



THE WAY AHEAD

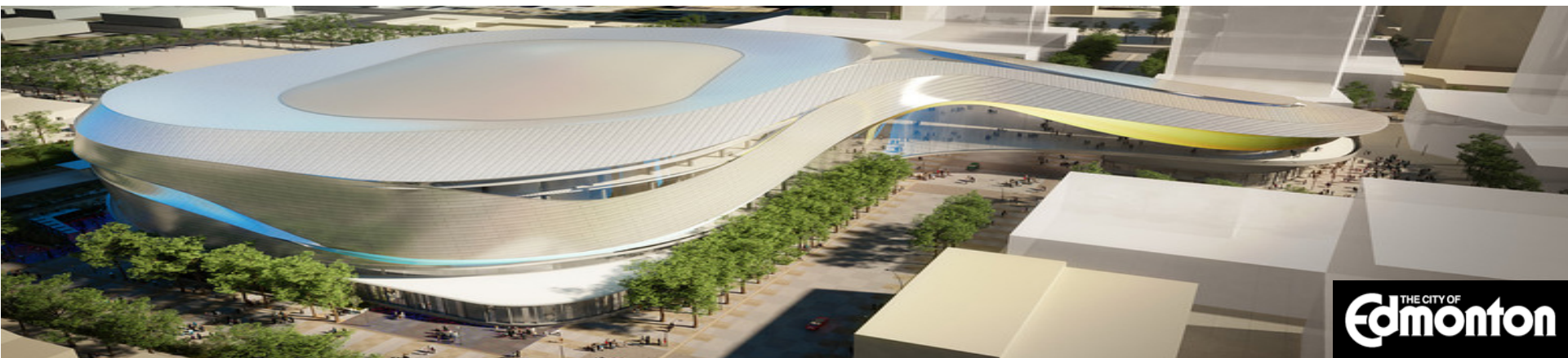
Edmonton Arena District Project

National Executive Forum on Public Property

May 29, 2013

TRANSFORMING | EDMONTON

BRINGING OUR CITY VISION TO LIFE



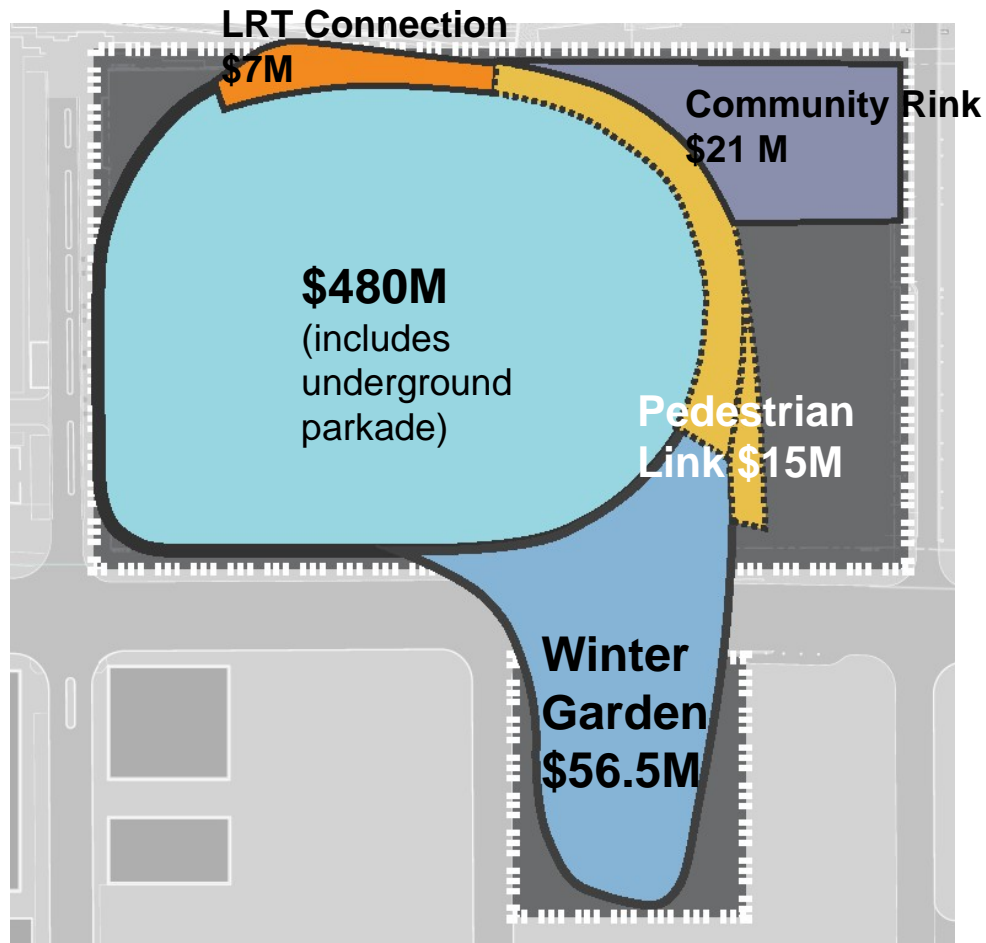
Development Initiatives Through a Risk Management Lens

