

Downtown Arena Negotiated Framework

(items 2.1 and 2.2)

Presentation to City Council
Tuesday, October 25, 2011
Non-statutory Public Hearing



Presentation Overview

- Context
- Overview of Negotiated Framework
- Budget Request
- Timelines
- Next steps



Context

On October 14, City Council

- was presented with a negotiations update
- approval to purchase land
- set a non-statutory public hearing for October 25

Administration is asking for two things:

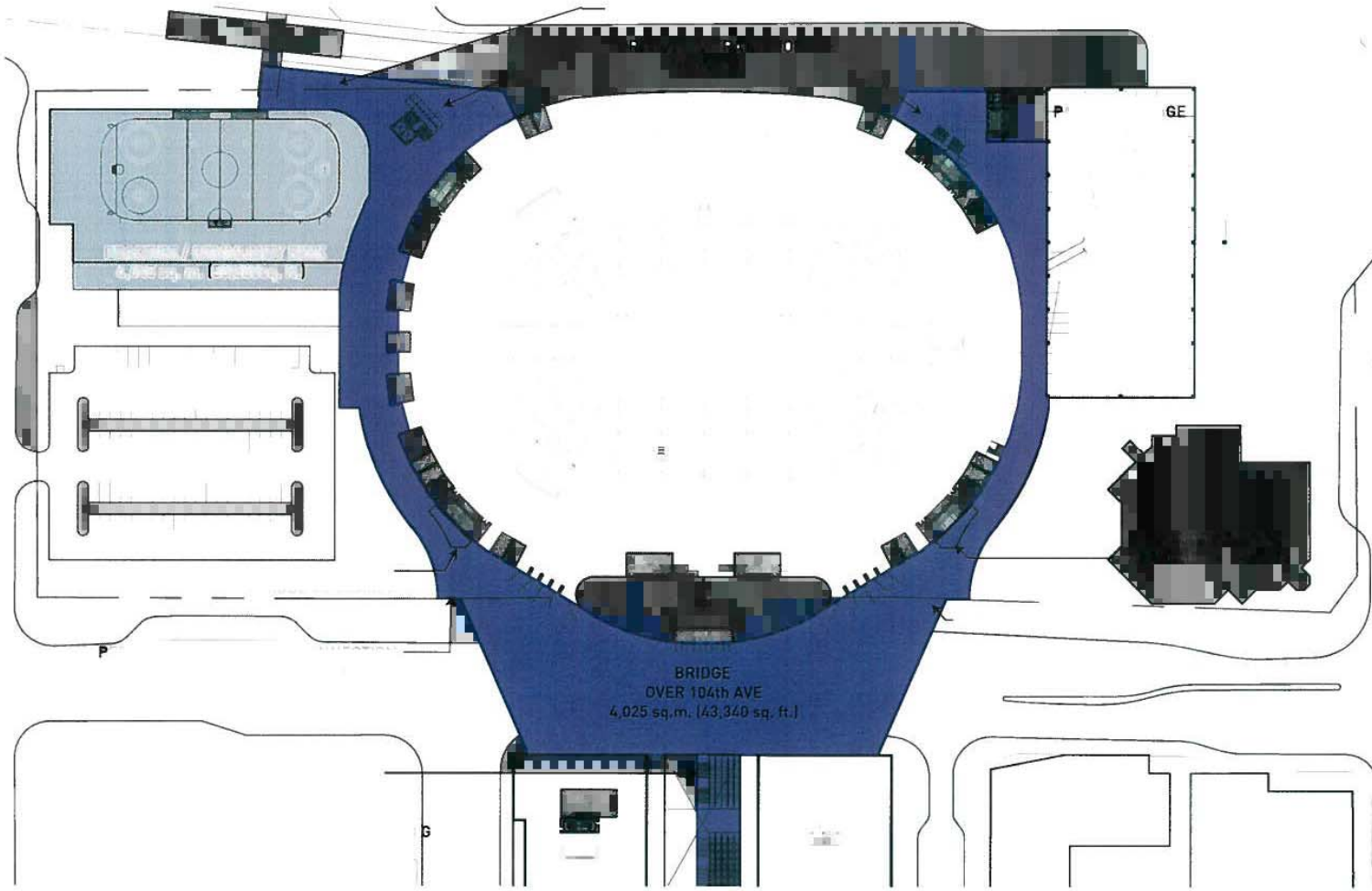
- 1) Approve the revised negotiated framework
- 2) Approve advancing design work (\$30 million)





Benefits of Downtown Revitalization

- Increase Urban Densities
- Increased Economic Activity
- Increased Tax Base
- Higher Land Values
- Improved Livability
- Improved Sustainability
- Showcase for Edmonton



Update on Negotiations



Revised Negotiated Framework

May 18 Agreement	Revised Negotiated Framework (Oct 14)
Sustainability of NHL Hockey in Edmonton is a prime consideration.	No change
The arena building project (which includes 350 parking stalls) has a maximum price \$450 million.	The guaranteed maximum price for the downtown arena building is \$450 million. If the tenders received are over \$450 million, either party can walk away from the deal.
The Katz Group will contribute \$100 million of the capital cost of the arena with \$80 to \$90 Million provided proportionate to the City contribution over the period of construction; and \$10 to \$20 million plus interest paid over the term of the lease.	The Katz Group will pay the principal and interest costs associated with \$100 million of capital cost over 35 years through a lease payment of approximately \$5.5 million (based on October 2011 cost of borrowing – actual lease payment will be dependent on actual costs of borrowing).
User fee levied through ticket surcharge to generate \$125 million plus interest to fund the capital project.	No Change
City of Edmonton contribution of \$125 million to the arena building will include up to \$45 million to be funded by a Community Revitalization Levy.	No Change



