

# Lansdowne Live: the real costs for the public and taxpayers

Presentation to Ottawa City Council

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# Lansdowne Live Report Card

Subject	Grade
<p><b>Economics and finance</b></p> <p>No independent economic and financial analysis, misleading “business case”, little reliable information, contradicts own evidence.</p>	F
<p><b>Accountability and transparency</b></p> <p>Lack of reliable information for public; lack of public due diligence and accountability in process.</p>	F
<p><b>Public benefit and costs</b></p> <p>Citizens will pay increased taxes for decades on at least \$130 million, will lose valuable public asset, last in line for any payments.</p>	F
<p><b>Benefit for private developers</b></p> <p>New stadium paid by taxpayers; highly valuable (\$50 million+) property to develop rent-free; first in line with guaranteed 8% return on equity and return <u>of</u> equity before public.</p>	A+

# Misleading Business Case and Financial Information

*Examples in just a few areas:*

## 1. Public land valued far below market rate

- going rate for 1 acre downtown area \$5 to \$7 million
- 10 acres worth \$50 million minimum, not \$20 million

## 2. Exaggeration of current costs

- Net costs incl. capital now ~\$2 million, not \$3.8 million
- \$3.8 million includes cost of major renovations

## 3. Exaggeration of incremental property tax revenues...

# Exaggeration of Tax Revenue Impact

## *Contradicts Tate retail study*

Should only include incremental property tax revenues and not revenues diverted from other areas in the city

- Most of this is associated with visitors from out-of-town
- Ottawa residents would mostly spend their money elsewhere in town, leading to other investments & tax revenue in the city.

### What is the incremental impact?

No major tourism attraction, like Biodome or Aquarium

- Football parking only 10% of total parking revenues
- Tate study: only 10% of food sales and 25% of non-food retail sales from people living outside “study area” (pp. 27, 34).

Sales from out-of-town maximum 25% of total

Sales translate to **maximum 25%** incremental property tax revenues, **not 75%**

# Real Cost to Ottawa Residents and Taxpayers

<b>Capital Cost</b>	
10 acres prime land rent free 30 years+	-\$50 million+
Stadium and parking construction	-\$129 million+
Air rights from property sale	+\$4.4 million
Total subsidy	\$175 million+
<b>Annual Loss</b>	
Interest payment on \$117 million debt (40 yrs)	-\$7.1 million
Annualized value of cash, land over 30 years	-\$3.9 million
Avoided costs Lansdowne Park operations	\$2 million
Incremental tax revenues (25% of \$3.8 million)	\$1 million
<b>Net annual cost (minimum)</b>	<b>-\$8.0 million</b>

# Bottom Line

- Net capital cost \$175 million
- Annual loss of \$8 million: 4X current annual net cost; adds up to \$240 million over 30 yrs.

***Turns a public asset into a liability***

**Why give away valuable public land while also paying for 100% of stadium? Makes no sense.**

- Annualized value of 10 acres land ~\$3 million a year.
- Incremental taxes ~\$1 million maximum.

***Tax revenues don't compensate for value***

**If used for private use, should be leased at market value.**

# **Lansdowne Live proposal: financial smoke and mirrors: designed to confuse**

- Little clear information, no independent analysis
- Not revenue neutral for taxpayers; will increase annual net costs to 3-4 times current net cost
- Sets terrible precedent: give everyone else free land and 75% of their property taxes back
- Developers get free stadium; \$50 million worth of land rent free and first in line with guaranteed return of 8%
- Developers paid \$51 million over 30 years for their \$19.6 million equity, obtain other profitable related ventures
- Public last in line for revenues, loses valuable asset, net cost of \$175 million, pays for private profits.
- Increased costs for public: new trade show space \$60 million

# Responsible approach

## Open process and disentangle web of related transactions

- Independent economic and financial audit of options
- Full disclosure of information
- Public involvement and control
- Open competitive process

## Real revenue-neutral option: redevelop arena and stadium if desired

- Publicly financed and owned: seek federal and provincial cost shared funding
- Long-term lease of 10 acres could provide city share (\$40 million), with \$\$ left over for rest of park
- City gets revenues from operations and parking