Council Direction:

This report has been prepared further to Council’s approval of item 7, and more specifically recommendation (f), of the Committee of the Whole Report 10-024 (September 14, 2010) respecting Alternative Sites for Stadium Location for 2015 Pan Am Games which reads as follows:

(a) That the CP Rail yard at Aberdeen and Longwood be forwarded to Hostco as the venue location, agreed to by the City of Hamilton and the Hamilton Tiger-Cats, for the new Pan Am Stadium, subject to Items (b) and (c) below.

(b) That the Province of Ontario and the Federal Government, including P3 Canada, be formally requested to provide sufficient additional funding to expand the current proposed 15,000 seat Pan Am Stadium to a 25,000 seat facility as per CFL size requirements, international high performance sport standards and to meet additional land requirements and that the West Harbour development funding be included;

(c) That staff be directed to:

   (i) engage in negotiations with property owners
   (ii) complete Stadium use negotiations and funding arrangements with the Hamilton Tiger-Cats by September 30, 2010;
(d) That the City of Hamilton request the Ministry of Transportation to review traffic impacts on Aberdeen Avenue and request a review of the potential to widen the exit and entrance by adding two vehicle lanes in each direction and review the Main Street West interchange and Longwood Road;

(e) That on or before September 30, 2010, staff report back on the Provincial and Federal Governments’ willingness to fund, and financial commitment from the Tiger-Cats;

(f) That Staff report back to Committee of the Whole and Council by October 12, 2010.

The purpose of Report CM09006(k) is to report back to the General Issues Committee and Council in respect of item (f) of the foregoing Council direction.

Information:

Update on Negotiations with Canadian Pacific Rail (CP)

The City Manager, along with senior staff and the City's Real Estate Section, undertook detailed discussions and negotiations with staff representatives of CP Rail's Real Estate Division, as well as direct contact and dialogue with senior corporate officials within CP Rail, the goal of which was to identify a potential transaction cost and timeline for the City's purchase of the CP Rail yard.

Senior City staff recently met with representatives from CP’s Real Estate – East (Region) Division; Ms. Anne Dragicevic, Director Real Estate, Mr. Kevin Paul, Manager Sales and Acquisitions, and Mr. Christopher Jones, Director Network Strategy, as well as talked directly with Mr. Don Campbell, Vice-President, Finance from CP Rail’s corporate office in Calgary, AB. Mr. Scott Mitchell, President of the Hamilton Tiger-Cats also directly participated in several discussions.

At present, the CP Aberdeen Yard is home to an operating steel and plastics transload facility. With Toronto 2015’s timeline of needing the site to be ready for construction of the stadium by March 2012, CP would require existing uses be removed as quickly as possible. This necessitates the movement of the Aberdeen facilities to interim locations while permanent facilities are constructed at CP-owned property near Milton, Ontario.

Therefore, the total project cost for the City of Hamilton to acquire the CP Aberdeen yard would include: the purchase price of the land, the construction cost of new facilities, the relocation of CP’s current operations, and the use of interim sites, which in total is estimated to range between $69.2 M to $89.2 M. The range of values reflects
cost uncertainty by CP associated with establishing and operating interim facilities and to terminate a long-term agreement with the company currently operating the Aberdeen steel handling facility (see Appendix A, City of Hamilton Stadium/CP Aberdeen Yard Project).

Further discussions on the cost breakdowns were conducted with Mr. Campbell on December 15, 2010, at which time he re-confirmed CP’s established position and total project costs. As stated by Mr. Campbell, these costs are not negotiable and cash settlement would be required. The cost breakdown is noted in the Table below.

<table>
<thead>
<tr>
<th>Summary of Cost Estimates</th>
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</thead>
<tbody>
<tr>
<td><strong>LOW ($M)</strong></td>
</tr>
<tr>
<td>Land</td>
</tr>
<tr>
<td>Facilities Reconstruction</td>
</tr>
<tr>
<td>Interim Sites</td>
</tr>
<tr>
<td>Termination of Leases</td>
</tr>
<tr>
<td>Incremental Trucking from Milton</td>
</tr>
<tr>
<td>CP Labour Settlements</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

As previously reported to Council, the anticipated construction cost of a 25,000 seat stadium is approximately $160 million. Therefore, the project cost including only land acquisition and construction cost would be in the approximate range of $229 million to $249 million.

