

Downtown Arena Capital Profile Approval

Recommendation:

That Capital Project Profile #11-17-0099, Attachment 2 of the May 15, 2013, Financial Services and Utilities report 2013CF5172rev, be increased to \$604,500,000 with:

- a. a transfer of \$25 million in budget for arena land from Capital Project Profile #09-16-2022
- b. financing of \$541,811,000 through debenture debt with funding sources as follows:
 - \$234,000,000 from Community Revitalization Levy and other City incremental revenues.
 - \$45,000,000 from Municipal Sustainability Initiative funding increase for 2013.
 - \$125,000,000 from ticket surcharge on hockey and non-hockey events held at the arena.
 - \$137,810,000 from lease revenue for the Arena
- c. \$23,689,000 in third party funding; \$25 million from the Province of Alberta's Regional Collaboration Program for the Arena Building; and \$7 million each from the Province of Alberta and the Government of Canada for the Community Rink.

Report Summary

This report recommends final budget approval for the Downtown Arena Project, identifies funding sources and recommends the expenditure of additional design money prior to

delivery of the Guaranteed Maximum Price.

Previous Council/Committee Action

At the May 8, 2013, City Council meeting, the following motion was passed:

That the May 8, 2013, Financial Services and Utilities report 2013CF5172 be referred back to Administration to explore additional solutions and report back to Council as soon as possible.

At the April 10, 2013, City Council meeting, the following motion was passed:

That the City of Edmonton use \$3 million of Municipal Sustainability Initiative funding and that it be leveraged over a 20 year borrowing period to raise a portion of the \$100 million, and that the final signing of the agreements is contingent upon receiving confirmation from the Province, with respect to funds against which the City can apply for the balance of funds required.

At the January 23, 2013, City Council meeting, the following motions were passed:

1. That the advancement of Option A as the basis for design of a downtown arena in accordance with the agreement with the Katz Group, be approved.
2. That Attachment 2 be replaced with the revised Attachment 2 - Summary of Negotiated Framework re: Edmonton Downtown Arena (January 22, 2013).
3. That the revised negotiated framework for the design and construction of the Option A arena as per revised Attachment 2 to the

January 23, 2013, Sustainable Development report 2013SGM002, be approved.

4. That Administration enter into a Master Agreement, a Tax Agreement under section 333.1 of the *Municipal Government Act*, and all other agreements necessary to finalize the design and construction of the Downtown Arena and associated infrastructure and that the agreements be in form and content acceptable to the City Manager.
5. That prior to entry into the Master Agreement, the Agreement be brought to Council for final approval.

Report

Revised Capital Project Profile #11-17-0099 (Attachment 1) describes the planned financing approach and funding sources for the Downtown Arena Project.

City Council had previously approved Capital Project Profile #11-17-0099 in the amount of \$30 million for preliminary design work for the Downtown Arena Project and had also approved \$25 million within Capital Project Profile 09-16-2022 for Arena Land.

The revised Capital Project Profile budgets \$604.5 million for the Downtown Arena Project and includes the Arena building, an underground parkade, an enclosed pedestrian link over 104 Avenue (Wintergarden); an internal pedestrian corridor (Corridor); an LRT link; and a community rink.

Of the \$604.5 million total budget, \$541,811,000 will be financed through debenture debt. The debt will be funded from the following sources:

- \$234 million from the Capital City Downtown Community Revitalization Levy and other incremental City revenues.
- \$45 million from leveraging a \$3 million increase in Municipal Sustainability Initiative funding realized in 2013.
- \$125 million from a ticket surcharge levied on all hockey and non-hockey events at the Downtown Arena
- \$138 million from lease revenue for the Downtown Arena.

The Capital Project Profile identifies, \$23.689 million in third party funding not financed through debt. This will be funded by the Edmonton Arena Corporation:

- \$2.189 million has already been expended on pre-development activities.
- \$6.5 million will be contributed for projected costs over the \$50 million for the Wintergarden.
- \$15 million will be an additional contribution to reduce the shortfall in the project funding.

In the Province's Budget 2013, the budget for the Regional Collaboration Program is increasing by \$20 million in 2013-2014, to \$29 million. By 2015-2016, another \$35 million will be added to the program to support greater inter-municipal and regional collaboration. It is anticipated that the City will receive at least a \$25 million allocation from this program.

