July 21, 2010 City Council Meeting
Item 5.4 – Sports and Entertainment Facility
Supplemental Questions from Mayor and Council
Questions for Administration

Mayor Mandel:

1. *How many parking stalls are in downtown Edmonton that are within 8-10 blocks of the new proposed arena site?*

   Data from a parking study prepared as a background report for the Capital City Downtown Plan (Capital City Downtown Plan) in 2008 and recent calculations indicate approximately 46,100 total parking stalls exist within a 10 block radius from the proposed arena site. Of these, approximately 2,700 are on-street metered parking, 17,300 are off-street surface parking, and 26,100 are located within a parkade (i.e. structured parking).

2. *What is Rexall Place's current capital cost budget that is paid for by the City?*

   The City contributes to capital maintenance projects that meet the terms of the support agreement between the City and Northlands. Under this agreement Northlands is required to submit annual capital budgets and any long term master plans to the City for consideration. Northlands presented its 2010-2012 capital plan on July 21, 2010 to City Council. That plan contained Northlands proposed capital expenditures of $165,000 in 2010, $715,000 in 2011 and $660,000 in 2012 for Rexall Place. The plan also included City of Edmonton funded capital expenditures of $1,705,000 in 2010 and $475,200 in 2012. The projection for 2010 expenditure for the City of Edmonton is $471,000 with deferral of some project costs to 2012-2013. This funding comes from the reserve established from the revenue shared with The City from Northlands Rexall Place operations. Question #20 elaborates on the reserve.

   Over the past 5 years Northlands has completed the following capital rehabilitation work at Rexall Place:

Project Name	Year	Amount
Arena Lighting (design)	2009	$ 11,939
Fire Alarm System	2009	$1,123,389
Chiller Retrofit	2009	$ 221,659
South Concourse/Plaza	2008	$ 452,373
Ice Plant Replacement	2008	$ 449,993
Boiler Replacement	2008	$2,088,899
All Star Elevator	2007	$ 414,090
Total		**$4,762,342**

   The Capital Plan for Rexall until 2023 is $31 million or an average annual spend of approximately $3 million.

3. *What are the taxes charged at the current building against the Oilers and Northlands, if there are any, and what is the anticipated impact if there were to be a building downtown? thing that is happening currently at Rexall Place?*

   Rexall Place – Master Taxroll Account 3185683

   The above property is owned by the City of Edmonton with two lease accounts. The property assessment on the master account 3185683 for 2010 is $38,022,500. The taxroll account is exempt under the *Municipal Government Act,* R.S.A. 2000, c. M-26 (MGA), Section 362(1)(b) by virtue of ownership by the City of Edmonton.

Lease tax roll account 9976437 ("Edmonton Northlands"). Edmonton Northlands is a non-profit organization that acts in an official capacity on behalf of the City of Edmonton as managers of the facility and is an agricultural society, as such is exempt under the MGA s. 362(1)(n)(i) and (v). However, Edmonton Northlands holds a number of Class A and Class B liquor licenses for their facilities and the areas that are liquor licensed become taxable as per section 365(1) of the MGA. Tax liability for liquor licensed areas are estimated on a time/space calculation. The assessment on taxroll account 9976437 is $762,500 and is taxable in the amount of $11,863.57 of which $9,504.86 is the municipal portion. An additional $750 (approximately) will be added to the municipal levy when business tax is phased out in 2011.

Lease tax roll account 4254900 ("the Oilers") are taxable as a professional sports franchise and have an assessment of $4,376,500. The account generates total taxes in the amount of $68,093.07, of which $54,554.82 are the municipal portion. An additional $4,350 (approximately) will be added to the municipal levy when business tax is phased out in 2011.

When the Oilers are no longer using Rexall Place the leased tax roll account 4254900 would be cancelled and the revenue from the Oilers would end at this site.

Under the lease tax roll account 9976437 Edmonton Northlands would continue to be liable for taxes for the time and places that are liquor licensed.

4. *Ticket tax is an important part of the proposal. Can you breakdown what money the Oilers and Northlands receive (asked of Katz and Northlands), as well as what opportunities the City might have for a ticket tax? How might that work and what revenue might be generated from it?*

   The City allows both the Oilers and Northlands to collect revenues generated in Rexall Place through admission surcharge bylaw C10841. All tickets for events at Rexall Place are subject to the ticket surcharge. Northlands collect the revenues for all non hockey events and the Oilers retain revenues for Oiler Hockey related events. The admission surcharge breaks down as follows:

   a) No Primary Admission Surcharge shall be charged for Tickets with a Ticket Price of less than seven ($7.00) dollars;

   b) two dollars ($2.00) shall be charged for every Ticket with a Ticket Price between seven ($7.00) dollars and twenty eight dollars ($28.00) dollars; and (S.2, Bylaw No. 11336, September 24, 1996)

   c) Seven (7%) percent of every Ticket with a Ticket Price over twenty eight dollars ($28.00) shall be charged. (S.3, Bylaw No. 11336, September 24, 1996)

   There is also a Supplemental Coliseum Admission Surcharge of $.25 per ticket.

   In 2009, Northlands generated $2,400,000 from the admissions surcharge. We have estimated $4,100,000 from the admissions surcharge for the Oilers.

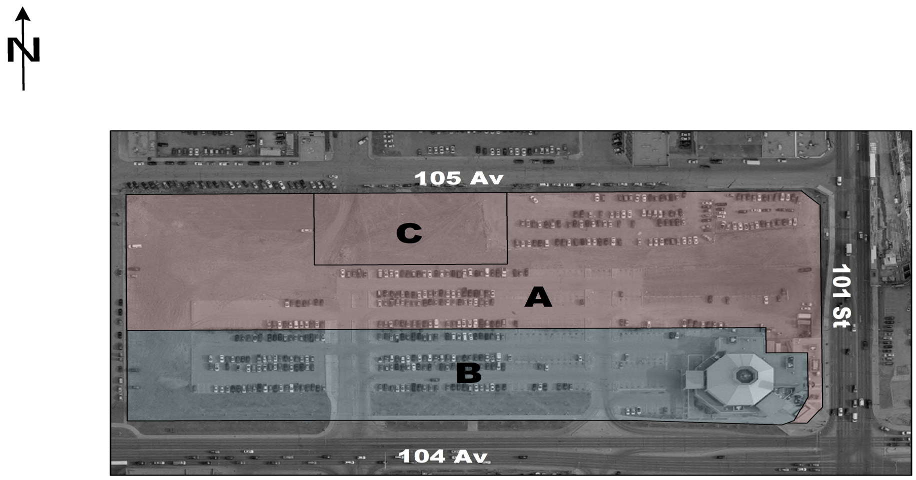
   A similar bylaw could be implemented in a new arena for a ticket surcharge. Revenue generated from this user pay surcharge could be directed to contribute to the capital construction costs of a new arena and eventually to future capital rehabilitation. In the July 21, 2010 report the example used was based on a ticket tax of $5 per ticket and sales for all events of 2 million tickets. This would annually generate $10 million to service debt. Based on today's borrowing rates $125 million in capital could be funded.