Staff believe that this latest range in project cost is extremely prohibitive to making any business case for the CP Rail Aberdeen Yard as a potential site for the stadium, and for all practical purposes eliminates the location from being a viable site.

As reported in the October 12, 2010 report, costs associated to develop the concept plan on the CP site were estimated with an upset limit of $100,000. According to CP, the costs through their consultant, Aecom, will cost less than $60,000.

**Hostco**

Since the Council Report of October 12, 2010, staff have continued to be engaged with both Mr. Ian Troop, CEO, Toronto 2015, Mr. William Senn, Senior Vice President Infrastructure, as well as other officials from both Toronto 2015 and Infrastructure Ontario.
As reported previously, Toronto 2015 has been informed of and understands the progress and the status of the City of Hamilton and the Hamilton Tiger-Cats, as well as the City's requests and discussions with both the Province of Ontario and the Federal Government. Both senior levels of government have also had detailed discussions directly with Toronto 2015 officials so to ensure a consistent approach to finding a solution on this issue.

Through discussions as late as December 19, 2010, Toronto 2015 continues to stress that the conditions as laid out in its letter dated September 23, 2010 to City Manager Chris Murray, establishing an absolute and final deadline of February 1, 2011, still applies. Mr. Troop has stressed again:

1) That the issue of both the site and size of the venue remain in the City of Hamilton’s hands to resolve;

2) They have re-affirmed that February 1, 2011 is the date for which they will move to their “Plan B” option for the stadium, meaning the venue will be moved to a site outside of Hamilton.

By way of background, the following summarizes the September 23, 2010 letter to the City Manager:

1. Re-affirm its position of site and staff direction, as approved on September 14, 2010;

2. Implement a plan for Environmental Assessment (EA) proceedings and site remediation;

3. Immediately commence a detailed functional programming with the authorized TO2015 / IO / PDC consultant, using BMO Field reconfigured for CFL use as the programming guide;

4. Agree to reimburse TO2015 for 100 per cent of any incurred IO advisor costs (i.e. PDC) in the event that the City of Hamilton decides not to finance a stadium in Hamilton, the cost of which is estimated with an upset limit of $500,000;

5. Re-Confirm that the City will provide an assurance to TO2015 that the funding shortfall between the TO2015 - 15,000 seat Pan Am quality venue and the 25,000+ seat CFL quality venue will be addressed and source of funds identified;
6. That the Absolute final deadline to provide funding assurances is February 1, 2011.

Province

Since the Report to Council of October 12, 2010, staff have continued to update and discuss the progress of all discussions with senior officials within the Province of Ontario. Discussions have included details on all elements to date including the details of the negotiations with the Tiger-Cats and CP Rail, and have included detailed order of magnitude cost approximations of the funding gap. Dialogue as late as December 18, 2010, indicate that the Province wants to assist the City of Hamilton in finalizing the plans of constructing the stadium as part of the 2015 Pan Am Games, but Provincial officials are awaiting a final site selection from the City of Hamilton, as well as any request for assistance that the City would be directing to them. They have also indicated that the Province was unlikely to detail a final decision on any request until such time as a final request is made.

Although no final decision was indicated, City staff believe that the initial funding gap anticipated in the October 12, 2010 report to Council would be higher than expected, and the order of magnitude for the CP Rail Aberdeen Yard far exceeds that funding gap last reported to Council.

As reported previously, they have indicated optimism with the progress that has been made by the City in partnership with the Hamilton Tiger-Cats and their private-sector partners, but have also re-iterated their previous position that discussions and negotiations with the either the Hamilton Tiger-Cats or possible land owners is a local issue, and that the Toronto 2015 deadline of February 1, 2011 is a firm deadline.

Federal Government

Since the Council report of October 12, 2010, staff and our consultants have continued to update and discuss the progress of all discussions with senior officials within the Federal Government. Like the Province, discussions have included details on all elements of the discussions to date including the details of the negotiations with the Tiger-Cats and CP Rail, and have included detailed order of magnitude cost approximations of the funding gap.

