

Downtown Event and Entertainment District – Land Acquisition - Midtown North Lot

ISSUE

Planning for the development of a Downtown Event and Entertainment District centred around a new Downtown arena and convention centre has been ongoing since late 2018. Through completion of a variety of internal due diligence investigations, supplemented by consultation with two external advisory firms with expertise in placement of major sporting facilities, the Midtown Shopping Centre North Parking Lot (North Lot) has been identified as a potential site for a future event centre (Appendix 1). Negotiations have been on-going for several months with Midtown Plaza's Inc. (Midtown) property management firm, Cushman & Wakefield Asset Services (Cushman & Wakefield), and a conditional agreement for the potential purchase of the property was reached earlier this year. This report provides an overview of the significant terms and obligations of the agreement, along with the key features of the site and potential opportunities the site offers.

RECOMMENDATION

1. That the Administration be authorized to purchase the Midtown North Lot, civically known as 140 Pacific Avenue, and legally identified as Parcels A and E, Plan 64S20563, Extensions 2 and 3, Surface Parcels 135771778 and 135771813, consisting of approximately 5.28 acres or 229,998 square feet at a purchase price of \$25 million for a potential Downtown arena/event centre;
2. That the City Solicitor be requested to prepare the associated auxiliary, undertaking and assignment agreements for signature, and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal; and
3. That if the purchase of the North Lot is approved by City Council, the Administration be authorized to enter into an interim parking operation and management agreement with Midtown regarding parking on the North Lot after the closing date.

BACKGROUND

At its November 19, 2018 meeting, City Council considered a report entitled "[Considerations for TCU Place and SaskTel Centre Project](#)," and resolved, in part:

- “1. That the Administration be directed to include a future Arena/convention centre when planning the future of Saskatoon's Downtown;
2. That the focus of the planning work include consideration of an entertainment district, not just an arena and/or convention facility.”

To gain a broader and more comprehensive understanding of the key factors that are essential in the site selection process for a Downtown event and entertainment district, the Administration engaged the services of two external advisory firms (Oak View Group and Katz Group/Shugarman Architecture) who have experience in the development of arena/convention centre/entertainment districts. Based on research and recommendations provided by the consultants, the Administration initiated discussions with the Midtown Plaza owners to conditionally secure the North Lot as a potential site option.

At its meeting held on May 24, 2022, City Council considered a report entitled "[Downtown Event and Entertainment District – Arena Site Options Evaluation Criteria](#)," and resolved:

- “1. That the event centre site option evaluation criteria outlined in this report be approved; and
2. That the Administration report back on the event centre site options and public engagement approach.”

At its meeting held on August 29, 2022, City Council considered a report entitled "[Downtown Event and Entertainment District – Event Centre/Arena Site Options and Public Engagement](#)," and resolved:

“That the Administration proceed with public engagement to solicit feedback on the opportunities and challenges associated with the two feasible site options for a future Downtown event centre/arena, and report back with a decision report to City Council for a final decision on the site location.”

The North Lot is owned by Midtown Plaza Inc. which in turn is co-owned by KingSett Capital (KingSett) and the Ontario Pension Board (OPB). Management of Midtown shopping centre and their related parking lots is provided by Cushman & Wakefield.

DISCUSSION/ANALYSIS

After lengthy negotiations with Cushman & Wakefield and the Midtown ownership group, a conditional Agreement of Purchase and Sale (Sale Agreement) was reached earlier this year. The conditional Sale Agreement for the North Lot is complex as it involves several commitments, future obligations, inherent good faith, and necessitates drafting of several auxiliary agreements to capture the intent and obligations rising from some of the terms. Key dates and terms within the agreement are as follows:

- Purchase price of \$25M.
- Initial deposit of \$1M paid in trust to Midtown’s Solicitor. If the sale transaction is completed as contemplated under the Agreement, the deposit will be credited to the purchase price. In the event the sale transaction is not approved by City Council the Deposit shall be refunded to the City of Saskatoon (City), together with accrued interest.
- Midtown Board of Directors approval on or before April 12, 2022, (Notice of this

approval was provided to the City on April 8, 2022).

- City's satisfactory review of existing studies and investigations and/or satisfactory completion of environmental, geotechnical, hazardous material, and structural due diligence investigations by the City on or before May 30, 2022. These reviews and investigations have been completed by Administration with no significant concerns identified.
- Midtown obtaining all third-party approvals required to complete the transactions under the Agreement on or before August 23, 2022. (Completed by Midtown August 23, 2022).
- Satisfactory review by the City of all subsisting leases on or before August 23, 2022. (Completed by the Administration August 23, 2022).
- City of Saskatoon City Council approval of the acquisition before November 30, 2022.
- Closing and Possession Dates of December 15, 2022, or alternate date as agreed to by the Parties.
- In the event City Council has not approved the Downtown Entertainment and Event District as a capital project by July 31, 2024, Midtown has the option to re-purchase the North Lot at the same price of \$25M. The City has the option to postpone the re-purchase timeline to July 31, 2027.
- Confidentiality provisions outlined within the Sale Agreement required details of the agreement to be kept confidential up to the date of approval by City Council.