5. *How long has that land sat vacant after it was sold from CN to private enterprise?*

   The CN-owned component sold from CNR to Canada Lands in 1994. The land is partially improved (with the Casino and the parking lot), but the portion that is vacant has been vacant since 1994. There have been several attempts to rezone and redevelop the site in recent years (e.g. food-anchored retail).

6. *How much tax have we generated from that land?*

   The area from 101 Street to 105 Street and 104 Avenue to 105 Avenue is comprised of three tax roll accounts. The north 2/3 (approximately) is vacant and comprises of two tax roll accounts. The area identified as C is owned by the City and is exempt from taxation. The approximate 2010 tax levy information is provided in part A below. The south 1/3 (approximately) of the area is one tax roll account number and includes the improvements associated with the casino. The 2010 tax levy information (excluding local improvement charges) is included in part B below.



<u>Part A</u>

Municipal Tax - $115,000
Education Tax - $ <u>28,000</u>
Total - $143,000

An additional $9,000 (approximately) will be added to the municipal levy when business tax is phased out in 2011.

<u>Part B</u>

Municipal Tax - $139,000
Education Tax - <u>$ 35,000</u>
Total - $174,000

An additional $11,000 (approximately) will be added to the municipal levy when business tax is phased out in 2011.

<u>Councillor Anderson:</u>

7. *Do we need a new arena? (COE Admin)*

   There has been a business decision made by the Katz Group to propose a new sports and entertainment district including an arena to meet the growing demand for a larger and modernized facility, one that will generate additional revenues beyond those created by the arena component. The Katz group has also indicated that they do not intend to continue to be a tenant at Rexall Place.

   The committee of community representatives that researched and wrote the 2008 report titled *City Shaping* concluded that a new sports and entertainment district is feasible and desirable, and it presents a unique opportunity to rejuvenate Edmonton's downtown and provide benefits to citizens throughout the city and region.

   Council would need to weigh these and other considerations to determine if an arena is a priority.

8. *What is the best site for a new arena?*

   When factoring in the location criteria as identified in the HOK Study, the proposed location is the best site for a sports and entertainment district including an arena as it aligns with the HOK Study's recommendations and takes a more holistic approach to redevelopment. By attracting more people and investment to the downtown, the proposed sports and entertainment district would act as a catalyst for the redevelopment of the area, including, the North Edge, Downtown, McCauley, and The Quarters neighbourhoods.

   The Capital City Downtown Plan was approved by Council on July 7, 2010. The plan supports the location of a sports and entertainment facility as noted in Capital City Downtown Plan Policy CC 3.5 entitled Potential for a Sports and Entertainment District. The policy reads:

   > *"Support the development of a Sports and Entertainment District in the Downtown located on lands within the Station Lands Area (Sub Area 3b), and on part of the Commercial Core (Sub Area 1) north of 103 Ave and west of 102 Street. Work with applicants to ensure the overall impact of a large facility on the public realm is positive. Apply the following planning and urban design principles in the review and approval process for proposed development within the Sports and Entertainment District."*

   There are 9 principles which include design; open space; pedestrian routes; design for Edmonton's climate; parking and loading; retail and restaurants; major streets; streetscapes and sustainable design to create a best fit for Sports and Entertainment District development.

   There are certainly other locations that could or do meet the location criteria, however, the Katz group has been able to assemble the land required in this location.

   a. *Does the Katz site support Jasper Avenue redevelopment?*

      Arena development will increase overall pedestrian numbers, activity and demand for amenities and services within the downtown core – including Jasper Avenue. Given Jasper Avenue's proximity, direct access to LRT, and status as Edmonton's signature main street, it is expected that the development of the sports and entertainment district will compliment and support the continued revitalization of Jasper Avenue. Implementation of the Capital City Downtown Plan and application of design principles in the review and approval process for the proposed development within the Sports and Entertainment District will ensure the further integration with and connection to Jasper Avenue.

b. *Does the Katz site support the redevelopment of the Quarters? (COE Admin)*

While the sports and entertainment district is anticipated to be a catalyst for overall redevelopment in the downtown, Administration is working through the affects of the site on the Quarters. A report will be coming to Council that addresses this.

9. *Does a funding plan exist that doesn't access current property taxes? (COE Admin)*

The conceptual funding plan outlined in the July 21 report does not intend to access current property taxes. The potential funding of a $125 million towards a City held arena may be possible through a Community Revitalization Levy (CRL) for the CRL area and a user pay ticket surcharge fee.

10. *Do the Calgary Flames pay the operating costs of the Saddledome? (COE Admin)*

According to the Calgary Saddledome foundation annual report, the Calgary Flames have responsibility for the physical operation and management of the Saddledome. The Calgary Flames have operated and controlled all revenues and expenses for the Saddledome since 1994. Prior to the Flames, the facility was operated by the Calgary Exhibition and Stampede Association. The Flames paid as reported in the media, $20 million to the Calgary Exhibition and Stampede Association to buy out the rights of the unexpired lease.

The Calgary Saddledome Foundation was established in 1982 to provide oversight to the facility and to represent the City of Calgary as owner of the facility. The foundation is also responsible for the collection of rent and naming revenues from the Flames. It is then distributed in the form of grants to other sports agencies in Calgary. The last information published that indicated financial information was the 2006-2007 annual report of the foundation. This report identified that in 2006-2007, $1.258 million was redistributed.

11. *Do the Edmonton Oilers pay the operating costs of Rexall Place? (COE Admin)*

According to the Northlands 2009 annual report Rexall Sports Corporation ("the Oilers') under agreement receives all Oiler game revenues, including net food and beverage contributions. The Oilers are also entitled to all building advertising and sponsorship revenues, suite rental revenues, Oiler ticket surcharge revenues as well as Rexall Place parking revenues North of 118th Avenue. Northlands is responsible for building operating and capital costs, including the building event costs related to the playing of professional hockey. Under agreement, Northlands receives rent of $1 per annum plus a contribution towards operating costs of $73,180 per month or $878,166 per annum for the period July 1, 2004 – June 20, 2014. Adjusted annually based on the Consumer Price Index, the 2009 contribution was $1,182,089. Northlands pays remaining expenses using revenue generated from non hockey events.

12. *If a new downtown arena goes ahead what happens to the current Rexall Place – can it produce some revenue to cover capital costs? (COE Admin)*

Rexall Place is currently under lease to Northlands until 2037. Northlands and the City will need to work collaboratively to determine the future of the Facility. This question will be addressed more fully in the report to Council from Administration and the presentation from Northlands on the anticipated impacts.

13. *Does the current economy make front end load of the CRL difficult? (COE Admin)*

    The current economy presents opportunities and challenges. On the positive side, interest rates are low, the recession has officially ended (although with a slower recovery than expected) and construction costs are stable. The desire for additional hotels, downtown housing and retail appear positive as well. On the negative side, there are rising office vacancies in the downtown and lease rates are declining making the business case for new construction less positive.

