

Councillors' Questions on Sports and Entertainment Facility

COUNCILLOR SOHI

Questions for Administration:

1. 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?
2. 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?
3. 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?
4. As the CRL requires provincial approval, will the education portion of property tax be affected?
5. Have discussions taken place with the Province regarding the CRL model?
6. What role can (or will) the city administration play in determining who will operate the new arena. Will this decision be made by the Katz group or by the City?
7. What role can (or will) the administration play in regard to site selections?
8. 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?
9. How does the proposed site fit into the City's Downtown Plan? What impact will the arena will have on the Downtown Plan?
10. 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.
11. What role has the city administration played in the design of the arena, and what role will it play in the future?

Questions for Northlands:

1. What is the cost of renovating Rexall? Will the renovations reduce seating capacity?
2. With renovations, can Rexall meet the NHL standards?
3. If all non hockey revenue goes to Katz group, then what impact will this decision have on Northlands? Can it survive without that revenue?

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4. Why are non hockey revenues vital for Northlands?

Questions for Katz Group:

1. If the projected growth does not materialize, and revenues raised through the CRL are not enough, will Katz group take responsibility for debt servicing?
2. Who will be responsible for the life-cycle costs of the new arena? Will there be a fund set aside to replace the facility?
3. Who will be responsible for the ongoing operational, maintenance, and renovation costs of the arena?
4. Can the projected non hockey revenue portion be used to pay the debt?
5. Are two arenas viable in Edmonton?
6. What is the current price of Oiler Game Tickets? What impact will a \$5.00 ticket surcharge have on the attendance?

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COUNCILLOR ANDERSON

Questions for Administration:

1. Do we need a new arena? (COE Admin)
2. What is the best site for a new arena?
 - a) Does the Katz site fit the recommendations of the Downtown Plan?
 - b) Does the Katz site support Jasper Avenue redevelopment?
 - c) Does the Katz site support the redevelopment of the Quarters? (COE Admin)
3. Does a funding plan exist that doesn't access current property taxes? (COE Admin)
4. Do the Calgary Flames pay the operating costs of the Saddledome? (COE Admin)
5. Do the Edmonton Oilers pay the operating costs of Rexall Place? (COE Admin)
6. 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)
7. Does the current economy make front end load of the CRL difficult? (COE Admin)

Questions for Katz Group:

1. Who will own the new arena? (Katz Group)
2. Who will operate the new arena? (Katz Group)
3. Who will pay the operating costs? (Katz Group)
4. Who will pay the maintenance costs? (Katz Group)
5. Is the \$100 m Katz dollars cash or land? (Katz Group)
6. Has a detailed analysis of the Katz lands been done (architects, planners, engineers, transportation experts, parking consultants, etc), to determine compatibility with the facilities program? (Katz Group)
7. Can an NHL team in Edmonton generate enough revenue on its hockey operations to support itself? (without public assistance?) (Katz Group)

Questions for Northlands:

1. Has Northlands done a successful job of marketing the current Rexall Place? (Northlands)

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COUNCILLOR BATTY

The Katz Group is a private company and in that they could not reasonably be expected to make their affairs public, there should be an acceptable process whereby independent professional financial advisors (legal, audit, investment bankers) to the City could review the Katz Group data on a confidential basis in order to provide "comfort" to the City that there is appropriate financial resources.

1. 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?
2. Who are the investors in the Katz Group? Is it just the family or are there other investors? If there are other investors, who are they and who controls them?
3. Who are the major creditors of the Katz Group and what security do they have?
4. What is the assurance of 100 million – how would the money be raised?
5. Does the NHL have to sign on to a relocation agreement?
6. Should the Katz group suffer financial challenges does a relocation agreement ensure the team stays in Edmonton?
7. Should other strategic partners become involved in either the financing a possible arena or in the running of the project would the City of Edmonton be required to give approval?

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COUNCILLOR HENDERSON

My questions are about the non hockey revenues and probably are best answered by the Oilers and Northlands may also want to answer.

It is my understanding that in the old deal with the Oilers they had the non hockey business. At that time they chose to give it up, I presume because it was not lucrative.

I am wondering what has changed in the interim that they now want the business back.

Would the deal be different? Has something changed besides Northlands management to suddenly make it lucrative?

And if Northlands took a money losing proposition and turned it into a money making deal, why would they want to walk away from that expertise?

