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# Multi-Use Recreation Centre

## Town of White City Financial Analysis Summary

April 22, 2021

This summary is based on a Financial Analysis prepared by KPMG LLP

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#### Background & Context

The Town of White City (“**White City**”) engaged KPMG LLP (“**KPMG**”) in December 2019 for analysis support as it continues to proceed with financial preparation and readiness for a potential multi-use recreation centre (the “**Project**”). The preliminary financial analysis was based on the latest information and assumptions from White City, its contracted schematic designers, and its operational consultants.

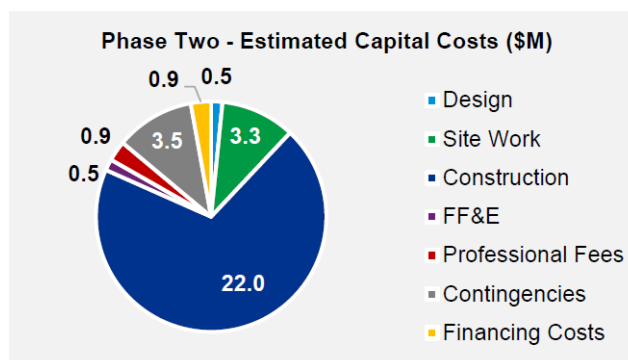
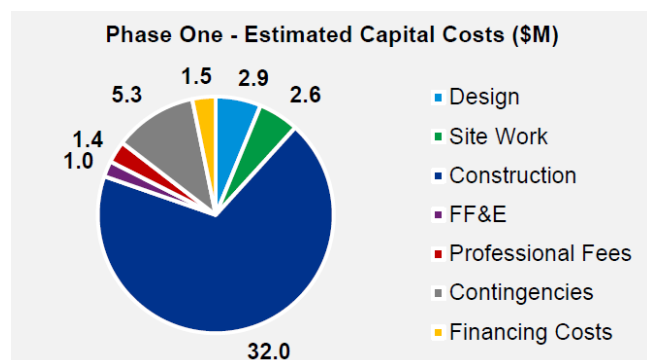
The financial analysis considered Project phasing, capital costs and operating assumptions, funding and financing considerations, overall financial feasibility, sensitivity analysis, White City growth assumptions (development levies) and White City implications. The following key findings are based on preliminary assumptions that the Town will continue to refine as additional information about the Project becomes available.

#### Phasing Strategy

The analysis completed in 2020 focused on the initial components of the Project: two arenas and a full-sized fieldhouse. The first phase (“**Phase One**”) involves the detailed design of two arenas and a full-sized fieldhouse, and the construction of only the two arenas; and the second phase (“**Phase Two**”) involves the construction of the full-sized fieldhouse that was designed as part of Phase One. Phase One is assumed to reach substantial completion in 2023, and Phase Two is assumed to reach substantial completion in 2027, although specific timelines have not been finalized. Timelines for subsequent facility components, preliminarily envisioned to include a gymnasium, library, childcare, and an aquatics centre, have not yet been confirmed. The analysis assumes these components would be completed after Phase One and Phase Two. Should funding become available to accelerate these phases, White City is prepared to do so.

#### Capital Costs

**The capital costs are based on schematic designs from White City’s contracted architect, input from White City’s contracted project managers, and financing rates and assumptions from White City’s sources. Based on these inputs, the nominal capital costs are estimated to be \$46.7M for Phase One and \$31.6M for Phase Two.**

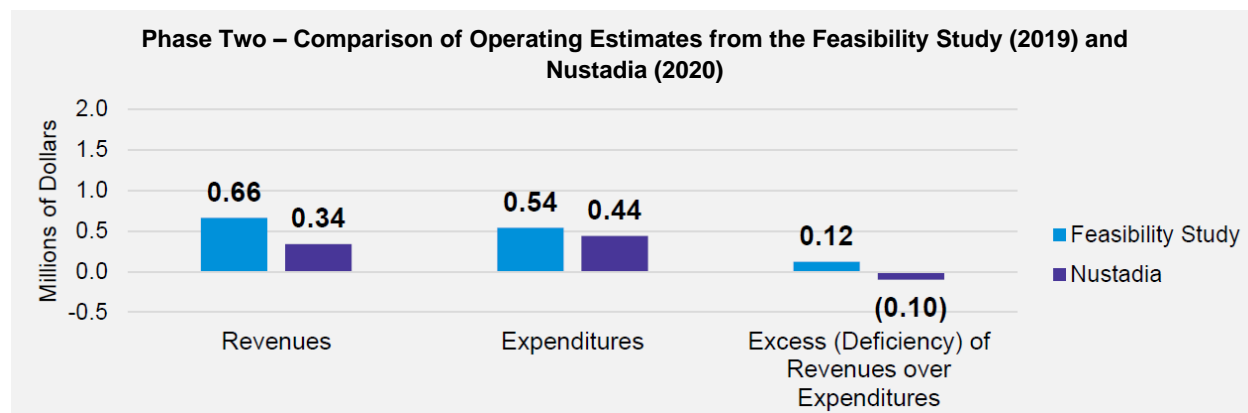
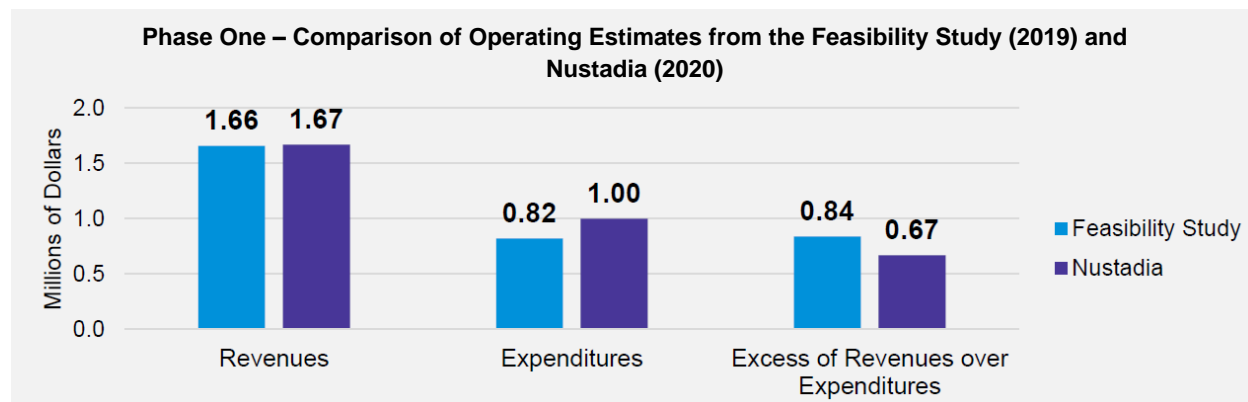