    A significant component of the Katz Group proposal is the construction of new office and commercial space. This type of space would contribute considerably to the front ending of a CRL area, however, the current market conditions suggest that there is considerable risk if anchor tenants are not committed to the space before construction. The Katz group intent is to attract new business to the City that currently does not have a place in the market. If this is not possible it may result in existing businesses moving from other parts of Edmonton to the new development.

<u>Councillor Batty:</u>

14. *In normal business transactions, no one would get into a deal of this magnitude without proper due diligence to determine the financial capacity of the proposed "partner". In negotiations can Administration ensure that the Katz Group has the financial stability and capacity to enter into an agreement?*

    Through negotiations it will be possible to ensure that the Katz Group has the financial capacity to enter into the agreements and meet the contractual obligations.

<u>Councillor Caterina:</u>

15. *Why was the 5th best location chosen rather than #1 - Jasper Avenue, #2 - Northlands, etc.?*

    The confidential HOK Study does not prioritize the proposed locations. Rather, it identifies the essential components required to attract major sporting and entertainment events and identifies location issues and the criteria necessary for a successful facility development. The proposed location for the district is a viable choice when factoring in the various criteria identified in the HOK Study, particularly related to the challenges/opportunities of land assembly.

16. *What is the estimated cost of all the infrastructure that will be needed and who would pay?*

    To date the submission by the Katz group is a rezoning proposal, with associated road and reserve applications. Until a design concept has been submitted with an appropriate amount of detail to show the potential building envelope and associated land uses, access to parking/loading and on onsite vehicle and pedestrian traffic circulation the cost cannot be fairly estimated.

17. *Who specifically decided that a new arena is needed?*

    The City shaping report developed by the Leadership Committee studied the feasibility and desirability of a downtown arena. The Katz group has brought forward a zoning plan and a proposal to develop a downtown sports and entertainment district in the spirit of the City Shaping Report. Any decision to involve the City in the funding of the construction of a downtown arena would be made by City Council.

18. *How will all the social agencies that will be displaced be accommodated?*

    There is no indication that social agencies will be displaced by the development of a downtown arena in the current proposal. Agencies have expressed their concerns about future development and its impact on them and the residents of these areas through the Public Consultation. The City, through the Great Neighbourhoods Program and partnerships with these agencies, will continue to work with the residents and various agencies to address their concerns.

19. *Specifically who in the Provincial Government has supported their involvement in this project with a commitment to fund?*

    Administration has not had any discussions with the province regarding funding support for a new arena project. No funding commitment has been made from the province.

    If a CRL is approved by the Province for this area then the Provincial school taxes on the assessment lift would go towards funding municipal capital projects.

20. *What is the total dollar amount under the present lease agreement that the City has subsidized the Oilers? (Start of lease to end of 2014)*

    The City has provided support for Rexall Place to Northlands. This support agreement has been in place since 2004 and expires at the end of 2013. It exists to assist Northlands with the operating and capital costs of Rexall Place. The total payments to Northlands under this agreement since 2004 are $16.352 million.

    As part of this agreement the City shares in the operating profit of Rexall Place. That sharing is such that the City receives 20% of the profits earned in excess of the previous five year average of the actual net income of Rexall Place, adjusted for inflation. The City's share of profit since 2004 is $2.752 million in total. This amount is reserved and provided back to Northlands for capital projects. Total capital funded from the reserve in the same period is $1.799 million.

Northlands Payments under Support Agreement

Year	**Support Payment to Northlands**	**Profit Sharing Payment to City contributed to Reserve**	**Capital Funded From Reserve**
2004	$ 2,200,000	$ -	$ -
2005	2,241,800	652,738	-
2006	2,291,120	423,584	-
2007	2,336,942	895,396	-
2008	2,388,355	391,835	-
2009	2,443,287	388,491	1,799,881
2010	2,450,617		
Total	**$ 16,352,121**	**$ 2,752,044**	**$ 1,799,881**

Councillor Iveson:

21. *I assume that the value of an NHL franchise would be higher if it had a long-term inexpensive lease in hand which guaranteed all Hockey and Non Hockey revenues as compared to the value of the team today. Can that increase in value be estimated – if so what might it be?*

    The City of Edmonton has consulted with Dr. Dan Mason, Associate Professor, Facility of Physical Education and Recreation University of Alberta and Dr. Mark Rosentraub, Professor of Sports Management, University of Michigan. On the issue of franchise values, the research that Mark and Dan have provided concludes that:

    > "*The impact that a new arena (which comes with a new lease arrangement) will certainly impact franchise values. The eight NHL teams moving into new arenas since 1999 saw their franchise values increase by $37M from the year prior to the arena opening to the year after (Forbes estimates). We are not sure if it is necessary to try to distinguish between other possible effects on franchise values, as this increase is substantial enough. In other words, regardless of how the final agreement works out between the Oilers and the City, the franchise will appreciate in value with a new arena.*"

22. *Please explain exactly how a Location Agreement works from the City perspective.*

    A Location Agreement is an agreement between the City of Edmonton and the team owner that would include covenants from the team owner to ensure that the team remains in Edmonton for a period of time. It could include things like the following:

    a) The team will not take any action to relocate from the City of Edmonton for a period of time;
    b) The team will continue to use the word, "Edmonton", in the name of the team;
    c) The home hockey games will be played at the venue identified except as otherwise permitted;
    d) The team will take all actions to maintain its NHL Franchise;
    e) The team could only be voluntarily sold or transferred to a new party/owner if identical covenants and security are given to the City.
    f) The City would be entitled to seek all equitable remedies and obtain equitable relief to compel specific performance or prevent the breach or anticipated breach of any or part of these covenants

    Security such as the following could be provided for in a Location Agreement:

    a) A Preferred Share could be issued to the City or its nominee to provide veto rights with respect to any action by the team to move from Edmonton. (We don't believe the City can hold this share as it wouldn't comply with the City's Investment Policy C-212D);
    b) The City or its nominee could have a Right of First Refusal to find a buyer if the team were to be sold as a result of any proceedings commenced by a third parties or a creditor;

23. *Can Admin estimate the lifecycle costs for a new arena as proposed, and which revenue streams might be available to operate and renew the facility over time?*

Yes. Once a detailed design is complete it can be assessed to determine the capital replacement lifecycle of the various components. Determination of how the facility revenues can be used to support the replacement would need to be part of the operating agreement negotiations with the Katz group.

24. *Air Canada Centre in Toronto was cited as one example of a viable private arena development – is it possible to establish whether it was in part paid for with the proceeds of surrounding development?*

Air Canada Centre was built by Maple Leaf Sports and Entertainment (MLSE-Toronto Maple Leaf and Raptor owners) in 1999. The area around the Air Canada Centre was developed by MLSE in partnership with Cadillac Fairview and Lanterra nearly 10 years after the arena was constructed. As these are private corporations it would not be possible to establish whether or not the development was used in anyway to support the new arena construction.