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COUNCILLOR GIBBONS

Questions for Katz Group:

1. Arena operations: If the Oilers operate the arena and receive all revenues from the arena:
2. Who will have responsibility for such things as maintenance and repair, replacement of mechanical systems, structural repairs and maintaining financial reserves for major replacements and repairs?
3. Do you have an estimate of the annual fixed operating costs for this type of facility? Who will pay these costs?
4. Will the Oilers pay rent for the Arena? Will the Oilers pay Operating Costs for the Arena?
5. Will the Oilers pay real estate taxes on the Arena?

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COUNCILLOR KRUSHELL

1. From your presentation it is my understanding the Katz Group requires all hockey and non-hockey revenues in order to be viable? Is this correct?
2. Can you provide at least to City Administration in private, financial documents that demonstrate that the Edmonton Oilers are not making money?
3. Presently Northlands operates the existing arena and most non- hockey revenues, specifically the concert revenues, go to offset Northlands operations. Is it the Katz Group's intention to retain all of these revenues for it's operations? Is it the position of the Katz Group that the existing arena cease to have concerts etc. and that all of this business transfer to the new arena? What if anything, does the Katz Group see happening to the existing arena?
4. With the CRL model the City of Edmonton would need the surrounding development to be built at virtually the same time as the new arena in order to generate enough tax revenue to service the debt for the new arena. Can you provide any timeline for the surrounding development? Is the Katz Group prepared to provide the City of Edmonton with a letter of credit to ensure that if the surrounding development is not built the City of Edmonton would not be responsible for all of the risk?

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COUNCILLOR THIELE

Questions for Administration:

1. 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)**
2. How many years would a \$100 million investment take to realize recovery through a Community Revitalization Levy? **(COE Administration)**
3. Would other revenue streams be considered (i.e. Hotel tax, restaurant tax, VLT/slot machine tax)? **(COE Administration)**
4. What is the current City of Edmonton subsidy to the operation for the Oilers today through Northlands operation of Rexall? **(COE Administration)**

Questions for Katz Group:

1. \$100 million is committed to the construction of the arena and another \$100 million toward development around the arena. Please outline in as much detail as possible what type of development around the arena would be considered. **(Katz Group)**
2. What would be a realistic timeframe for such a development and what would be the turnaround time for the COE to realize benefits of the newly developed district? **(Katz Group)**
3. Do the cities of Los Angeles and London own their facilities? What contributions did each make? What are their annual revenues? **(Katz Group)**
4. What are the financial/revenue agreements (subsidy revenue, revenue sharing, taxes) in place with other NHL teams? With the Hockey Related Revenues and other revenue streams (i.e. concerts and entertainment events etc) available to these teams, what sorts of revenue are they able to realize annually? **(Katz Group)**
5. What are the opportunities to have funding from other orders of government? **(Katz Group)**
6. Would the City of Edmonton be able to initiate design and environmental competitions? **(Katz Group)**
7. If no new downtown arena district is built in Edmonton and the Oilers will not play in a renovated Rexall Place, where will they play? **(Katz Group)**

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COUNCILLOR IVESON

Questions for Katz Group:

1. Please explain exactly how a Location Agreement works from the Franchise perspective, including the contemplated duration of the agreement.
2. What assurances can the Oilers or the NHL give with regards to the NHL arena standards, and how constant they will be over time; in other words, is there any likelihood of the proposed new downtown facility becoming outdated in 20-30 years and requiring major investment or replacement?
3. Please explain all the competitive disadvantages the Oilers face in this market relative to other NHL franchises - including the particular revenue issues with today's lease - and provide a monetary estimate of the impact each of these disadvantages.
4. What direct operating subsidy would be required to put the team in a position of sustainability, all other things held constant?
5. Please provide the Oilers' Unified Report of Operations (URO) as submitted to the NHL for the last two years.
6. Since the argument is that the team needs additional revenues to be sustainable, what assurances can be given that costs have been reduced and that the operation is as efficient as possible, (preferably with reference to league benchmarks)?
7. What is the Katz Group definition of sustainability for the team - in terms of rate of return on investment for the team and the \$100 million contribution for the arena?

Questions for Administration:

1. 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?
2. Please explain exactly how a Location Agreement works from the city perspective.
3. 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?
4. 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?

