market 40 European-style cabins where visitors could purchase goods from a variety of artisans. The Outdoor Christmas Market attracted 75,000 visitors during the month of December.

Partnership

The City and OSEG continued their commitment to work together in the reintegration of programming and rental events to Lansdowne. As events returned to the site, internal

collaboration was key in meeting logistical requirements and coordinating site activities (Transportation, Bylaw, Ottawa Public Health, Ottawa Police Services, etc).

Site Improvements

A variety of physical improvements were completed at the site, including installation of sun sails along the seating area that borders the Uplift plaza to increase shade, and the addition of large granite seating disks in key areas. A water fountain was also installed in the vicinity of the Thomas Ahearn Memorial Fountain to incorporate a water feature to the monument.

Financial Results

Financial results for the 2022 fiscal year illustrate the success the Lansdowne team has had in re-establishing activities in the Urban Park and returning to pre-pandemic levels for revenue generation. City revenues have almost doubled compared to 2021 and now recover just under 90 per cent of programming and animation costs for the Urban Park (excluding park maintenance); Consistent with pre-pandemic years, this has resulted in a net actual cost of operations that is lower than budgeted by \$144,971.

Table 2: Financial Results for the 2019 - 2022 Fiscal Years

	Expenses	Revenue	Net
2019 Budget	\$2,261,172	- \$602,758	\$1,658,414
2019 Actual	\$2,214,636	- \$617,893	\$1,596,743
2020 Budget	\$2,288,948	- \$632,985	\$1,655,963
2020 Actual	\$2,069,030	- \$127,639	\$1,941,390
2021 Budget	\$2,307,714	- \$632,985	\$1,674,729
2021 Actual	\$1,956,599	- \$326,182	\$1,630,416
2022 Budget	\$2,389,962	- \$615,008	\$1,774,954
2022 Actual	\$2,259,134	- \$629,150	\$1,629,983

FINANCIAL IMPLICATIONS

The Lansdowne Partnership Plan (LPP) is based on a “closed financial system” that captures capital costs and contributions that have been agreed upon by the City and OSEG, and cash-flows from operations to provide the basis for future distributions to the partners. Under this closed system, OSEG is responsible for any deficits that may accrue from operations. The 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 on the City's deemed equity; and finally, any remaining balance is shared equally by the City and OSEG. Return on equity is set at 8 per cent non-compounding interest.

The table below details the operating revenues and expenses for each of the components of the closed financial system from the beginning of operations in 2014 to the end of the 2022/23 fiscal year. As well, line items for depreciation and amortization, interest expense, and other revenue and expenses are distinguished to explain the differences between net operating income and net income.

Although revenues in 2022/23 rebounded to be above pre-covid levels (the last comparable 12-month fiscal year in 2019/20) and operating income improved from the last fiscal year, a net loss of \$(9.1 million) was incurred in fiscal year 2022/23. The retail component continues to be the largest contributor to net operating income. Despite the success of the retail component, since inception the LLP has posted net financial losses for each fiscal year and has yet to generate net positive cashflows aside from fiscal years 2015 and 2021/22 that had positive cashflows due to proceeds from borrowing. The Partnership continues to contribute to the Lifecycle Fund even if there are negative cashflows. Despite negative cashflows overall, debt payments continue to be made by Partnership including on the loan guaranteed by the City, which had \$16.5 million remaining as of the end of the 2022/23 fiscal year from the initial \$23.6 million borrowed.

These financial results support the need to improve Lansdowne Park and make the Lansdowne Partnership sustainable over the term of the partnership.

Table 3: Summarized Statement of Operations 2014 to 2022/23

Statement of Operations (in millions \$)	2014	2015	2016	2017*	2018/19**	2019/20	2020/21***	2021/22***	2022/23
Revenue									
REDBLACKS	18.5	20.0	20.7	21.2	22.4	17.7	0.8	12.9	21.6
Ottawa 67s	2.3	2.5	2.2	2.5	3.9	4.1	0.2	2.1	4.0
Stadium and Event Centre	2.9	7.6	9.0	19.8	10.8	9.2	1.4	5.3	12.1

Statement of Operations (in millions \$)	2014	2015	2016	2017*	2018/19**	2019/20	2020/21***	2021/22***	2022/23
Retail	1.0	12.6	17.8	18.3	23.7	20.0	16.0	18.5	19.6
105 th Grey Cup Festival Inc.	-	-	-	6.1	-	-	-	-	-
Total Revenue	24.7	42.6	49.8	67.8	60.8	51.0	18.4	38.8	57.2
Operating Expenses									
REDBLACKS	16.9	18.0	19.6	19.8	23.6	20.2	7.3	16.9	24.2
Ottawa 67s	3.4	3.3	3.4	3.8	5.0	4.8	1.7	3.3	4.6
Stadium and Event Centre	14.1	14.6	15.9	21.8	18.2	14.9	3.4	8.5	16.0
Retail	0.8	7.0	8.0	7.5	9.5	8.2	8.3	7.5	8.7
Professional Fees (Audit)	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1
105 th Grey Cup Festival Inc.	-	-	-	6.1	-	-	-	-	-
Total Expenses	35.3	42.9	47.1	59.3	56.5	48.2	20.9	36.3	53.6
Operating Income (Loss)	(10.6)	(0.4)	2.7	8.6	4.3	2.8	(2.3)	2.5	3.6
Depreciation and amortization	(4.6)	(7.4)	(8.6)	(8.8)	(11.1)	(7.4)	(6.8)	(7.0)	(7.2)
Interest Expense	(0.6)	(3.7)	(6.0)	(6.0)	(6.3)	(4.8)	(4.7)	(4.9)	(5.9)