<u>Councillor Leibovici:</u>

25. a. *Has the Administration reviewed the 2007 HOK report and do you agree with its findings?*

HOK Site Selection - This study was commissioned to inform the City Shaping Report on the potential for a new downtown arena. The study showed potential sites for a downtown arena and identified positive and negative attributes for each site. The conclusion of the City shaping report is that there is value to the City in having a downtown arena district. Administration agrees with these findings.

HOK Northlands Analysis - HOK performed an analysis for Northlands on the opportunity of a renovated Rexall Place to meet current arena standards, identify logistical issues associated with the type of change required and estimate the cost. HOK then presented the findings to Northlands and the Arena leadership committee. A report was not issued rather a powerpoint presentation of the findings was made. HOK presented a concept that included increasing the number of luxury suites, reduced the number of general seating by approximately 200 and expanding the concourse around the rink at a cost of $225 - $250 million. This cost has recently been updated to reflect current scope and economic conditions and is now estimated at $197 million. The analysis for Rexall Place was carried out on the basis that the Oiler's would remain as the principal tenant of the facility and that the improvements would also meet their programming needs. Given the position of the Katz group that they do not intend to remain a tenant of Rexall Place the assumptions and findings of the HOK report may no longer be relevant.

b. *Who commissioned the report and why?*

Two studies were commissioned. The 2007 HOK report on potential downtown arena sites was initiated by the leadership group that developed the City Shaping Report. The second study commissioned by Northlands was a conceptual analysis of the potential to renew Rexall Place to meet new standards for arenas built in 2007, logistical issues of a change and the cost.

c. *Does the report indicate that a renovated Rexall Place ($250M) would result in decreased revenue?*

Even though Rexall Place met (and continues to meet) basic NHL standards for arenas, Edmonton Northlands asked HOK to look into the potential renovation of Rexall Place from the point of view of determining what changes could be made to the arena to meet the new standards of arenas being built in 2007, the timing and logistical issues related to such changes and an estimate of the cost of such changes. HOK was not asked to provide any estimate of what effect such changes may have upon potential revenues from a renovated Rexall Place.

d. *Has the Administration reviewed whether there is a need for a new arena and if yes, where the most appropriate location is?*

The Administration has taken into account three major factors regarding the need for a new arena. First, the 2008 report, City Shaping, concluded that a new sports and entertainment district is feasible and desirable, and it presents a unique opportunity to rejuvenate Edmonton's downtown and provide benefits to citizens through the city and region.

Second, the confidential HOK Study, which identifies the essential components required to attract major sporting and entertainment events and identifies location issues and the criteria necessary for a successful facility development.

Third, there has been a business decision made by the Katz Group to propose a new sports and entertainment district including an arena to meet the growing demand for a larger and modernized facility, one that will generate additional revenues beyond those created by the arena component and become a sustainable source of revenue for the Oilers.

The final proposed location for the district was deemed a viable choice when factoring in the various criteria identified in the HOK Study and the challenges/opportunities of land assembly.

26\. a. *If the City is the owner of a new arena, who would be responsible for any potential capital cost overruns?*

If the decision to construct a new arena is made, this issue would need to be addressed during negotiation of the construction agreement with the Katz group.

b. *What revenues can the City expect from a new arena and who would be responsible if operating revenues are not sufficient?*

Revenue expectations from the facility and responsibility for on-going capital costs would be dependent on the operating model of the facility and should be determined by the City role in its role as Landlord. The Katz group position has been that all operating revenues and expenditures would be the responsibility of the Katz group as operator. This would have to be negotiated as part of an operating agreement.

c. *On an ongoing basis who would be responsible for on-going capital costs to maintain the arena?*

   Capital responsibility has been shared with Northlands at Rexall Place. The responsibility for capital would need to be negotiated as part of the operating agreement.

27. *Has the City undertaken a cost/benefit analysis of a renovated vs new arena; different operational options; different forms of development either on the existing Northlands site or with a new sports and entertainment districts?*

    The City Administration has not undertaken to perform a cost benefit analysis of new arena versus a renovated Rexall. If Council directed Administration to develop this analysis it would require significant effort and expense to update the previous studies on Rexall. The Katz group has indicated that they will not be the major tenant of Rexall place beyond the expiration of the current agreement in 2014. The expenditure required to do the cost benefit analysis may not be prudent, if a major tenant is not occupying the facility beyond 2014.

    The Katz group has brought forward a proposal for a downtown Sports Entertainment District. That proposal includes the partial City funding of a new arena that the Katz group would design, build and operate on the City's behalf. Alternatives to this plan have not been considered as the position of the Katz group is that a downtown Sports and Entertainment District is the only option that they are pursuing at this time.

28. *Can a condition of a CRL be a guaranteed revenue stream? In other words if projected development does not occur as anticipated can the City require that the Katz Group provide a guarantee to cover debt servicing costs?*

    A risk assessment is part of the requirement for the CRL. The CRL plan must identify expected and alternative funding sources in the event the development does not occur. Alternative revenues to make up any shortfall in expected revenues from a CRL would be discussed as part of a negotiation with the Katz group.

29. *If a guaranteed revenue stream is not possible how will payment be made on the loan provided by the City?*

    The City would be building an asset that the City owns. If the revenue stream from CRL, ticket tax or other funding does not materialize and there is no alternative funding source, the City would need to provide the funding from its revenue streams.

    Separately from the statutory Community Revitalization Levy (CRL) process, an agreement can be attempted to be negotiated between the parties with respect to the issue of a guarantee to cover debt servicing if projected development does not occur in the CRL area.

    Prior to Council making a decision with respect to the funding of a portion of the area costs, Administration would provide Council with an evaluation of the risks of any funding sources being proposed.

30. *Does the City have access to the Katz Group and Northland/Rexall financial statements? What analysis has been undertaken to ensure that projects proposed to finance the CRL are achieved and that projected operating revenues and debt servicing can be met?*

    The City does not have access to the Katz Group's financial records. The City does have access to the Northlands financial records through the public annual report.

The analysis undertaken by the City to determine whether or not the projects proposed to finance the CRL are reasonable included using the services of Colliers International to examine the market potential for absorption of residential over the next 20 years. That information along with the Commercial/Office forecast from the Edmonton Downtown Plan is being reviewed in relation to the Katz group plans for commercial, retail and casino development.

The development generally proposed by the Katz Group is consistent with the Downtown Plan. The timing of construction is contingent upon market demands for which neither the City nor the Katz Group are able to control.