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COUNCILLOR LEIBOVICI

Questions for Northlands:

1. Can Northlands provide the current operating budget for Rexall Place and Northlands? Detail all revenues and expenses for Rexall Place. Can Northlands provide a projected operating budget if Rexall is not part of its revenue stream?
2. Please provide the HOK report as well as the reasons that the report was commissioned. Does Northlands agree with the analysis in the HOK report of the need for renovations at Rexall Place.
3. Please explain the different calculations that are in the media re: required renovations at Rexall Place, i.e. \$49m; \$200m; \$250m; any other figures. Has there been a cost benefit analysis to renovate vs building a new arena?
4. Would Northlands be able to attract private capital to renovate Rexall Place and operate Rexall Place without any public subsidy? Who is currently responsible for any capital improvement to Rexall Place?
5. According to the 2007 HOK report how does Rexall Place compare as either a hockey arena or concert facility with other arenas?
6. Does the City currently receive any property taxes from either Northlands or Rexall Place? Does the City receive any revenues from Rexall Place?
7. Are there any agreements in place with the City and Northlands which guarantee that Northlands will operate an arena after 2014 either at the current Rexall Place or any new arena?
8. What is the current revenue sharing agreement with the Oilers and the City regarding; 1.) Rexall Place; 2.) Northlands?
9. Can Northlands confirm that they agree with the concept of a downtown arena?

Questions for Katz Group:

1. Have there been any discussions with the Shaw Conference Centre Management (EEDC) to determine whether there are any synergies regarding the Shaw Conference Centre expansion plans and the proposed sports and entertainment district?

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2. Have there been any agreements reached with post secondary institutions regarding student housing?
3. What is the projected construction schedule for building the arena? What are the projected timelines for build out of the other facilities, i.e. residential and student housing, hotel complex, etc.?
4. Can the Katz Group provide its business plan for the arena, as well as the sports and entertainment district?
5. Given that under the proposal presented at the City Council meeting that the City will own the building is the Katz Group adverse to a design competition being held?
6. Is it understood that all City owned buildings must be certified at a minimum LEED silver standard?
7. Is a Sports Hall of Fame museum envisioned as being part of the sport and entertainment district?
8. What will be the terms of the location agreement?
9. Has there been any indication by the Province, that casino revenues could be utilized to fund the arena?
10. Explain the NHL requirements for arenas and provide information on the funding agreements that are in place between municipalities and NHL teams in both the United States and Canada for both capital requirements and operating revenues.
11. Explain what revenues personal seats or luxury suites licensing could provide?
12. What guarantees would the Katz group provide to the City of Edmonton if the CRL projections are not realized?
13. Has the Katz Group considered a community benefit agreement as entered into by the Staples Centre in Los Angeles and Millennium Southeast False Creek Properties Ltd; City of Vancouver and Building Opportunities with Business Inner-City Society?

Questions for Administration:

1. a) Has the Administration reviewed the 2007 HOK report and do you agree with its findings?
- b) Who commissioned the report and why?

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- c) Does the report indicate that a renovated Rexall Place (\$250m) would result in decreased revenue?
 - d) Has the Administration reviewed whether there is a need for a new arena and if yes, where the most appropriate location is?
2. If the City is the owner of a new arena, who would be responsible for any potential capital cost overruns? 2 b) What revenues can the City expect from a new arena and who would be responsible if operating revenues are not sufficient? 2 c) On an ongoing basis who would be responsible for on-going capital costs to maintain the arena?
 3. 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?
 4. 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?
 5. If a guaranteed revenue stream is not possible how will payment be made on the loan provided by the City?
 6. 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?
 7. 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?
 8. 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?
 9.
 - 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?
 - 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?

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10. Will the Sports Hall of Fame be considered if negotiations occur for a the new arena?
11. 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.
12. 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?
13. 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?
14. 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?
15. 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?
16. 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?
17. 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?
18. 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?
19. What are the projections for the Edmonton Convention Market?
20. Will the Administration provide assistance to communities to enter into a community benefit agreement like the one at Staples Centre in Los Angeles?

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COUNCILLOR CATERINA

1. Why was the 5th best location chosen rather than #1-Jasper Ave, #2-Northlands, etc.?
2. What is the estimated cost of all the infrastructure that will be needed and who would pay?
3. Who specifically decided that a new arena is needed?
4. How will all the social agencies that will be displaced be accommodated?
5. What was the specific offer to Northlands by the Katz Group in terms of being involved in a new arena?
6. Specifically who in the Provincial Government has supported their involvement in this project with a commitment to fund?
7. 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)

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COUNCILLOR SLOAN

Questions for Katz Group:

Re: Operational Business Case and Finances

1. Given that the Katz Group has stated that the financial viability of the Oilers is at stake, you must be prepared to disclose the details of the Oilers finances. Therefore, please advise as follows:
 - a. How much of the purchase price for the Oilers was financed?
 - b. What is the annual cost to pay the interest and fees associated with that financing?
 - c. Since Mr. Katz acquired the team, what operating deficits have occurred?
 - d. How much does Rexall pay for the naming rights for Rexall Place?
 - e. How much do the Oilers pay to related Katz Group companies for management and administrative fees each year?
 - f. Are you prepared to open the books of the Oilers to the City Administration to prove financial need?

