

- **Other Sources of Revenue**

Additional ways to generate revenue to finance and support this project should be further explored in the context of actual proposals by proponents. Given the development opportunities generated by comparable complexes in other cities, other equity contributors could also be available in hotel and condo development, retail stores, nightclubs, restaurants, a casino etc. All of these ancillary developments complement the project and add to the revenue stream to support the facility.

**Summary:**

The Finance Sub-committee believes that the funding structure should include a minimum equity contribution of 30%, with 60% being the preferred level of equity. The equity component could be comprised of equity contributions from the private sector plus one-time contributions from orders of government. The balance of the project would be debt financed. The revenue sources available to service this debt include: the existing Rexall subsidy, ticket surcharge revenues, CRL tax revenues, free cash flow from arena operations and yet to be determined user fees. Estimates have been established for a number of these funding sources, while several are yet "to be determined" (TBD).

**Capital Cost of Project:**

**\$450 million**

**One Time Equity Contributions:**

\$100 million	Commitment from prime tenant
TBD	Additional private equity contributors (private and public sector)
TBD	Public sector equity contributions (federal, provincial, municipal)
TBD	Corporate sector contributions (e.g. naming opportunities, founder support etc.)
<b>\$135 million</b>	<b>Estimated total (minimum required within a \$450 million financing package)</b>

**Debt Financing**

**\$315 million**

**Revenue Contributions to Finance Debt:**

\$ 2.5 m	Redirection of the existing city subsidy to Rexall Place with direction of the subsidy dollars toward the capital fund.
\$ 5.0 m	Ticket surcharge, based on sales of 1.2 million tickets per year
\$ 7.5 m	From potential Community Revitalization Levy
\$ 11 m	Free cash flow from facility operations.
TBD	Rental/equity contributions through associated developments (hotels, condos, casino)
TBD	Other User Pay revenues (taxi and hotel levies, parking and other surcharges)

For example:

- It is expected that the development of a sports/entertainment facility in downtown Edmonton would stimulate development of ancillary lands. For purposes of this example, we have estimated the potential for \$2.5 billion in additional assessment growth representing \$20 million in incremental municipal and provincial property tax revenue annually. This estimate was reviewed for reasonableness by the City Assessor.
- This potential \$20 million in incremental revenue would be available for financing improvements within a CRL zone for the life of the rehabilitation project. The zone could be defined in such a way that it allows the City maximum flexibility to finance a wide range of area improvements in addition to the facility. Once the costs are repaid, all ongoing incremental revenues would be directed toward general revenues.

These calculations do not consider the additional revenue opportunity the City may have as a result of assessment and property tax revenue increases generated by the redevelopment of the existing Rexall site.

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#### Summary

The Finance Subcommittee believes that the funding structure should include a minimum equity contribution of 30 percent or higher. The equity component could comprise equity contributions from the private sector plus one-time contributions from the different orders of government. The balance of the project would be debt-financed. The revenue sources available to service this debt include the existing Rexall subsidy, ticket surcharge revenues, CRL tax revenues, free cash flow from facility operations and yet-to-be-determined user fees and other private revenue streams. Estimates have been established for a number of these funding sources, while several are to be determined (TBD).