The conceptual model used to estimate the CRL uplift in assessment for the July 21, 2010 report made the following assumptions about the pace of development and absorption:

- Residential – The model currently shows 1200 units of new residential development in the CRL or a total of 1,800,000 sq ft and is reasonable within 15 years. The Katz Group does contemplate more units for student housing, although this is generally assessed at a lower rate.
- Retail – The model contemplates that most retail development happening will coincide with residential. Based on a general rule that for every 1,000 square feet of new residential, 100 square feet of new commercial would be developed that would imply that 120,000 square feet of retail could be attributed to the residential development. The overall model contemplates a total of 300,000 sq ft of retail as the Katz Group is suggesting 300,000 square feet of retail as the nature of the development does include a more entertainment-based retail that may have a City wide attraction.
- Office absorption has been modeled based upon 75,000 sq ft of need per year within the district. That is an average of three stories per year of a typical new office tower.
- Government/public would be tax exempt and, therefore, would not contribute to the CRL.
- Hotel – the Colliers report identified the demand now for one new hotel, or perhaps two. The model does contemplate two hotels in the district over the 20 years.
- Casino – There is a strong desire to redevelop the existing casino.

These assumptions will change as the CRL area is defined, market information is updated and as the Katz group development plans become clearer.

There are no assurances that the projects proposed to finance the CRL will occur. The CRL requires development projections looking 20 years into the future. Although there are no guarantees, the conceptual model developed suggests that $160 million (net present value) in incremental taxes could be garnered. From the incremental tax uplift a total of $125 million could be dedicated to the arena development and $35 million to other public infrastructure. Debt servicing of $125 million requires approximately $10 million at 5% over the 20 years.

A faster assessment lift would occur if the Katz Group was to construct certain developments (i.e. in advance of natural demand) that could increase incremental taxes within the boundary. Unless new tenants are coming from outside Edmonton that otherwise would not locate here, then these incremental taxes (in advance of natural development) may only reflect a shift in tenants from one area of downtown to the other.

A strong business case reflecting development projections and risks is a major component of a CRL plan. If Council gives direction to pursue a CRL for this development, a complete CRL area and uplift projections will be developed in conjunction with the Province and with input from the Katz group.

31. *Are the Katz Group timelines for both the building of the arena and the projected build out of the sports and entertainment district achievable? Outline the scenarios considered by the administration re: the amount of the CRL interim financing required, debt servicing ($25-30 million?) and repayment schedule? How does the administration propose to service the debt at the outset? Is the debt proposed $120m?*

    Are the Katz Group timelines for both the building of the arena and the projected build out of the sports and entertainment district achievable?

    The Administration at this point has not seen the actual construction plans or designs for the arena and office tower. We have only seen a programming plan for the arena.

    The Katz group has identified that if an arena project goes ahead it will happen concurrently with development of an office tower in the district. The expected construction window for both the office tower and arena is 18 – 24 months. This schedule for concurrent development is aggressive. For comparison, the current EPCOR office tower project is scheduled to be constructed over 36 months. With a plan for concurrent development there will be additional coordination challenges associated with labour and space. In addition, rezoning applications, servicing, building permits, transportation requirements and building design all take time, in addition to the construction schedule. Completion of the project to be ready for the 2014/2015 hockey season would be challenging.

    Outline the scenarios considered by the administration re: the amount of the CRL interim financing required, debt servicing ($25-30 million?) and repayment schedule? How does the administration propose to service the debt at the outset? Is the debt proposed $120m?

    Based upon the preliminary modeling for the CRL (attached), it is estimated that it could fund debt servicing for $120-$140 million depending on the discount applied for risk. The estimated interim financing of $25-$30 million is based upon timing differences in expected development and the need to repay the debenture costs equally over the 20 year period. The Katz group has suggested that some development would happen concurrently with the arena construction. This would change the basis for the CRL funding from the scenario presented as the City has presented a more conservative pace of development.

    Several alternatives in debt financing exist to meet the timing differences that will occur with the development using a CRL for financing. ACFA allows for the use of debt servicing approaches such as back end loaded, interest only borrowings that can aid with the timing differences in cashflows.

32. *Has the City been involved in any discussions with the Katz Group and post secondary institutions re: potential student housing requirements in the sports and entertainment district?*

    The Administration has not been directly involved in discussions with the Katz Group and post secondary institutions regarding potential student housing. The Administration is aware that the Katz Group has had discussions with the various post secondary institutions. Media material shown at various consultation sessions indicates student housing concepts.

33. a. *Has the City engaged expertise or does the Administration have information regarding NHL requirements re: arrangements between other municipalities and NHL teams; location agreements and options available if teams are sold or moved before the CRL is repaid?*

The City has engaged Dr. Dan Mason, Associate Professor, Facility of Physical Education and Recreation University of Alberta and Dr. Mark Rosentraub, Professor of Sports Management, University of Michigan. Attached is a team by team summary of the available information on arena arrangements in other NHL cities.

There are legal options to ensure that the commitments of the CRL are met in the event that a team is sold or moved. These options would need to be negotiated as part of the agreement to construct a new arena.

b. *The comment was made at the City Council meeting that every city that has an NHL team needs a new arena. Can administration provide information on the status of the other NHL arenas?*

Dr. Mason and Dr. Rosentraub have provided Administration with a summary of arena information they have gathered. That summary is attached (Attachment 1A).

34. *Will the Sports Hall of Fame be considered if negotiations occur for a new arena?*

The Sports Hall of Fame or other non profit uses could be considered, although property held by non-profit organizations do not assist the CRL in raising revenue. The location within an entertainment complex and the potential traffic would provide some synergies for a facility such as the Sports Hall of Fame.

Administration is currently gathering data on the historic archives and pieces of history that could be integrated into a City museum before consideration of a location. The sports hall of fame could be integrated with this type of facility as well. The decision on the location and programming of these types of facilities would need to consider lease rates, space requirements, and precedent.

Ultimately, the decision on any municipal concepts such as the Sports Hall of Fame will be Council's decision to make.

35. *If a new arena is built will the City provide for a design competition to ensure that there is an excellent downtown design and that the needs of the community and Edmontonians are met? Will the City determine how the arena will be built, i.e. design built; construction management, etc.*

Design of a new arena will be guided by the policies and urban design principles of the approved Capital City Downtown Plan along with appropriate input at key stages from the Edmonton Design Committee. Agreement would need to be reached on the building and design approach.

36. *What is the City's contractual responsibility to ensure the viability of Northlands? What analysis has the administration undertaken to determine whether Northlands is viable without Rexall Place revenues?*

The City has several agreements with Northlands which speak to this:

- The Master Agreement provides that at the time of the expiry/termination of the Northlands Site Lease, Northlands shall transfer or quit claim all of its right, title and interest in the "Demised Premises" (which includes Rexall Place) to the City, and that nothing in the Master Agreement or the Northlands Site Lease shall have the effect of making the City liable for any of the debts or liabilities of Northlands.
- The present term of the Site Lease is until July 31, 2034, with a 15 year right of renewal until 2049.