2. The Edmonton Oilers often make reference to the fact that they are disadvantaged compared to the Calgary Flames in terms of not having full control of an arena. Let's assume then that the Oilers had full control over Rexall Place over the past 5 years. How would this have changed the Oiler's financials - in other words, what would have been the increases in revenues; what would have been the increases in costs now that the Oilers would have assumed all costs; and how would this have changed their operating income?

3. Forbes has shown consistently over the past 3 years that the Oiler net operating income is better than the Calgary Flames anywhere from \$3 million to \$10 million per year?

4. The 2009 Forbes report entitled NHL Team Valuations show that 14 of the 30 NHL's teams have a net operating loss even before EBITDA (earnings before interest, taxes, depreciation and amortization). Another 6 teams have net operating income of less than \$5 million. This leaves only 10 teams with net operating income of more than \$ 5 million per year - one of which is the Edmonton Oilers. Given what appears to be the poor financial state of the majority of the NHL's teams, is there not a much bigger NHL problem on the horizon? How can Edmonton be assured that no matter how much public money is committed, the NHL is headed for a major financial crisis because of its current business model that will cost the City even more money?

5. How does the Oilers cost structure compare to other teams? Is there any benchmark information? For example, all teams abide by an annual salary cap of \$56 million which will rise to \$60 million this year. But how do the Oilers compare to other teams in the terms of its management, coaching and operational costs?

6. \$100 million contribution: Please provide the following clarifications regarding the proposed contribution of \$100 million:

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- a. Who will contribute the money (Daryl Katz personally, Edmonton Oilers, Katz group related parties; third parties)?
 - b. If the Oilers contribute the money, will this add to their debt service costs and therefore their annual deficit?
 - c. How will the money be contributed? Will there be a cash payment to the City to use in paying the construction costs?
 - d. Will any of the money be spent in land acquisition costs? Administration costs? Overhead?
 - e. When will the funds be invested?
 - f. Are you expecting that the funds will be repaid to you?
7. Surrounding development: Since the development of the "revitalization area" (arena district) surrounding the new arena is central to your financing proposal, please advise as follows:
- a. What types of development will occur in the area (please specify percentage of office, residential, retail, hotel, dining and entertainment, etc.)?
 - b. Who will be the developer?
 - c. Will any entities in the Katz Group of Companies be involved in the development?
 - d. Other than AEG, what other companies or individuals will be involved in the development as investors, lenders, partners or joint venturers?
 - e. Does the Katz Group or related companies or individuals (in or related to the Katz family) have an interest in, or have an option to acquire an interest in, any lands or properties in the area (other than the arena site itself)?
 - f. How much of the area do you envision will be occupied by: i) levels of government, ii) educational institutions, iii) non-profit organizations?
 - g. In your view, how much of the development must be committed to by the private sector before construction of the Arena can commence (for arena financing purposes)?
8. The Arena development: As the City is being asked to pay the majority of the cost of the new Arena:
- a. What is your present estimate of the cost of the new arena and what do these costs include: practice arena, casino, winter garden, infrastructure, soft costs?
 - b. Who will operate the casino? Who will receive the revenues from the casino?
 - c. Has the casino received regulatory approval?
 - d. Do you intend to sell seat licenses in the new Arena? Do you intend to market the naming rights to anyone but Rexall?
 - e. As this is intended to be a City owned and financed public work, do you intend to follow City protocols with regards to the tendering and construction of the Arena?

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9. Business Plan: Understanding that a final business plan will be subject to deliberations:
 - a. Please clarify the Katz Group current working business plan. How will the arena and surrounding developments be profitable to both the Katz group and the City of Edmonton?
 - b. Is the City expected to partake in the adjacent development? If so, how does the Katz group envision this working in their business plan?

Questions for Administration:

1. Please provide a copy of corporate analysis utilized to substantiate financial business model for adjacent development to the downtown arena.
2. What is projected timeline for full build out in terms of residential, commercial, government/public and hotel?
3. 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.
4. 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.
5. 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 and guarantee a return to the City.

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MAYOR MANDEL

1. How many parking stalls are in downtown Edmonton that are within 8-10 blocks of the new proposed arena site?
2. What is the breakdown of the revenue generated from Northlands from the arena site?
3. What is Rexall Place's current capital cost budget that is paid for by the City?
4. 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?
5. Ticket tax is an important part of the proposal. Can you breakdown what money the Oilers and Northlands receive, 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?
6. How long has that land sat vacant after it was sold from CN to private enterprise?
7. How much tax have we generated from that land?