

TALKING ABOUT A DOWNTOWN ARENA FOR EDMONTON

BACKGROUND INFORMATION

Background

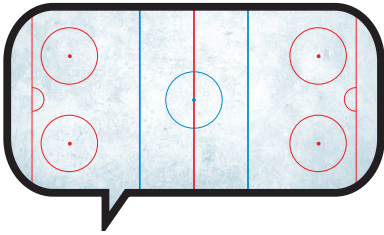
- Rexall Place, Edmonton's current arena, was built in 1974 and is now the second smallest and second oldest venue to host a National Hockey League team as a major tenant.
- The Edmonton Oilers' 10-year lease at Rexall Place will expire in 2014. The Oilers ownership has indicated they will not maintain their tenancy in the current facility beyond 2014.
- In 2007, Edmonton Northlands commissioned a study by HOK Sports that estimated the cost of modernizing Rexall Place would be about \$250 million.
- A committee appointed by the Mayor in 2007-2008 explored the potential for a new sports and entertainment facility in Edmonton. The committee was made up of community and business representatives as well as representatives from the Edmonton Oilers, Edmonton Northlands and the City of Edmonton.
- The report of the committee, entitled *City Shaping*, concluded that the greatest opportunity for Edmonton was to develop a new facility in the downtown that would contribute to the ongoing revitalization of the city's core.
- In 2009-2010 the Katz Group, owners of the Edmonton Oilers, proposed developing an arena and entertainment district in the downtown.
- In July 2010, City Council directed City administration to work with the Katz Group and Edmonton Northlands on the complex issues that surround the downtown arena and entertainment proposal.
- Major City plans such as the *Municipal Development Plan* and the *Capital City Downtown Plan* acknowledge the special role that the downtown plays in a vibrant city. The Downtown Plan provides guidelines on what would be required of a sports and entertainment district to ensure it contributes to a vibrant, attractive, high density, mixed-use and walk-able downtown area.

Katz Group Proposal

- Key proposed components of the arena project: an NHL level arena, community rink, retail and entertainment space.
- Arena site is mostly underdeveloped land right now. Rezoning application boundaries: between 101 Street and 104 Street, immediately north of 104 Avenue.
- The Katz Group has publicly committed \$100 million to the arena project, and an additional \$100 million to additional private investment in the surrounding entertainment district.
- Based on arena projects in a number of different cities, the cost of constructing the sports and entertainment facility in downtown Edmonton is estimated to be in the range of \$400 to \$450 million.
- Proposed arena funding for the arena: \$100 million from the Katz Group and \$300-\$350 million from other sources.
- Once the planned LRT expansion is complete there will be 6 LRT stations within a 10 minute walking distance. The site is also immediately adjacent to major bus routes on 104th Avenue and 101st Street. There are an estimated 46,000 parking stalls within a 10 block radius, 26,000 of which are in structured parkades. The site is well connected to the downtown core through existing pedway links.

Potential Sources of Funding

- In July 2010, City Council directed the City's administration to work with the proponent, the Katz Group, and Edmonton Northlands on the questions that surround a potential arena in downtown Edmonton, including a framework for financing and operations.
- Council's direction expressly provided that the funding model must not increase current property taxes.
- No funding model has currently been proposed to Council.
- A number of sources of funding are possible. A number of ownership and operating models are also possible. Some of these are specific to the type of funding model that might be selected.



- The following are some potential sources of funding which could be considered:

Community Revitalization Levy (CRL)

- A funding mechanism set up by the province that municipalities can use.
- A Community Revitalization Levy (CRL) allows municipalities to dedicate property taxes in a specific area to new infrastructure or a new facility in that area. Property taxes in a specific area would be dedicated to cover project costs. Property taxes in the rest of the city would not be affected.
- If used, it means the facility would be publicly owned.

How a CRL works:

- The new public project encourages private sector investment.
- The resulting redevelopment raises property value in the area.
- As assessed property values increase, tax revenues increase. This new revenue is dedicated to cover the costs of the project for up to 20 years.
- The province contributes the education portion of the municipal taxes.
- Once the initial investment has been repaid, the increased tax revenue would be directed to the City's general tax levy.
- It's estimated the new development that would follow from the construction of a new arena could generate \$10 million to \$11 million per year in new tax revenue.
- Through the 20 year time frame of the CRL, this tax revenue is currently estimated at \$120 to \$140 million.
- Once the initial investment has been repaid, the additional taxes realized as a result of the development would be directed to the City's general tax levy.

User pay: Ticket surcharge

- Estimated that \$5 per ticket on all events could generate \$8.8 million to \$10.8 million annually.

User pay: Personal seat licence or luxury suite licence

- Gives the holder the right to buy season tickets for a particular seat or suite in an arena.

Additional private funding

Funding from other levels of government for non-arena infrastructure

- Contributions from other orders of government have been provided for other projects in the Edmonton area.

The Future of Rexall Place

- It has yet to be determined what role Northlands might play in the downtown arena or what might happen to Rexall Place, where the Oilers currently play.
- Northlands:
 - Is a not-for-profit community-based organization that operates Rexall Place with the mandate to manage the needs of multiple venue stakeholders while attracting entertainment and events.
 - Reinvests its earnings back into the community and generates significant economic activity to the city and the province.

CONTACT

More information about the downtown arena proposal and a questionnaire is available at www.edmonton.ca/downtownarena. People without Internet access can call 311 to complete the questionnaire.