As well, the \$14 million in anticipated cost sharing from the Province and the Government of Canada for the Community Rink is included in the \$39 million total from other Orders of

Government in the Capital Project Profile.

An amendment to the borrowing Bylaw associated with this Capital Profile is being brought forward at the same City Council meeting as this report for first reading.

In order to move forward with the project, the Master Agreement will need to be signed to confirm commitment to funding. At the April 10, 2013, Council meeting, Council approved a motion to delay signing of the Master Agreement until such time as the City received confirmation from the Province as to available provincial funding sources for the remaining \$55 million in funding designated to come from other orders of government. If Council is in favour of the new funding approach described in this report, which would see \$25 million funded by the Province through the Regional Collaboration Program, \$15 million in additional funding from the Community Revitalization Levy and a direct contribution of \$15 million from the Edmonton Arena Corporation, then the motion from April 10, 2013, will need to be amended.

Approval to Spend

Prior to the receipt of the Guaranteed Maximum Price and in order to preserve the ability to commence construction in the early spring of 2014, continued expenditure of funds beyond the initial \$30 million budget for preliminary design will be required. It is anticipated that up to an additional \$8 million for a total of \$38 million for design work will need to be expended prior to the determination of the Guaranteed Maximum Price. This is included within the budget.

This additional expenditure will enable the project architect and construction manager to advance the design process to a sufficient degree of detail (with reduced risk and contingency allowance as enabled through design assist efforts) to provide for a high degree of confidence in the Guaranteed Maximum Price.

Given that the final go ahead of the project is contingent on an acceptable Guaranteed Maximum Price, any additional expenditure beyond the \$25 million for land and the \$30 million for preliminary design will be limited at this time to the \$8 million needed to continue the advancement of the project toward Guaranteed Maximum Price delivery until such time as a satisfactory Guaranteed Maximum Price has been achieved.

Policy

The Way We Live, Edmonton's People Plan:

- 1.1 The City of Edmonton provides opportunities in neighbourhood, community and public spaces to connect people and build vibrant communities.
- 2.6 The City of Edmonton hosts world leading arts, cultural, sports and entertainment events at venues that attract a local, regional and global audience.
- 5.2 The City of Edmonton showcases its vibrant arts, culture, entertainment, sports and retail districts.

Corporate Outcomes

The Way Ahead, City of Edmonton Strategic Plan, 2009 – 2018:

- Transform Edmonton's Urban Form
- Improve Edmonton's Livability

- Ensure Edmonton's Financial Sustainability

Budget/Financial Implications

The approval of the Capital Project Profile, financing and funding sources in Attachment 1 and in the recommendation to this report will constitute budget approval to move forward with this project subject to the approval of the borrowing bylaw. The expenditure of funds will be limited prior to the approval of the Guaranteed Maximum Price to the \$25 million for land already expended and the \$38 million for design work required to deliver the Guaranteed Maximum Price. All of this funding is within the budget in Capital Project Profile #11-17-0099.

Justification of Recommendation

Council approval is required to amend Capital Profile #11-17-0099 in order to move forward on the Downtown Arena Project.

Attachments

1. Capital Project Profile #11-17-0099 (as amended).
2. Previously approved Capital Project Profile #11-17-0099.

Others Reviewing this Report

- R. G. Klassen, General Manager, Sustainable Development
- D. H. Edey, General Manager, Corporate Services

Amended Capital Profile

SUSTAINABLE DEVELOPMENT

(thousands of dollars)