Statement of Operations (in millions \$)	2014	2015	2016	2017*	2018/19**	2019/20	2020/21***	2021/22***	2022/23
Other Revenue / (Expenses) ¹	-	(1.1)	(2.4)	(1.6)	0.4	(1.9)	1.4	1.0	0.4
Net Income (Loss)	(15.8)	(12.6)	(14.4)	(7.9)	(12.7)	(11.3)	(12.4)	(8.4)	(9.1)
Increase (decrease) in cash before net contributions from partners	(37.7)	17.4	(19.8)	(15.3)	(12.7)	(9.7)	(7.4)	7.5	(8.9)

Notes: *FY 2017 includes hosting the Grey Cup, **FY 2018/19 includes 15 months and ***FY 2020/21 and 2021/22 were impacted by COVID-19 restrictions.

OSEG's updated 2023/24 pro forma without redevelopment shows a decrease of \$55.4 million to \$270.6 million in waterfall distributions over the 40-year projection compared to their 2022/23 projection presented to Council in May 2023 as part of the 2021 and 2022 Lansdowne Annual Report ([ACS2023-CMR-OCM-0004](#)). These projections are subject to fluctuations each year as projections get refined to better reflect trends. The following table provides a summary of the projected waterfall distributions to OSEG and to the City in nominal dollars.

Table 4: Comparison of Waterfall Distributions (in Nominal \$)

Current Waterfall Framework (in millions \$)	2012 Projection 30 Years	2015 Projection 30 Years	2021/22 Projection 40 Years	2022/23 Projection 40 Years	2023/24 Projection 40 Years
Lifecycle Fund	58.5	64.2	66.3	65.8	63.3
OSEG Summary					
OSEG Minimum Equity	30.0	36.8	17.0	17.0	17.0

¹ Includes non-cash changes in fair values of financial instruments.

Current Waterfall Framework (in millions \$)	2012 Projection 30 Years	2015 Projection 30 Years	2021/22 Projection 40 Years	2022/23 Projection 40 Years	2023/24 Projection 40 Years
OSEG Additional Equity	26.3	63.5	6.5	6.5	6.5
Return on OSEG Equity	73.1	259.5	454.9	236.7	183.8
Residual Profit Share	32.8	-	-	-	-
Total OSEG	162.2	359.8	478.4	260.2	207.3
City of Ottawa Summary					
City of Ottawa Funding Equity*	-	-	-	-	-
Return on City of Ottawa Deemed Equity	60.8	-	-	-	-
Residual Profit Share	32.8	-	-	-	-
Total City	93.6	-	-	-	-
Total Waterfall Distributions	314.3	424.0	544.7	326.0	270.6

*Note: City Funding Equity is Nil

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 40-year agreement.

The overall projected distribution over the 40-year period of \$270.6 million is now \$43.7 million lower than the original 30-year projections in 2012, despite increasing the term of the agreement by ten years. The most significant change is a reduction to OSEG's return on equity.

As of March 31, 2023, OSEG has contributed \$160.5 million in equity. The City is still not expected to receive any distributions from the partnership over the 40-year term of the agreement. As in past projections, OSEG is not expected to recover all of the equity they have contributed to date. Projected equity contributed from OSEG is \$168 million and only \$23.6 million of that amount has been repaid as part of the 2015 settlement

approved by Council to reimburse OSEG for disputed costs. Distributions to the Lifecycle Fund are maintained at \$63.3 million over the term of the agreement.

LEGAL IMPLICATIONS

There are no legal impediments 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.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a Citywide report.

DELEGATION OF AUTHORITY IMPLICATIONS

Delegation of authority exercised under the Lansdowne Partnership Plan agreements from May 10, 2023 to date are as described in this report.

Since May, 10, 2023, when City staff last reported on the exercise of the delegated authority through the Lansdowne Partnership Plan Annual Report ([ACS2020-CMR-OCM-0003](#)), the City Manager exercised delegated authority under the Lansdowne Partnership Plan agreements a total of six times. As described in Section 2 of this report, at the August 30, 2023 partnership meetings, the City Manager approved the financial statements of the Lansdowne Master Limited Partnership and the component limited partnerships and appointed KPMG as the auditors of the partnership.

CONSULTATION

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

ACCESSIBILITY IMPACTS

As noted in previous reports, there is a need for accessibility improvements to Lansdowne Park and arena.

A totally new facility will allow a modern, more comfortable venue to be realized that meets current day accessibility standards, including the *Ontario Building Code*, the *Accessibility for Ontarians with Disabilities Act (2005)* and the City's Accessibility Design Standards. By improving the accessibility of Lansdowne's built environment, more people with disabilities, and people of all ages, will be able to use these facilities.

As the Lansdowne Partnership Sustainability Plan is implemented, accessibility will play a leading role in revitalization efforts. The design team will engage in discussion and consultation with the community, including specific input from the Canadian National Institute for the Blind (CNIB), as their Ottawa office is located on the site, and the City's Accessibility Advisory Committee. The design team will also work with the Accessibility Office to ensure that people with disabilities and older adults are engaged, and that consultations are accessible.

RISK MANAGEMENT IMPLICATIONS

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

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 License of Occupation and supports rural producers through this initiative.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitments the current Term of Council Priorities for a diversified and prosperous economy and the City's commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1: Minutes from the January 13, 2023 Lansdowne Master Partnership Meeting

Document 2: Minutes from the January 13, 2023 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.