

Coliseum Site Redevelopment – Pros, Cons and Risks

Recommendation

That Administration proceed with a Negotiated Request for Proposals to market a portion(s) of the City-owned lands at the completion of the Expanded Area Redevelopment Plan.

Previous Council/Committee Action

At the December 6/7, 2017, City Council Budget meeting, the following motion was passed:

That Administration provide a report outlining pros, cons and risks to the City to redevelop the coliseum site (17 acres north 118 Avenue) considering the following options:

1. A Request for Proposal that would offer the coliseum site to the market on the basis that the successful proponent would redevelop the site inclusive of removing the building and adhering to redevelopment principles pending Council's approval.
2. Determine the use of the land through the Area Redevelopment Plan process and potentially offer to the market after Council has approved a development concept.
3. Under what, if any circumstances, would repurposing some or all of the structure be possible under the master agreement and any other agreements made.

and return to the same Executive Committee meeting as Administration's report on the expanded Area Redevelopment Plan.

Executive Summary

This report provides an overview of the pros, cons and risks associated with various market-based approaches to redeveloping the Coliseum site within the broader Exhibition Lands planning area. Administration is recommending that an offer to the market is best positioned after Council has approved a development concept in 2019. Considerations and legal implications related to the existing agreements with the Oilers Entertainment Group and Edmonton Arena Corporation are also discussed.

Report

Context

At the December 5, 2017, City Council meeting, Administration presented a report titled Expanded Strategic Approach to Edmonton Exhibition Lands City-Building Opportunity (CR 5234) which outlined a process to develop a vision and strategy for change to the originally approved ARP process. The new approach approved by Council reflects the transformational opportunity presented by this large redevelopment site. The expanded approach will be delivered through 2018 and includes the following components:

- an expanded Communications and Engagement Plan to include additional avenues for input
- enhanced idea generation phases to identify opportunities for change
- a flexible Area Redevelopment Plan that recognizes the need for a responsive process over the long-term
- strong emphasis on outcomes and performance metrics
- a consolidating strategy that coordinates additional concurrent work

Motion Part 1 & 2 Pros, Cons, and Risks of Market Participation

Administration presents the following considerations for including market participation in determining the future for the portion of the Exhibition Lands that exists north of 118 Avenue, where the Coliseum arena currently stands. See Attachment 1.

OPTION: Issue an NRFP in Summer 2018

A Negotiated Request for Proposal (NRFP) that would offer the Coliseum site to the market on the basis that the successful proponent would redevelop the site inclusive of removing the building and adhering to redevelopment principles pending Council's approval.

Pros:

- Risk transfer of demolition to private sector
- Eliminate annual arena holding cost to City through transfer of site

Cons:

- No clear Council-endorsed vision to identify parameters for Request for Proposals
- Does not consider the whole city-owned area of opportunity holistically, including area-wide issues such as parking and open space

- No guarantee of timelines for redevelopment
- City will still need to cover substantial holding costs for the Coliseum in 2018 before any sale would be executed
- Scope of city-building conversation is limited without clarity on building status
- Opportunity to integrate the Coliseum site with the broader area is reduced if building status undefined

Risk:

- Without a completed demolition study, difficult to evaluate quality of bids at this time
- Reduced ability to involve Edmontonians in the discussion around change at this location

OPTION: Issue an NFRP in 2019 (or later)

Determine the use of the land through the Area Redevelopment Plan process and potentially offer to the market after Council has approved a development concept and/or approach to land management in the area.

Pros:

- More time to deliver comprehensive public engagement with local, citywide, and regional stakeholders
- City Council-endorsed plan drives procurement and/or sale design and conditions
- More time to complete due diligence and improve evaluation ability to assess market proposals
- Expanded process includes Request for Expressions of Interest for development industry and stakeholder surveys as mechanisms for comprehensive idea collection regarding opportunities
- Flexible Area Redevelopment Plan approach leaves space for market participation in detailed design once the vision is determined

Cons:

- Delays demolition decision until 2019 when demolition due diligence planning work is complete
- Time required to engage and complete due diligence results in arena holding costs to the City of \$1.5 million per year
- Scope of city-building conversation is limited without clarity on building status (i.e. will the building be on the site or not)
- Opportunity to integrate the Coliseum site with the broader area is reduced if building status undefined
- As part of the Northlands Arena repurposing study - one of the greatest community concerns was that the site was inactive for an extended period of

time and could have a negative effect on the surrounding communities.