PROGRAM: Corporate Properties LEAD DEPT: Community Services

Project Name:		Downtown Arena					11-17-0099		
Criteria:		E-100 Projects With Budget Approval				Project Manager:		E. Gyorfi	
Outcome:		Diversify Edmonton's Economy			Focus:		Capital Initiative:		
BUDGET		Prior Years	2013	2014	2015	2016	2017	Total	
Budget as Approved		42,492	12,508	-	-	-	-	55,000	
Change		-	3,705	142,700	239,000	162,000	2,095	549,500	
Revised Budget		42,492	16,213	142,700	239,000	162,000	2,095	604,500	
PLAN									
Existing Plan Expenditures		-	-	-	-	-	-	-	
Change		-	-	-	-	-	-	-	
Revised Plan		-	-	-	-	-	-	-	
TOTAL CPP & BUDGET		42,492	16,213	142,700	239,000	162,000	2,095	604,500	
Financing		Budget Request	Prior Years	2013	2014	2015	2016	2017	Total
Debtenture Debt		489,000	40,303	12,213	124,200	220,000	143,000	2,095	541,811
Third Party Funding		21,500	2,189		11,500	5,000	5,000		23,689
Other Government		39,000		4,000	7,000	14,000	14,000		39,000
Total Financing		549,500	42,492	16,213	142,700	239,000	162,000	2,095	604,500
Description/Justification/Impact:									
DESCRIPTION									
<p>The Downtown Arena Project is comprised of an arena that provides a first class multi-purpose facility for entertainment, sports and other events; an underground parkade; an enclosed pedestrian link over 104th Avenue (Wintergarden); an internal pedestrian corridor (Corridor); an LRT link; and a community rink. The anticipated life span of the facility is 40 years.</p> <p>The \$542 million in debenture debt will be serviced over terms ranging from 20 to 35 years from the following sources:</p> <ul style="list-style-type: none"> - \$234 million from the Capital City Downtown Community Revitalization Levy and other incremental City revenues - \$45 million from leveraging a \$3 million increase in Municipal Sustainability Initiative funding realized in 2013 - \$125 million from a ticket surcharge levied on all hockey and non-hockey events at the Downtown Arena - \$138 million from lease revenue for the Downtown Arena 									
JUSTIFICATION -									
<p>As identified in the Capital City Downtown Plan, the construction of the Downtown Arena Project is a transformational initiative to revitalize the downtown. Further, the new arena facility will ensure the sustainability of NHL hockey in the City of Edmonton. The City will leverage contributions from the owner of the Edmonton Oilers, the Capital City Downtown Community Revitalization Levy, other incremental revenues and funding from other orders of government to realize over \$1 billion in new development on currently vacant sites adjacent to the Downtown Arena. The ongoing operating and capital costs of the arena will be the responsibility of the Edmonton Arena Corporation with \$1.5 million annually from the ticket surcharge set aside for major capital renewal under the responsibility of the City.</p>									
SOURCES OF ESTIMATES - Detailed Design		Total Project Cost							
			Land	Design	Construction	Total			
		Arena Proper	25,000	32,410	447,590	505,000			
		Winter Garden	-	3,090	53,410	56,500			
		LRT Connection	-	400	6,600	7,000			
		Pedestrian Corridor	-	870	14,130	15,000			
Community Rink	-	1,230	19,770	21,000					
		Total	\$ 25,000	\$ 38,000	\$ 541,500	\$ 604,500			
Last Updated:		14-May-13							

Approved Capital Profile

Sustainable Development (thousands of dollars)									
PROGRAM: Corporate Properties			LEAD DEPT: Infrastructure Services						
PROJECT NAME: Arena Design			11-17-0099						
Group-Criteria: E-100 Projects With Budget Approval			Program Mgr: Daviss R.		Project Mgr: Kabarchuk J.				
Goal: Diversify Edmonton's Economy (PROSPER)			Outcome: Positive & attractive reputation						
BUDGET		Prior Years	2013	2014	2015	2016	2017	Total	
Budget as Approved		17,492	12,508	-	-	-	-	30,000	
Change		-	-	-	-	-	-	-	
Revised Budget		17,492	12,508	-	-	-	-	30,000	
PLANNED AMOUNT NOT APPROVED FOR SPENDING									
Existing Plan Expenditures		-	-	-	-	-	-	-	
Change		-	-	-	-	-	-	-	
Revised Expenditures		-	-	-	-	-	-	-	
TOTAL CAPITAL EXPENDITURE PLAN		17,492	12,508	-	-	-	-	30,000	
		Budget Request	Prior Years	2013	2014	2015	2016	2017	Total
Financing									
Tax-Supported Debt		-	17,492	12,508	-	-	-	-	30,000
Total Financing		-	17,492	12,508	-	-	-	-	30,000
		Project Cost Breakdown							
		Design \$ 30,000							
Last Updated: 27-FEB-2013		\$ 30,000							