- The Site Lease provides that Northlands is responsible for all repairs and maintenance during the term.
- In the Revised Support Agreement between the City and Northlands, the City expressed a desire to assume responsibility for replacing certain defined major building components at Rexall Place ("Facility Capital Replacements"), subject to Council's decision to allocate grant funds for that purpose during the budget process.
- Under the Revised Support Agreement:
  - The City pays $2.2 million dollars per year to Northlands, adjusted for inflation;
  - The City shares in the "Operating Profit" of Rexall Place after a certain threshold is reached, and the City must hold this money in a reserve to assist in funding the Facility Capital Improvements;
  - This agreement expires at the end of 2013, or if there is a Material Change in the financial status of Northlands or Rexall Place, being defined as:
    - a 30% decline for 2 consecutive years in the utilization rate;
    - loss of a major tenant or event at Rexall Place; or
    - a 30% or greater change in the accumulated operating surplus or deficit for 2 consecutive years.

The City does have a financial interest in the viability of Northlands as a lender. The City would want to ensure that Northlands can support the debt servicing related to borrowings done on behalf of Northlands for the score clock at Rexall Place and for the Northlands Expansion.

At the end of 2009, the score clock at Rexall Place had debt supported by the City of $2,226,918 outstanding, with an expiry date of 2021 and annual payments of $270,272 per year. Northlands has an agreement with the Oilers that includes annual contributions to support the score clock debt repayments until the City loan is repaid. Should the Edmonton Oilers cease to play hockey in Rexall Place before the score clock loan is repaid; terms exist for the Oilers to make a payment of a lesser amount in support of this debt.

The City also has a borrowing and loan to Edmonton Northlands for the Expo Centre development. At the end of 2009 that outstanding balance was $58,231,983. Only $1,811,157 expires in 2014 and the balance of this loan does not expire until 2034, with annual debt repayments of just over $2,022,984.

37. *What due diligence is the City undertaking to ensure that in the long term the Katz Entertainment Holdings Group is viable especially given its proposed venture in Hamilton?*

    The Financial viability of the Katz group needs to be determined as part of negotiations.

38. *What is the status of the Katz Group planning application, i.e. rezoning, road closure, municipal reserve disposition, new downtown special arena zone; transportation requirements especially re: traffic and pedestrian requirements, i.e. pedway required for 104 Avenue. How will the Administration ensure that the City of Edmonton will receive maximum benefit from the proposed Arena District?*

    Administration anticipates the proposed bylaws will be ready for Council's consideration at a Public Hearing in January. Administration is investigating both business and land use options and will provide Council with the best information available to make an informed decision.

39. *Will the CRL include the proposed Aurora project; new casino and new EPCOR tower? If yes, what are the anticipated tax revenues that would have been generated by these developments? Does a CRL shift the need for municipal revenues from the downtown arena district to citizens throughout the City?*

The conceptual CRL boundary as presented to Council is currently under review. That boundary included the Aurora project, new casino, EPCOR tower and other surrounding lands.

Determining the detailed amount of increased tax revenue that could be realized from within the CRL is a challenge given many unknown factors that can affect property assessment at this time. However, below are estimates based on the assumptions as noted;

1. Aurora – Information on the developer's website indicates a mix of residential and some commercial development. The site also indicates the entire project will cost in excess of $500 million to build. Assuming the construction cost is in current year dollars, and the construction cost will equate to the market value of the site as fully developed, and 90% of the cost is attributable to residential development and 10% commercial, the following is an approximate tax revenue estimate in 2010 tax dollars:

   Residential Assessment = $450 million
   Municipal Tax - $2.1 million
   Education Tax - $1.2 million
   Total - $3.3 million

   Commercial - Non-residential assessment = $50 million
   Municipal Tax - $0.6 million*
   Education Tax - $0.2 million
   Total Tax - $0.8 million
   * includes remaining revenue required from business tax shift

2. Casino - The estimate is based on preliminary discussions with the developer that include the following. As a Casino exists on the site now any increase in assessment as a result of reconstruction would be incremental. The size of the property is 8,400 square meters (90,000 square feet) and the estimated cost to construct is approximately $6,600 per square metres ($600 sq. ft.) (assumed to be in 2010 construction costs). Assuming the construction costs equate to what the market value of the building will be, then the assessed value would be as follows (tax revenue estimate in 2010 tax dollars);

   Commercial - Non-residential assessment = $50 million
   Municipal Tax - $0.6 million*
   Education Tax - $0.2 million
   Total Tax - $0.8 million
   * includes remaining revenue required from business tax shift

3. EPCOR Tower - Based on the information available on the building and associated parking, the approximate tax revenue estimate in 2010 tax dollars is provided as a range.

   EPCOR Tower and associated parking facilities - Non-residential assessment = $300 million to $400 million
   Municipal Tax - $4.0 million* to $5.5 million*
   Education Tax - $0.9 million to $1.3 million
   Total Tax - $5.0 million to $6.8 million
   * includes remaining revenue required from business tax shift

The estimates provided for both the Aurora and Casino projects are preliminary and are only provided to indicate a degree of magnitude. Significant differences are expected from what is estimated at this early juncture to what will actually be realized if/when the project is completed.

In the context of this question, it should be noted that depending on timing, not all the estimates provided above would be incorporated in the CRL lift. For example, the EPCOR tower is partially constructed and could be completed before a CRL could be implemented for the area. The result would be that none of the estimated tax dollars from the EPCOR Tower would go towards calculating the CRL lift in taxation. Only new construction/development, after the implementation of the CRL, is what significantly contributes to repayment of the infrastructure costs incurred within the CRL area.

The CRL shifts municipal tax revenue (including provincial education portion) associated with the lift in assessment created by the new improvements (a lift would not arguably occur without the new improvements), and the overall market value increases on existing properties in the CRL area to pay for the cost of the municipal improvements until they are paid for, until the Province ends the CRL or for a maximum of 20 years, whichever comes first.

40. *Will the Administration be able to determine the potential financial impact to other trade shows, conventions, and entertainment venues like Shaw Conference Centre, Winspear, Shocter should the proposed sports and entertainment district be approved?*

    Administration does not anticipate a negative financial impact on these operations.

41. *As the arena will be owned by the City what third party options other than Northlands, AEG, Katz Group are being considered to operate the arena?*

    The Katz group has expressed a desire to operate the facility as part of their sports entertainment operations and as part of the sustainability model for the Oilers. Third Party options that can still achieve the sustainability of the Team would be considered as part of negotiations with the Katz group.

42. *As 3 out of 4 Canadian arenas, which have been re-built have declared bankruptcy, what reassurance do we have that public capital is not at risk in this proposal?*

    Administration is aware of only one financial issue that resulted in bankruptcy for an NHL team in Canada. Several team sales have occurred over the last 15 years due to financial issues of the ownership. The following information has been obtained from media sources that reported on the sales.

    The bankruptcy of the Ottawa Senators is well documented. Bruce Firestone purchased the expansion team in 1990 and the first season was 92/93. The team and start of the arena construction were heavily debt financed and Firestone sold the team in 1993 to Rod Bryden. Bryden was also heavily debt financed. The team entered bankruptcy with a reported debt of $350 million in 2003 and was purchased by Eugene Melnyk for a reported $102.5 million ($27.5 for the arena and $75 million for the team).