Risk:

- Potential higher cost of demolition without knowing what specific development will follow. Savings on demolition may be realized if demolition and redevelopment are coordinated.

As part of the Idea Generation phase of the expanded strategic approach, Administration will be issuing a Request for Expressions of Interest (RFEOI) for the whole site (160 acres). This is a non-binding exercise to gather proposals from stakeholders and other interested parties. There is no formal evaluation process resulting in a shortlist or winning proponent submission. Ideas will be considered along with all other components of scenario evaluation to determine where feasible ideas may work within the options for the site.

Administration sees the options presented less as separate choices, but as two methods that could work together as the vision for the site evolves. This would include completion of a flexible Area Redevelopment Plan that outlines a high-level vision including principles that have been developed through public engagement, technical analysis, due diligence, and policy alignment to ensure city-building outcomes are identified and protected through a land sale negotiation. A Negotiated Request for Proposals (NRFP) for a portion or portions of the whole study area could then be issued that considers the parameters identified within a new Council-approved vision for the area.

Motion Part 3 - Repurposing Considerations As Per Agreements

The City's potential role in repurposing the Coliseum building is limited by the Master Agreement between the City and Edmonton Arena Corp. (EAC), which is an affiliate of the Oilers Entertainment Group. The City's obligations do not apply to any third party. Pursuant to the Master Agreement, the City cannot financially support or advocate in favour of any initiative to renovate or rebuild the Coliseum, unless it is to renovate or rebuild a facility that is not a sports or entertainment facility. These restrictions apply only to the Coliseum.

The City could sell the Coliseum building and surrounding land to a third party using a standard land transaction where the City does not control the future use of the site or offer any incentives encouraging the purchaser to renovate or rebuild a sports or entertainment facility. As long as the City does not financially support or advocate in

favour of a sports or entertainment use, the third party would be permitted to develop the Coliseum site in any way it desired, subject to any applicable zoning or other regulatory controls. However, if the City sold the land with a condition or incentive that required the land be used for a sports or entertainment facility, this would contravene the Master Agreement.

The City can issue any regulatory permits or approvals using standard processes for the Coliseum site, but there would be risk if concessions were granted that encouraged a sports or entertainment use.

If, through the Area Redevelopment Plan or any subsequent process, the zoning applicable to the Coliseum site was not generally permissive and required a sports or entertainment use (such as a limited Direct Control zoning), the City may be in contravention of the Master Agreement. For example, the current US (Urban Services) zoning does not contravene the Master Agreement because it includes a number of permitted uses in addition to sports and entertainment. However, if sports and entertainment were the only permitted uses in this zone, the City would be at risk of contravening the Master Agreement with Edmonton Arena Corp.

Any of the above restrictions could be waived in relation to the Coliseum by obtaining the consent of Edmonton Arena Corp. for the particular initiative or development.

In addition to the Master Agreement, the City, Edmonton Arena Corp., and the Oilers Entertainment Group entered into a Memorandum of Understanding in September 2017 regarding the Coliseum and the Sponsorship Agreement (Attachment 2). This Memorandum of Understanding was originally presented to Council at its September 12/13, 2017 meeting. Through that Memorandum of Understanding, which is not legally binding but states the intentions of the parties, the City agreed to recommend to Council that the Coliseum be permanently closed as of January 1, 2018, and in exchange, Edmonton Arena Corp. and the Oilers Entertainment Group agreed that if permanent closure was approved, the Sponsorship Agreement between the City and Edmonton Arena Corp. would terminate.