To date, staff have not received formal positions from the Federal Government, but dialogue to date indicates reluctance from them to allocate additional funding to the Pan Am stadium project above the capital committed by the Toronto 2015 Pan Am Games budget.
Infrastructure Ontario (IO) Process

City staff have been meeting with representatives from Infrastructure Ontario (IO) since early February 2010 with respect to the Design, Build, Finance, Maintain (DBFM) model being used for construction of new Pan Am Games venues.

As per the IO process, two working groups have been established - the Executive Stakeholder Working Group and the Legacy Working Group. Members of the Executive Stakeholder Working Group (ESWG) include the Tiger-Cats, Toronto 2015, City of Hamilton and IO. Membership on the Legacy Working Group includes all representatives of the ESWG, as well as representatives from the Ontario Soccer Association, Canadian Football Hall of Fame, a former national team soccer athlete, and the Hamilton Sports Hall of Fame.

It is important to note that there has also been a meeting between Tiger-Cats representatives, IO, Pan Am Toronto 2015, and the City to discuss coordination of the Tiger Cats commercial development with the stadium design for the CP site. These "CP campus coordination" meetings have been put on hold until the stadium design is finalized.

To date, there have been two meetings of the Executive Stakeholder Working Group to discuss the vision for the stadium and the process going forward. There has also been two meetings of the Legacy Working Group which have focused on the functional program for the stadium which is inclusive of all space requirements, room adjacencies, bowl configuration and other desired amenities.

The IO architects are working on a preliminary design, and the Legacy Working Group will reconvene in early January to review this conceptual design. IO will also be providing a preliminary costing for the stadium in mid-January 2011.

Although the stadium design work to date has been for the CP Rail site, it is not site specific and the stadium design being developed could be located on a different parcel of land, if necessary. The work on the functional program is needed regardless of where the stadium is located.

The other piece of work being undertaken by IO is the development of the Request for Qualifications for the Hamilton Pan Am venues. City staff have reviewed the draft RFQ but a final date for release of the RFQ has not yet been determined.

As reported on October 12, 2010, the anticipated costs of this process are expected to be about $500,000 and would form part of the capital construction budget which would ultimately be cost shared with HOSTCO, the Province, the Federal Government and the Tiger-Cats. Should the City not proceed with a new 25,000 Pan Am Stadium due to
lack of senior government funding, then HOSTCO would need to be reimbursed 100% of this cost, which would be the City’s responsibility.

Update on Progress with the Hamilton Tiger-Cats

Since the last report (CM09006(j)) was provided to the Committee of the Whole on October 12, 2010, further discussions have taken place with representatives of the Hamilton Tiger-Cats. Acting as a partner in the discussions, the Tiger-Cats have been directly involved in meetings and discussions involving the stadium site, functional program, precinct master plan, and requests for further funding from the Provincial and Federal Governments.

FINANCIAL ANALYSIS

Stadium Costs and Funding

Refer to Appendix B, “Estimated Funding Shortfall for Proposed Pan Am Stadium.”

Ivor Wynne Stadium and West Harbour Precincts

As reported on October 12, 2010, Council has directed staff to ensure that both the Ivor Wynne and the West Harbour precincts continue to be priorities of the City regardless of the final location of the stadium. Although staff have not provided any concrete recommendations for the re-development of either sites, staff are putting together several options for Council's consideration, and will report back to Council within the short-term on these plans.

Of specific short-term actions to be taken, staff will be seeking Council's approval to begin the process of demolition within the land holdings in the West Harbour area. Staff believe that many of the properties acquired within this precinct are in a condition where demolition and the maintenance of the property is of paramount public interest. A move toward the demolition of these properties would send a clear message to the neighbourhood of the City's commitment to the re-development of an area of prime importance for the City's future.