    The Montreal Canadians were sold by George Gillett to Molson's in 2009 (he had owned the team since 2001). The sale included the Bell arena and was done in an effort to "optimize" Gillett's corporate holdings. Molson's had previously been a minority shareholder in the team and acquired the remaining 81% in the deal. Gillett had invested a reported $187 million to purchase the team and arena and sold the team for an estimated $300 - $400 million. Some reports (ESPN) had the sale as high as $575 million.

The Griffiths family purchased the Canucks in 1974 for $9 million and held the team until 1995 when it was bought out by minority interest holder John McCaw. Arthur Griffiths needed to sell his interest as he had overleveraged (at a time of high exchange rates) to build GM Place arena and for the purchasing of an NBA franchise. John McCaw purchased the teams and arena for an undisclosed price. He sold the NBA team and in 2007 he sold the hockey team and arena to the Aquilini family for a reported $250 million.

The common theme in each of the team sales was the use of debt to finance business activities of the owners and their ability to service that debt. The City may take steps under the arrangements with the Katz Group to ensure that creditors of the Katz Group would not have the ability to take control of the facility in the event of "bankruptcy" of the team. For example, any lease or occupancy agreement could contemplate that if the team did not honour any of it's commitments then they could either be evicted from the Arena or be required to only continue in occupancy in the event that either the trustee or successor to the team honoured the arrangements with the City."

43. *What are the projections for the Edmonton Convention Market?*

From Mike Fitzpatrick, VP & General Manager of the Shaw Convention Centre:

The Shaw Conference Centre is routinely turning away convention business due to a lack of downtown convention space; when that happens these events are almost always forced to select another city. In the nine months from January to September 2010 we have already turned away 13 future convention bookings. EEDC commissioned an extensive market demand study for the SCC in early 2008 to examine this question. The findings were generally very positive and included:

a) "The analysis determined that unaccommodated convention demand currently exists in Edmonton. Further, primary and secondary research indicated that convention demand in Edmonton will continue to grow."

b) "The potential 2020 event load for the SCC indicates an increase in the absolute number of events as well as an increase in the number of medium and large events."

c) A facility review conducted by Conventional Wisdom (Corporation) determined that the projected event load could not be accommodated by the current SCC. Many of the large events projected for 2020 would not fit in the current exhibit and meeting space. A larger venue able to accommodate concurrent convention events would be required."

Edmonton's potential in this market is very positive both for larger convention events and for concurrent events if we have the right-sized facility in the downtown. A downtown convention centre increased by 75% in size will attract more than double the existing delegate count by 2020. This report is currently under review and updated projections will be available before the New Year.

44. *Will the Administration provide assistance to communities to enter into a community benefit agreement like the one at Staples Centre in Los Angeles?*

The City will need to consider the extent to which grants might be provided to the benefit of the surrounding community organizations and as such a form of “community benefit agreement” might be considered as part of negotiations and public consultations.

Councillor Sloan:

45. *Please provide a copy of corporate analysis utilized to substantiate financial business model for adjacent development to the downtown arena.*

    A copy of the conceptual CRL analysis has been attached (Attachment 1B).

46. *What is projected timeline for full build out in terms of residential, commercial, government/public and hotel?*

    We are not sure what full build out will be until zoning has been established. The Katz Group's development concept is evolving and will drive the timelines.

    The conceptual model used to estimate the CRL uplift in assessment for the July 21, 2010 report was based on a report from Colliers suggesting the residential development potential and the development components identified by the Katz group. The implementation period was based on City projection of implementation. Without the input of the Katz Group expectations for development timing the Administrative model suggests:

    - Residential – The model currently shows about 575 units in the first 5 years, and 530 in the second 5 years which leaves about 90 within the third 5 years to reach 1200 market-based units (i.e. Katz group does contemplate more units for student housing). The CRL area could support more, but that will have repercussions on The Quarters, and other areas of Edmonton.
    - Retail will coincide in pace with residential. As a rough rule of thumb, perhaps a 1:10 ratio, so for every 1,000 square feet of new residential, perhaps 100 square feet of new commercial would be required. Based on 1200 units, this would imply 120,000 square feet of retail. However, as indicated, there could be more than 1200 units, and the 1200 does not take into account units in North Edge and the Quarters. Katz Group was proposing 300,000 square feet of retail, although they were suggesting more entertainment-based retail.
    - Office could be approximately 75,000 square feet of need per year within the district.
    - Government/public would be tax exempt and therefore would not contribute to the CRL.
    - Hotel – there appears to be demand now for a new hotel, or perhaps two.
    - Casino

47. *Please provide the estimates for the number of residential units as well as the square footage for commercial offices and hotel developments, which are needed to configure a viable model for City's financing.*

    One conceptual scenario that provides this level of CRL revenue (as a present value calculation at 5% to 6%) is the following:

    - 300,000 square feet of retail built over 20 years
    - 370,000 square feet of hotel built over 6 years
    - 95,000 square feet of casino built in the first year
    - 1,500,000 square feet of office (occupied by taxable tenants) built over 20 years
    - 1,800,000 square feet of residential built within the boundary (i.e. Arena or portion of North Edge) or 1,800 units built over 10 years

- Natural assessment appreciation for other existing properties in the CRL boundary area of 3% per year.
- Assumes a 3% increase in municipal and educational taxes per year.

There are many other scenarios that would provide this level of income. Ultimately, however, because the CRL requires projection of development trends and tax revenues out 20 years, there is no guarantee.

48. *What additional civic investment would be required to support such development including utilities/drainage, roadways, LRT and parks/green spaces? Please also provide the number of FTEs are estimated to be assigned to this project.*

To date the only submission by the Katz group has been the rezoning proposal. Until a design concept has been submitted with an appropriate amount of detail to show the potential building envelope and associated land uses, access to parking/loading and onsite vehicle and pedestrian traffic circulation the required infrastructure and cost cannot be fairly estimated.

Number of FTE's cannot be determined at this point.

49. *Given that the city is proposing to develop both the City Centre Airport lands and be a partner in the potential downtown arena, please provide evidence of investor interest and commercial, residential and office demand that would support the viability of these projects an*d guarantee a return to the City.

Administration has retained the services of Colliers International to provide independent professional advice on market conditions and trends relative to the demand for various forms of development throughout the City to assist us in bringing forward recommendations. The question of investor interest in the downtown arena district is best answered by the Katz group as the development proponent.

<u>Councillor Sohi:</u>

50. *What are the timelines for projected growth around the arena? How many years would it take to generate $9.6 to $11.2 million in a projected uplift in incremental taxes?*

The answer is evolving as the development concept evolves. However, based on the conceptual model (the market model and Colliers initial analysis) it would take 7-10 years to get to this level of incremental taxes on the municipal component.