### Capital Contributions

The capital contributions are based on White City's land development projections and a Campaign Feasibility Study performed by DCG Philanthropic Services Inc. in September 2019. Based on these inputs, the nominal sources of cash for Phase One are estimated to be primarily from financing (\$36.7 million), fundraising sources (\$8.9 million), and development levies (\$0.7 million). The nominal sources of cash for Phase Two are estimated to be primarily from financing (\$23.6 million), fundraising sources (\$4.0 million), and development levies (\$4.0 million).

### Operations

Since the Feasibility Study's completion in March 2019, White City engaged Nustadia Recreation Inc. ("Nustadia") to review and gather additional insight from potential user groups to provide a professional opinion on the estimated revenues and expenditures from the Feasibility Study. While both sources estimate the combined two arenas and fieldhouse would generate sufficient revenues from operations to cover their own operating expenses, a supplemental funding source would be required to achieve financial feasibility. The additional funding would be required to cover the interest expense and principal payments associated with financing a significant portion of the capital costs, as well as the ongoing sustaining capital expenditures / lifecycle costs required to maintain the Project over time.



### Potential Property Tax Implications

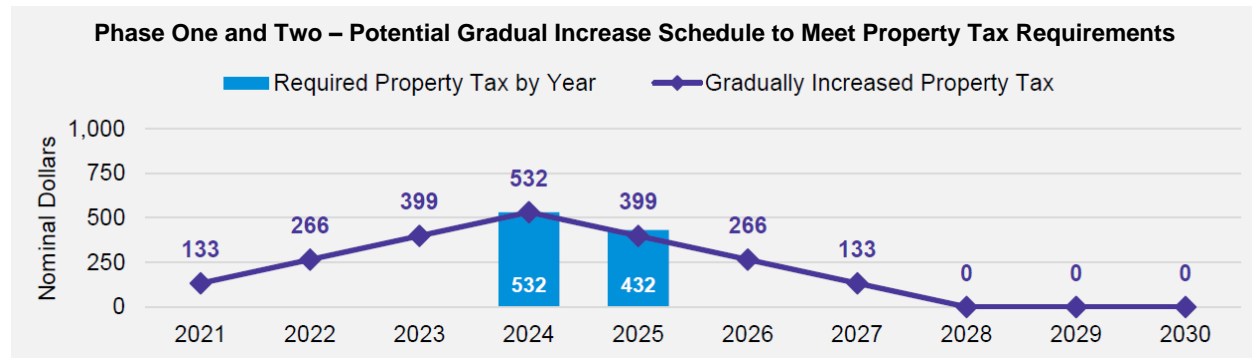
In a 2016/2017 survey, White City identified that the approximate increase to property taxes for a multi-use recreation centre that residents would be comfortable with was in the range of \$150 to \$200.

Assuming White City's household count grows to approximately 1,700 by 2024,<sup>1</sup> a \$200 property tax would generate \$340,000. However, the estimated funding requirement in the first two full years of the Project's operations (2024 and 2025) ranges from approximately \$800,000 to \$950,000.

If the funding requirement were entirely covered through a dedicated property tax, it would be approximately \$500 per household. In 2026 and beyond, as the facility's revenues ramp-up and White City begins to collect the development levies,<sup>2</sup> the alternative funding requirement would decrease, at which point the increased taxes could be reallocated to other infrastructure investments and/or reduced.

If an alternative operating contribution of approximately \$600,000 could be identified for the first two years, this would be estimated to reduce the required property tax increase on households to only \$200 per year, in alignment with the amount determined in the 2016/2017 survey.

As the required annual property tax fluctuates greatly depending on numerous factors and to limit the one-time impact to taxpayers, a gradual, phased-in approach to any potential property tax increases could be considered.



<sup>1</sup> Crosby Hanna & Associates. *Future Growth Study* (adjusted to use actual numbers from 2018 through 2020). May 2018.

<sup>2</sup> Town of White City. *Development Levy Summary*. October 2020.

### Scenarios

As the project is still in a conceptual stage, inputs and assumptions are likely to shift over time. The outputs of the financial analysis are highly sensitive to several key inputs and assumptions, such as phasing, the rate at which development levies are collected, revenue ramp-up rates following substantial completion, the capital cost amounts, capital contribution amounts and terms, financing rates and terms, and household growth rates.

As part of the analysis, optimistic and pessimistic scenarios were analyzed to demonstrate overall sensitivity and the range of estimated outcomes. Based on these scenarios, the required property tax per household in 2024 could range from as low as approximately \$165 to as high as approximately \$1,056. As additional information becomes available and greater certainty in key inputs exists, this range is expected to decrease.