Appendices:

Appendix A – City of Hamilton Stadium/CP Aberdeen Yard Project
Appendix B – Estimated Funding Shortfall for Proposed Pan Am Stadium

CP/TCS/LZ/db
Attach. (2)
City of Hamilton Stadium/CP Aberdeen Yard Project

Executive Summary

CP has studied the feasibility and associated costs of relocating its currently functioning steel and plastics transload facilities from CP’s Aberdeen Yard (Hamilton) to CP-own property near Milton, ON, in order for the City of Hamilton to construct a stadium complex to host the 2015 Pan Am Games and the Hamilton Tiger Cats. The requirement to vacate and dismantle the site quickly, prior to stadium construction commencing in March 2012, necessitates the movement of the Aberdeen facilities to interim locations while permanent facilities are constructed at Milton. The total project cost to the City of Hamilton to purchase CP’s property at Aberdeen Yard, construct new facilities at Milton and relocate CP’s operations to Milton via interim sites is estimated to be $69.7 million - $89.2 million. The range of values in this estimate reflects cost uncertainty associated with establishing and operating interim facilities and to change existing operating contracts to accommodate facility relocations within the project’s timetable.

Application of Canada Transportation Act

The dismantling and construction of rail lines by CP is regulated by the Canada Transportation Agency in accordance with the Canada Transportation Act.

CP is confident that the Aberdeen facilities can be dismantled during 2011 in accordance with the Act.

To relocate the Aberdeen Yard facilities in as short a time as possible, the facilities could be reconstructed on CP-owned land near Milton, ON, adjacent to CP’s existing Expressway Terminal. Construction of the new facilities at Milton will require the approval of the CTA as per Sec 98 of the Act (120 days minimum.) It is likely a federal Environmental Assessment (CEAA) will be required prior to the Sec 98 approval process (12-18 months.) Construction at Milton cannot commence until receipt of the CTA’s Sec 98 approval. Consequently, CP must use interim sites for transload operations to ensure uninterrupted service to customers.

Project Costs

Aberdeen Land
The purchase price of the land at Aberdeen is $16.5 million (55 acres @ $300,000/acre)

Milton: Construction of Replacement Facilities and Track
To relocate the Aberdeen Yard facilities in as short a time as possible, the facilities could be reconstructed on CP-owned land near Milton, ON, adjacent to CP’s existing Expressway Terminal. The estimated cost for the reconstruction of the Aberdeen facilities at Milton, developed by CP’s Engineering Dept., is $36.2 million.

Interim Sites
The incremental costs to activate and operate at interim sites for up to 2 years have not been studied in detail. The costs are estimated to be $5 - $10 million.

Contractual Obligations
CP has long-term contracts in place governing the ownership and operation of facilities at Aberdeen Yard and trucking of products between Aberdeen Yard and shippers’

December 20, 2010
locations. CP’s labour agreements require compensation be given to employees negatively affected by the relocation of work. The cost to negotiate changes to these operating contracts to accommodate relocations within the project’s timetable is estimated to be $12 - $26.5 million.

City of Hamilton Stadium/CP Aberdeen Yard Relocation Project

Summary of Cost Estimates ($ million)

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<tbody>
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<td>Land</td>
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<td>Facilities Reconstruction</td>
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<td>Interim Sites</td>
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<td>Contractual Obligations</td>
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<td>Total</td>
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ESTIMATED FUNDING SHORTFALL FOR PROPOSED PAN AM STADIUM

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<tr>
<th></th>
<th>CP RAIL SITE Current Estimate</th>
<th>PAN AM STADIUM Current Estimate (generic site)</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Total Construction Cost (assumes no special (engineering requirements)</td>
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<td>Total Land Associated Costs</td>
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<td>Total Stadium Costs</td>
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<td>Hostco. Contribution</td>
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<td>City of Hamilton Contribution</td>
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STADIUM SHORTFALL | 110.7 | 130.7 | 34.7 |

AVAILABLE SOURCES OF FUNDING

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<td>Ivor Wynne Development Proceeds</td>
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<td>Capitalize $750K of Existing Budget</td>
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<tr>
<td>Tiger-Cat Contribution</td>
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TOTAL AVAILABLE FUNDING | 20.5 | 22.5 | 12.5 - 22.5 |

FEDERAL / PROVINCIAL STADIUM FUNDING REQUEST | 90.2 | 108.2 | 22.2 - 12.2 |

Other Funding Requirements

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<td>West Harbour Land</td>
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<tr>
<td>Velodrome Permanent Facility (Summer 2010 Estimate)</td>
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TOTAL SHORTFALL | 23.0 | 23.0 | 23.0 |