

Downtown Arena Design

Budget Request

Recommendation:

That Capital Project 11-21-0099 Downtown Arena Design in the amount of \$30,000,000 for design of the downtown arena with financing from tax-supported debt with debt servicing to be funded from future revenues associated with the arena project and any interim debt servicing to be funded from the City's working capital, be approved.

Report Summary

This report requests approval of \$30 million for the design of the downtown arena building with funding from tax-supported debt.

Report

The framework agreement between the City and the Katz Group for the development of a downtown arena calls for the design work to commence as soon as possible with the financing of the cost of the design to be born by the City.

\$30 million is required to develop the design for the Downtown Arena and associated infrastructure. The \$30 million will allow the design to be completed to approximately 60% total design in order to receive a guaranteed maximum price.

A Construction Manager will be hired early in the design process to ensure an efficient, constructible design is being

developed, and significant risks are being identified and addressed.

The Construction Manager will be involved in the Design Development, but will also be providing cost estimating, value engineering and constructability reviews.

As part of the City's best practices in Project Management, a Quantity Surveyor will be hired to complete an independent cost estimate, to ensure an accurate and comprehensive cost estimate is being prepared.

In order to expedite the process, the City will go through a thorough review of the Katz Group Request for Quotation/Request for Proposal process for hiring the Arena architect and associated design consultants, to ensure it meets the City's administrative guidelines and processes.

If satisfied with the process undertaken by the Katz Group, the City will grandfather the selection, thus shortening the overall timeline by three months.

The expected time to complete 60% total design is approximately 12 months once funding is approved and the arena architect is hired.

Once the schematic design has been completed, it will be presented to the public and the Edmonton Design Committee before presenting to Council, in the second quarter of 2012, for approval.

If Council approves the schematic design, the consultant team will finish the design to approximately 60% total

design, in order to get the guaranteed maximum price with reduced contingency.

Administration will present the Guaranteed Maximum Price to City Council in November 2012 for their final approval.

Corporate Outcomes

This report is in response to Council's ongoing consideration of a Downtown Arena. The development of such a facility, particularly within a broader arena district, has the potential to support a number of Council's 10-year goals from *The Way Ahead*, Edmonton's Strategic Plan 2009-2018

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

Budget/Financial Implications

The \$30 million in funding is required to complete the contract documents to 60% total design. This information will allow a Construction Manager to generate a guaranteed maximum price for the Downtown Arena.

The \$30 million cost of design is included in the maximum budget of \$450 million included in the framework agreement between the City and the Katz Group for the development of a downtown arena

The \$30 million would be financed with tax-supported debt, with the debt servicing to be funded from revenues associated with the arena project. The sources of those revenues are:

- Katz Group lease payments
- Ticket surcharge revenues

- City of Edmonton contribution through:
 - Community Revitalization Levy
 - Reallocation of existing funds committed to Rexall Place
 - New parking revenues and taxes associated with the downtown arena

Interim funding will be required until the construction of the arena is complete and the revenues are generated. The source for interim funding will be the City's working capital.

The approval of this budget does not commit City Council to the balance of the arena project. If the Downtown Arena project does not go forward, an alternate funding source will need to be determined.

Attachments

1. Capital Budget Program

Others Reviewing this Report

- L. Rosen, Chief Financial Officer and Treasurer
- M. Koziol, General Manager, Infrastructure Services