

Potential Downtown Arena: Governance Framework

Recommendation:

That the April 6, 2011, Finance and Treasury Department report 2011FT2799, be received for information.

Report Summary

This report provides options to manage the City's interests during the design, construction and management phases of a potential downtown arena project.

Report

Prior reports to Council have identified that a downtown arena could be constructed through a partnership with the Katz Group that would see the Katz Group construct the arena under a construction management model with the City as the owner. City ownership of the arena has been a key point raised during the public consultation.

If Council decides to pursue the development of a downtown arena under those circumstances, an appropriate process would need to be put in place to ensure the City's interests are considered.

The process would incorporate approvals by Council analogous to those that would be in place if the design and construction project were being managed by the City. Attachment 1 has a summary of the key Council approvals and directions that would be included, as well as a flowchart for

illustrative purposes that identifies potential milestones and approvals.

The City would provide oversight for the entire project through the use of both internal and external resources. Protection of the City's interests was another key issue raised during the public consultation. Details on the City oversight role would be presented to Council at the time approval of the capital budget profiles is sought.

Prior reports to Council have also identified the potential for the arena to be managed by the Katz Group. Under that model, the Katz Group might engage the services of a third party to operate the arena.

There would still be a need for continuing oversight of the lease agreement, including facility maintenance. Administration has identified three options to address this need:

- 1) Internal oversight
- 2) Contract with a 3rd Party
- 3) Establish a separate organization

Internal Oversight

- Internal resources could be allocated to manage the lease agreement with the Katz Group and provide appropriate oversight.
- The City Manager would provide regular reporting to Council.
- Major capital requests would be part of the capital budgeting process.
- A facility example of this model is Commonwealth Stadium.

Contract with a 3rd Party

- A contractor could be engaged by the City to manage the lease

agreement and provide oversight on behalf of the City.

- The contractor performs its duties in accordance with the contract and generally provides all of its own resources to perform its duties, including any expertise required.
- Major capital requests would still be part of the capital budgeting process.
- An example of this type of model exists in Pittsburgh with Oxford Developments as the owner's representative.

Separate Organization

On January 17 and March 2, 2011, Administration provided information to Council on a potential foundation model for the downtown arena development.

A Foundation would:

- be the arena owner's representative
- oversee the terms of the agreements
- oversee the operations and management of the facility
- be the liaison between the primary tenant the City

A Foundation would not be:

- the day to day manager of the facility

Attachment 1 summarizes foundation options for managing the City's interests after the arena is built, together with the pros and cons of each approach.

Next Steps

If Council decides to proceed with the development of a downtown arena, Council will need to provide further direction as to approval processes and oversight for the design, construction and management of the facility.

Policy

Any recommended governance model must comply with the *Municipal Government Act*, Procedures and Committee Bylaw 12300 and City Policy C476.

Budget/Financial Implications

Budget and financial implications would be addressed if Council chooses to pursue the development of a downtown arena.

Legal Implications

Council has the power to incorporate non-profit companies, and to borrow on their behalf or guarantee loans for them (*Municipal Government Act*, R.S.A. 2000, c. M-26, s. 11, 264).

Council has the power to delegate any of its powers, duties or functions to a Council Committee, the City Manager or a delegated officer, except for: the power to pass budgets; grant tax relief; appoint/revoke the appointment of the City Manager; or to hear appeals unless the delegation is to a Commission taxed with that obligation (*Municipal Government Act*, s. 203(2)).

Council may not delegate any powers, duties or functions that are already expressly delegated to the City Manager (*Municipal Government Act*, s. 201).

Council is bound by whatever policy with which it chooses to bind itself (*Municipal Government Act*, s. 5)

Attachments

- 1a. Summary of Key Milestones
- 1b. Flowchart of Key Milestones
2. Options for Managing the City's Interests in the Arena

Others Reviewing this Report

- R. G. Klassen, General Manager,
Planning and Development
Department

Summary of Key Milestones

Land

1. Council approves the budget for the land purchase
2. After a conditional land agreement is reached, Transportation and Public Works Committee approves the purchase agreement

Finances

1. Council approves the Capital Profiles
2. Council gives 1st Reading to the Borrowing Bylaws
3. Council gives 2nd and 3rd Reading to the Borrowing Bylaws

Community Revitalization Levy

1. Council directs Administration to pursue CRL with the Province
2. Council is presented with the CRL Plan
3. Statutory Public Hearing on the CRL Plan
4. Council approves the CRL Plan
5. Council gives 1st Reading of the CRL Bylaw
6. Council gives 2nd and 3rd Reading of the CRL Bylaw

Design and Construction

1. Targeted public involvement
2. Open House on Design
3. Presentation to Edmonton Design Committee
4. Council approval of the design