51. *Was the Community Revitalization Levy (CRL), or similar model of financing, used for building arenas in other cities? What were some of the negative or positive implications?*

In the United States a CRL is commonly referred to as Tax Incentive Funding or TIF. This approach has been used for construction of San Diego Baseball stadium district and to fund some of the public infrastructure at the Nationwide arena and sports district in Columbus.

A CRL has the potential for positive and negative impacts. On the positive side, the capture of education tax and municipal taxes can be used to support the redevelopment of land that that would otherwise not develop as quickly or go undeveloped due to other constraints. On the risk side, a CRL may be detrimental if it does not develop as planned with the attraction of residential or business growth. It may also result in a shift of existing tax base if it cannot provide new business opportunities Additionally, the perceived benefits of the CRL to fund infrastructure that may otherwise be the responsibility of private development, may not produce the overall City benefits that are expected.

52. *Are arenas exempted from property taxes? How much in estimated property tax revenue would the City of Edmonton collect if the proposed downtown arena paid property taxes?*

    Exemption for arenas is dependent on ownership and use of the property and could be affected by management/operating agreements.

    If the arena is owned by the City of Edmonton, it would be exempt under the MGA section 362(1)(b). Should a lease, license or permit to occupy the property be given over to a non-profit organization, and if the non-profit organization meets the requirements of the MGA section 362(1)(n) in conjunction with the *Community Organization Property Tax Exemption Regulation* AR 281/98, an exemption for all or a portion of the property may be granted.

    Notwithstanding the granting of an exemption, if the arena has an A or B type liquor license, then the space and time for those liquor licensed areas would become taxable under section 365(1) of the MGA.

    The time and space that a professional sports franchise holds such an arena would also be taxable.

    If the arena is owned or held by a lease, license or permit to occupy by a for profit organization, then property would also be taxable.

53. *As the CRL requires provincial approval, will the education portion of property tax be affected?*

    Yes, the incremental component of the educational portion would be diverted back to the project for up to 20 years, or as soon as the CRL comes to an end. A CRL comes to an end as soon as the municipal capital borrowings are paid for, until the Province ends the CRL or for a maximum of 20 years, whichever comes first.

54. *Have discussions taken place with the Province regarding the CRL model?*

    Administration has had preliminary discussions with the province on the use of a CRL for arena development.

55. *What role can (or will) the Administration play in regard to site selections?*

    In the current situation, the Administration reviewed the proposed sites and determined the downtown location to be the most viable after taking into consideration the HOK Study and the challenges/opportunities of land consolidation for such an initiative.

56. *What safe guards can be put in place to ensure that no new taxes would be required in the future to pay for debt servicing charges?*

    Conditions could be negotiated to ensure that no new taxes are required to fund debt servicing costs.

57. *How does the proposed site fit into the City's Downtown Plan? What impact will the arena have on the Downtown Plan?*

    Regarding the Downtown Plan see answer to Question 8a above.

    It is anticipated that the Planning and Urban Design Principles for a Sports and Entertainment District as outlined in the CCDPlan and approved by Council on July 7, 2010 will be used to evaluate the impact of planning approval submissions regarding the arena and entertainment district. A new arena and entertainment district would contribute a significant landmark to Edmonton's cityscape, establish a new publicly accessible and activity focal point within the downtown. Design principles would seek to create an attractive and comfortable pedestrian environment and streetscape and demonstrate sustainable design.

58. *If city is the major financier of the arena, then why can the City not operate the arena and use the non hockey revenue to pay for the debt?*

    The model proposed by the Katz group is for their organization to operate and retain all revenues. This model is proposed from the Katz group as they believe it will allow the NHL franchise to be sustainable. If a model where the City operated the arena could be negotiated, there would still be uncertainty and risk in being able to generate sufficient revenues to service the debt.

59. *What role has the city administration play in the design of the arena, and what role will it play in the future?*

    City Administration will evaluate planning applications submitted for review/approval concerning the development of an arena and entertainment district. The Zoning Bylaw and the Capital City Downtown Plan Policy CC 3.5 entitled 'Potential for a Sports and Entertainment District' and the associated planning and urban design principles will aid in the department's evaluation and subsequent recommendations to Council. Proposed zoning for the site does not contemplate specific design regulations and graphics (i.e. Direct Control Provisions) and is based only on a standard Zone where design criteria may be minimal. If City ownership is an outcome of the initiative, appropriate review of the finished design would need to be undertaken.

<u>Councillor Thiele:</u>

60. *What will be the financial and social benefits of such an entertainment district in the City of Edmonton? Conversely, what would be the drawbacks in relation to a 20 year build out? (COE Administration)*

    Should the sports and entertainment district be developed with consideration to the planning and urban design principles as described in the CCDPlan and due diligence with the overall project, it is expected that it will be a catalyst for development and Edmonton, over the long term, will experience increased economic activity, increased tax revenue and higher land values. The arena could become a showcase for Alberta and Canada. In the City of Edmonton's guiding plan, The Way We Live, Goal 2 speaks to the way Edmonton Celebrates Life and Goal 5 speaks to Edmonton as an Attractive City. The entertainment district will be a showcase venue for the City to host world leading arts, cultural, sports and entertainment events that attract local, regional and global audiences.

61. *How many years would a $100 million investment take to realize recovery through a Community Revitalization Levy? (COE Administration)*

    Any investment made would need to be recovered within the 20 year life of the community revitalization levy. The time to recover would be dependent on the pace of the development.

62. *Would other revenue streams be considered (i.e. Hotel tax, restaurant tax, VLT/slot machine tax)? (COE Administration)*

    All available revenue streams that can be used within the legislative authority of municipalities are being considered.

63. *What is the current City of Edmonton subsidy to the operation for the Oilers today through Northlands operation of Rexall? (COE Administration)*

The Rexall Place Arena and site are owned by the City of Edmonton and Operated by Northlands. The current support agreement between the City and Northlands extends to funding for operating and capital of Rexall Place. This agreement began in 2004 and expires on December 31, 2013.

Under the terms of the support agreement the City provides annual, inflation adjusted support contributions to Northlands. The 2010 contribution was $2.45 million. Total payments under the Northlands support agreement since 2004 are $16.352 million. The agreement also allows the City to receive a share of the profits from Northlands above a specified threshold. The City's share of profit since 2004 has been $2.752 million. Those funds are reserved and contributed back to Northlands for major capital projects that are defined in the agreement. The response to question 36 provides a fuller explanation of the agreements in place with Northlands.

Northlands Payments under Support Agreement

Year	Support Payment to Northlands	Profit Sharing Payment to City	Capital Funded
2004	$ 2,200,000	$ 147,667	$ -
2005	2,241,800	505,071	-
2006	2,291,120	423,584	-
2007	2,336,942	895,396	-
2008	2,388,355	391,835	859,396
2009	2,443,287	388,491	940,485
2010	2,450,617		
Total	**$ 16,352,121**	**$ 2,752,044**	**$ 1,799,881**