- What is the Project
- What are the Risks
- Lessons Learned

What is the Project

- City Shaping report in 2008 said Edmonton needs a new arena and putting it downtown provides the best benefit for city
- Capital City Downtown Plan identified arena as a key catalyst project to revitalizing the city's core (2010)
- Public consultation in 2010 demonstrates support for arena
- Discussion continues for several years on arena project; Council agrees in 2011 to begin negotiations with Katz Group on downtown arena

What is the Project



- 18,500 seats
- Design & program includes:
 - Wintergarden
 - 350-stall underground parkade
 - Community Rink
- \$604.5M total project (includes arena and public infrastructure)
- \$279M City contribution
- \$161.5M Katz Group contribution

What is the Project

Catalyst for Private Sector Development

- Office Towers
- Residential Towers
- Casino
- Commercial / Retail
- Hotels

What is the Project

- **FUNDING FRAMEWORK**
 - \$279 Million City Funding
 - \$199 Million CRL
 - \$80 Million (Arena Tax, Redirected Subsidies, Parking)
 - \$161.5 Million Katz Group
 - \$23.7 Million Cash
 - \$137.8 Million Lease Payments
 - \$125 Million Ticket Tax
 - \$39 Million Federal Provincial Contribution

Arena District Video



What are the Key Risks

- Operating Cost of New Capital Projects
- Partners with Different Priorities
- Budget (Scope Creep)
- Funding
- Public / Political Support

Operating Costs of New Capital

- Funding Model Based Upon Desire to Transfer Operating and Maintenance Resp. to Oilers
 - All Operating Costs and Revenues to Oilers
 - Ongoing Routine Maintenance to Oilers
 - Facility Enhancements / Upgrades to Oilers
 - Major Capital Secured through Ticket Surcharge (\$1.5 Million / year)
 - City to Carry out ¼ly Inspections

Partners with Different Priorities

- Katz Group
 - Revenue Focus (Financially viable operation)
 - High Quality (Interior and Exterior)
- City
 - Downtown Revitalization - Walkability
 - Budget Constraints
 - Public Accessibility

Budget / Scope Creep

- Manage Design Within Budget Limits
 - Guaranteed Maximum Price Approach
 - Design Assist
 - Local Suppliers (Protectionism)
 - Aggressive Schedule (Cost escalation / Interest Rates)
 - Steering Committee / Leadership Team
 - Shared responsibility
 - Expertise in Design and Project Management
 - ICON, 360 Architecture, PCL, Oxford, BTY Cost Consultant)

Funding

- Katz Group Contribution
 - Location Agreement
 - Financial Viability of Arenas / NHL
- Ticket Tax
 - Capital plus Maintenance
- City Funding - CRL
 - Provincial Approval
 - Reliability of Development Forecasts
 - Downtown Revitalization is Key Driver
- Provincial Support

Public / Political Support

- Strong Support for Arena Downtown
- Downtown Focus rather than Arena Focus
- Katz Contribution Recognized
- Community Benefits Framework
 - Advisory Committee
 - Community Rink
- Concern over Funding Framework
 - Multiple Demands for public sector funding (MSI, LRT, Potholes, Housing.....)
 - Refocus on Downtown, potential for new development

Lessons Learned

- Operating Costs of New Capital
 - Need to Better Understand and Forecast Realistic Maintenance Expectations and Requirements
- Partners with Different Priorities
 - Embrace differences, establish shared vision and focus on areas of strength
- Budget / Scope Creep
 - Ongoing monitoring of all design elements to maintain realistic expectations
 - Shared responsibility / understanding of constraints
 - Governance Structure needs well defined responsibilities for direction setting
- Funding
 - Conservative forecasts raise confidence in projections
- Public / Political Support
 - Focus on Benefits and Opportunities rather than Costs or Risks
 - Strong Communications / Engagement Program
 - Public / community / business support all needed

Thank you

