REIMAGINE OTTAWA

Lansdowne 2.1: Ottawa Taxpayers Should be Very Worried

History

- In 2008, several developers formed the Ottawa Sports and Entertainment Group (OSEG) based on a promise of a CFL franchise for Ottawa ...if a stadium were built.
- OSEG and the City signed a partnership contract - a single-source contract, in force until 2044, **without competition**.
- Council approved Lansdowne 1.0, offering up the land and OSEG contributed the money. OSEG's equity was to be paid back first before any profit came to the City.
- The City spent $173 million on Lansdowne 1.0 and about $100 million of debt remains.

Lansdowne 1.0 has not been financially successful for the City or OSEG

- None of the projections have been met and the partnership has underperformed. 2.1 is not likely to turn things around no matter what the commissioned financial review by Ernst and Young says.
- "As of March 31, 2021, OSEG has contributed $160 million, which is $100 million more than projected in 2012. They have also accumulated $60.2 million of interest on this equity at 8 per cent interest." (From the May 2022 Partnership Sustainability report to Council). To date, neither partner has received a cent from Lansdowne 1.0. Since 2014, OSEG has incurred average losses every year of roughly $10M.

Does this sound like a track record to commit another $419 million to?

A high-risk for taxpayers

- The City spent $173M on Lansdowne 1.0, still carries a $100M debt, and is about to commit an estimated $419 million more to Lansdowne 2.1 despite a history of project failure.
- Including business interruption and other costs, the total will likely be closer to $500 million
- The City promises no increase in taxes, but that is based on sufficient cash being generated over the next 40 years by retail leasing, the Ottawa Redblacks, and by allocating 90% of property taxes from two massive, site-compromising towers to service the debt. The failure of Lansdowne 1.0 and future unknown economic circumstances make this a high-risk forecast. If it doesn't pan out, taxes will rise or funding for public services and amenities throughout the city will suffer.

Lack of information

- "Commercial Confidentiality" has been claimed to withhold financial information from public scrutiny.
- It is not acceptable that taxpayers are denied access to contracts that commit taxpayer dollars.

No possible solution to traffic and parking

- Parking and transportation to and from Lansdowne is not solvable given the lack of rapid transit, limited access via Bank Street and the QE Driveway, and an inadequate 336 new parking spaces to serve 8,000 sq ft of new retail and 770 new high rise units.

Loss of greenspace

- 30,000 sq. ft. of public park is being built upon and lost despite the City's stated commitment to preserve greenspace.

Council oversight is vital

- Councillors are custodians of the whole city and guardian of its significance as the nation's capital.
- Why are we proceeding with Lansdowne 2.1 without a full review and/or "Value for Money" audit of Lansdowne 1.0?
- Why does the City engage in single-source contracting for major public projects when other Canadian cities have robust competitive processes?
- Why weren't more suitable sites, particularly those supported by LRT, considered for the stadium?
- Why are we signing Public-Private Partnerships when P3s of the Lansdowne 2.1 variety are under scrutiny as costlier and riskier for public money?

Lansdowne 2.1 affects all wards, all citizens.
It is a bailout for OSEG and without benefit to the City or taxpayers.

- What measures are in place to ensure this project will not mirror the disastrously managed LRT Public-Private Partnership?

A closer look at the financial issues

- In 2015, OSEG spent $23.6 million to fix the Civic Centre roof. They disputed their responsibility, resulting in the partnership taking out a loan (guaranteed by the City) to repay OSEG. $18 million is still outstanding on that loan. That roof, the Civic Centre, north-side stands, and the bran- new retail space on Exhibition Way are slated for demolition for Lansdowne 2.1

- In 2020, as a result of the financial failings of the Lansdowne partnership, OSEG asked the City to restructure the terms of their partnership agreement. When OSEG predicted a 60% plunge in revenues for 2021, City staff told Council there was a "very real risk" that default might be OSEG's best business decision, leaving Ottawa taxpayers responsible for an $18 million debt. In view of this, Council gave OSEG three concessions:
  - Access to $4.7M of reserve funds
  - A partnership extension of 10 years to 2054
  - An offer to forego the city's half of the cash flow from retail operations

- The stadium and arena/event centre are projected, according to a city staff report submitted to the City's Finance and Economic Development Committee in May 2022, to lose $84 million over their lifetime. The projected loss for the 67s is $42 million. Expected on the profit side is an unrealistic operating profit of $426 million for the Redblacks (who have been unprofitable to date), and a questionable profit projection of $869 million for the retail component. How will existing 41,000 sq ft retail plus 8,000 sq ft additional retail avoid unprofitability in the face of digital competition?

- It will cost about $19 million a year to service the cumulative debt on Lansdowne. Some of the funds to cover this annual debt are expected to come from the underperforming retail and commercial space, which are only occupied with rental rates of an estimated 75% of Glebe market retail rates.

- Lansdowne's 1.0 retail attractions are within a 15-minute walk from 30,000 households. Can the addition of 770 households really be expected to move the needle on retail income? And what about the effects of increasing online shopping on brick- and-mortar locations?

- 90% of the property taxes on those 770 units will be used to repay the debt. Those lost tax dollars would otherwise fund regular city services, such as the under-funded paramedic service and infrastructure maintenance. It will also affect projects in every city ward.

- L2.1 will not include any affordable housing even when city policy requires 25% of units on city land be dedicated to it. Instead only $3.9million is to be added to the City's Affordable Housing Fund.

If ever there was a time for council to perform substantive oversight, it is now.

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