Under the Sponsorship Agreement, which was part of the set of agreements related to the construction and operation of Rogers Place, the City would contribute \$20 million to the Oilers Entertainment Group in exchange for certain promotional benefits. As

described in the Memorandum of Understanding, if the Coliseum is permanently closed, the Oilers Entertainment Group is willing to forgo the remaining \$17 million.

The agreement formally approving the termination of the Sponsorship Agreement has not yet been approved by Council, however the City’s \$17 million obligation was removed from the City’s budget following the September 12/13, 2017 Council meeting and based on Council’s prior approval of a Memorandum of Understanding between the City of Edmonton and Edmonton Northlands, which confirmed the Coliseum would transfer back to the City as of January 1, 2018.

Public Engagement

Public Engagement was not undertaken for CR_5464 - Coliseum Site Redevelopment - Pros, Cons and Risks, as previous public engagement input was used to inform the decision, along with additional technical and legal considerations. Because the report focuses on pros, cons, and risks to the City, there is no need to engage externally at this time. City Council and Administration have committed to involving the community in the conversation about the future of this area, as outlined in the December 5, 2017, City Council report CR_5234 - Expanded Strategic Approach to Edmonton Exhibition Lands City-Building Opportunity.

Corporate Outcomes and Performance Management

| Corporate Outcome: Edmonton is attractive and compact | | | |
|--|--|---------------------|-----------------------------|
| Outcome(s) | Measure(s) | Result(s) | Target(s) |
| Communities are well-designed | Citizen perception: Well-designed, attractive city | 53 percent (2016) | 55 percent (2018) |
| Corporate Outcome: The City of Edmonton has sustainable and accessible infrastructure | | | |
| The City of Edmonton has sustainable and accessible infrastructure | Infrastructure Density (City’s population divided by the total kilometres of infrastructure) | 53.3 percent (2016) | Increase over previous year |

Risk Assessment

| Risk Element | Risk Description | Likelihood | Impact | Risk Score (with current mitigations) | Current Mitigations | Potential Future Mitigations |
|----------------------|--|-------------------|---------------|--|--|--|
| Political Influences | Unclear and changing direction delays in achieving strategic objectives | 3 - possible | 3 - major | 9 - medium | - Provide Council with all information needed to make an informed and timely decision | |
| Financial | Delay on decision with arena building results in additional costs to immediate security operations as well as additional Administration costs incurred on project delays | 4 - likely | 2 - moderate | 8 - medium | - Provide Council with all information needed to make an informed and timely decision | |
| Legal | Different legal interpretations of agreements could result in legal action against City | 2 - unlikely | 3 - major | 6 - low | - Work closely with the Law Branch on all decisions related to the Coliseum - Stay engaged in open communication with signatories to Master Agreement to ensure clarity and agreed actions as appropriate | |
| Public Perception | Failure to include all relevant audiences and stakeholders may compromise ultimate outcome | 2 - unlikely | 3 - major | 6 - low | - Expanded process to engage will reach as many stakeholders as possible - Completion of Area Redevelopment Plan in 2018 provides space for holistic community dialogue | - Ongoing evaluation of engagement plan to implement lessons learned for future phases of work |

| | | | | | | |
|--------------------|--|--------------|--------------|---------|---|--|
| Project Management | Timeline for final delivery of Area Redevelopment Plan may be delayed to accommodate additional engagement | 3 - possible | 2 - moderate | 6 - low | - Regular Council and Executive Leadership Team updates to ensure proactive approach to managing schedule | |
| Public Liability | Coliseum site could provide a safety and security risk if sitting vacant | 2 - unlikely | 1 - minor | 2 - low | - Site manager has been put in place to manage operations - Edmonton Economic Development Corporation provides ongoing site security oversight - Interim Use Committee struck to bring activity to the area in the short term | - Additional security measures may be required if activity on the site changes (i.e. demolition or construction) |

Attachments

1. Exhibition Lands Study Area
2. Memorandum of Understanding
3. Press Release

Others Reviewing this Report

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Campbell, Deputy City Manager, Communications and Engagement
- D. Jones, Deputy City Manager, City Operations
- R. G. Klassen, Deputy City Manager, Regional and Economic Development
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services