May 18 Agreement	Revised Negotiated Framework (Oct 14)
Land assembly.	No Change with exception of deadline. City assumes obligations by October 31, 2011.
Land to be purchased at option price.	No Change
The City is to build an LRT connection to arena.	No Change
Pedway over 104 Avenue is required adjacent infrastructure funded outside of the arena building project.	Clarification that Katz Group agrees to pay half of cost, and City limits contribution to no more than \$25 million.
Community rink to be constructed adjacent to the arena contingent on funding from the federal and provincial government. City's share to be limited to one-third of the cost, which is not included in the cost of the arena building. City to own the community rink with the Katz Group operating.	Change – The City is to operate the community rink with all revenues and costs accruing to the City. All other conditions unchanged.
The Katz Group is to operate the new arena and is to pay all operating expenses, capital maintenance and repair (both major and minor) and taxes and receive all operating revenues, including naming rights parking revenues.	No Change



May 18 Agreement	Revised Negotiated Framework (Oct 14)
<p>The financing of the arena project is subject to securing necessary funding from other orders of government.</p>	<p>Change</p> <ul style="list-style-type: none"> • land assembly is to be completed by October 31 • design process is to commence as soon as possible • City will fund the cost of design to a 60% level & GMP • After tendering either party can elects not to complete the deal • City will continue to work to secure a \$100 million contribution to the project from the Province.
<p>The City will use reasonable efforts to try and secure commitments that Rexall Place will not compete with the new arena for events. Simply stated, a non-compete clause.</p>	<p>Change</p> <ul style="list-style-type: none"> • Katz Group waives the requirement for the non-compete clause. • Once the new arena is open the City will eliminate any subsidies to Rexall Place. • An Increased Supplemental Surcharge (ISS) will also be levied against all admissions at Rexall Place • ISS is for as long as the ticket surcharge at the new arena is allocated to the City to pay for the costs of borrowing the \$125 million in construction cost to be paid by this user fee • the City will retain the revenue generated by the ticket surcharge at Rexall Place and Council will determine the use of those funds



May 18 Agreement	Revised Negotiated Framework (Oct 14)
The Edmonton Oilers Hockey Club will stay in Edmonton for 35 years.	No Change
Design process to be undertaken collaboratively between the City and the Katz Group.	No Change, however, clarity on the model has been provided, with both sides agreeing that the Pittsburgh approach is the model to follow for design and construction.
City access to the new arena for up to four weeks a year at its discretion.	No Change
The Katz Group will enter into a Community benefits agreement with the City, taking into account the activities of the Oilers Community Foundation.	No Change
The Katz Group commits \$100 million to associated adjacent investment subject to commercial viability.	No Change
Any method of personal seat licenses, condominiumization model or seat rights would not be pursued by the Katz Group.	No Change



Additional items

- Non-Compete, resolved as follows:
 - Katz Groups has withdrawn the requirement.
 - City confirmed no continued subsidy for Rexall Place after December 31, 2013 under the Revised Support Agreement
 - Increased Supplemental Surcharge to be levied on Rexall Place after June 30, 2014, equivalent to the Facility Improvement Fee on the new arena.
- \$100 M commitment from the Province:
 - Continue to pursue Provincial funding, no hard deadline.
 - No requirement for backstop.



Additional items continued

- October 31 deadline
 - Impacts on land and design still in place.
- Marketing/Branding partnership between City of Edmonton and Edmonton Oilers.
 - Marketing/Branding investment: \$2 million/year for 10 years
 - Structure to be determined but similar to arrangements made for Indy, Capital Ex, CFR etc.
 - Reflective of major corporate marketing programs.



Design Costs

An estimated \$30 million is required for arena building

- 60% total design & Guaranteed Maximum Price
- further design estimates are required for associated infrastructure
- Construction Manager will be hired
- Quantity Surveyor will be hired
- City will review RFP for architect

\$30 million is included in the \$450 million arena costs



Design Process

60% design will take 12-months (target Q4 2012)

Recognizing the existing competitive process of selecting the Architect and Design Team

Schematic design (12.5%) will be presented to Edmonton Design Committee

Schematic design will be presented to City Council (target Q2 2012)

If approved by Council, team will finish design to 60%

Guaranteed Maximum Price will be presented to Council November 2012.



Decision Point	Estimated Timing
Council approval of land purchase	October 14, 2011
Council approval of revised framework	October 25, 2011
Council approval of capital project for design at cost of \$30 million	October 25, 2011
Council approval of Capital City Downtown Community Revitalization Levy boundary	October 26, 2011
Council approval of borrowing bylaws for land & design	November 9, 2011
Council approval of schematic design	2 nd quarter, 2012
Council approval of Guaranteed Maximum Price	November 2012
Council approval of capital projects for arena building and adjacent infrastructure	November 2012
Council approval of borrowing bylaw for arena project	November 2012
Borrowing for arena project	Based on construction schedule



Next Steps

After hearing from the public and answering Council's questions

Administration is recommending:

- 1) Approve the revised negotiated framework (item 2.1)
- 2) Approve advancing design work (\$30 million) (item 2.2)

If approved, Administration will

- Prepare a Master Agreement for Council's approval
- Prepare a borrowing bylaw to approve \$30 million
- Prepare for schematic design pending approval of the borrowing bylaw