The following obligations are required of the City and Midtown as part of the Sale Agreement:

City Obligations:

- Prior to commencement of construction of the arena and associated improvements (City Improvements) on the North Lot, and prior to decommissioning the access/egress ramps situated on the North Lot, the City is to construct 526 parking stalls (or more should the City determine more are required) on City owned lands located south of 22nd Street and east of Idylwyld Drive (Public Accessible Parking) that will remain accessible to the general public for a period of 99 years. The parking stalls may be underground, surface, or within an above-ground parking facility or any combination thereof, and will remain wholly owned by the City.
- The City is to construct a physical connection between Midtown's existing underground parking lot with that of the future parking structure to be constructed south of 22nd Street, east of Idylwyld Drive. The connection is to accommodate integration of the two underground parking lots and is to be completed by the City, at the City's cost, at the time of construction of the City improvements.
- Prior to construction of City Improvements on the North Lot, and prior to decommissioning the access/egress ramps situated on the North Lot, the City is to construct new access to the new 526 public accessible parking stalls south of

22nd Street and construct a new North Access Ramp to Midtown's existing underground parkade.

- Prior to commencement of construction of City Improvements on the North Lot, and prior to decommissioning the Loading Dock Access Tunnel on the North Lot, the City is to relocate and construct a new Loading Dock Access Tunnel.
- The City agrees to provide Midtown with timely detailed updates as to the progress of construction of the City Improvements.
- The City agrees to confer with Midtown on the plans, specifications, and location of the North Access Ramp; the New Loading Dock Access Tunnel; and the Public Accessible Parking with Midtown having the right to review and approve these items and any subsequent changes.

Midtown Obligations:

- Midtown to facilitate connection and integration of Midtown's underground parking with underground parking of the City's improvements at the time of construction at the City's cost.
- Midtown agrees to provide and make available for use without compensation, the lands required to accommodate a new west access/egress ramp onto Idylwyld Drive South should the City decide to proceed in that regard. Midtown and the City would share equally in the cost of maintenance and repair of the west access/egress ramp.

Auxiliary Agreements to the Sale Agreement

To facilitate performance and fulfillment of the terms and obligations outlined in the Purchase Agreement, eight auxiliary agreements are required to be drafted prior to Council Approval and closing of the proposed sale.

Under the Sale Agreement, four of these auxiliary preliminary agreements are to be finalized prior to Council approval. The agreements are required to maintain Midtown's current access to the underground parking and the Hudson Bay Company (HBC)'s loading dock facilities if and when ownership transfers to the City as well as capture and implement the intent and obligations laid out in the Sale Agreement. The four preliminary auxiliary agreements include:

- Temporary Underground Access/Egress Easement Agreement-North Lot;
- Temporary Access Tunnel Easement Agreement- Existing HBC Loading Dock;
- Restrictive Covenant and Access Agreement; and
- Midtown – Option Agreement to repurchase the North Lot.

The City and Midtown have further agreed to the form and extent possible of the following future agreements for which key terms including the specific location of future improvements have yet to be determined. A complete list of these agreements include:

- Operating and Management Agreement respecting Public Accessible Parking;
- Access Agreement respecting Public Accessible Parking;

- North Access Ramp Joint Use Easement Agreement; and
- New Bay Loading Dock Joint Use Access Tunnel Easement Agreement.

Appendix 2 outlines the definition and intent of the each of these Auxiliary Agreements. As of November 10, 2022, the Administration and Midtown have agreed to the content and form of all required Preliminary Auxiliary Agreements.

In addition to the agreements with Midtown, the Administration is requesting City Council approval to enter into an undertaking agreement with HBC. The proposed agreement would ensure HBC has access to the replacement Public Accessible Parking and that access to the existing and relocated bay loading dock is maintained. This agreement must be in place before closing of the City's proposed purchase of the North Lot.

North Lot Interim Parking Management Agreement

Finally, in addition to the eight auxiliary agreements, the City and Midtown would enter into a parking operation and management agreement where Midtown would continue to oversee the management and operations of the North Lot surface parking until such time as the North Lot is required for the construction. Notable terms of the interim parking management agreement include:

- City to cover 29% of total Midtown parking operation costs. The percentage split is based off the 526 North Lot parking stalls being 29% of the total current Midtown underground and surface parking stall count of 1,790.
- Midtown would collect parking and billboard revenue from the North Lot and reimburse the City with operating, management and maintenance costs first being deducted.

Annual North Lot net revenues once operating, management and maintenance costs are deducted are estimated to be \$350,000-500,000 annually, which will be an interim source of revenue for the City. This revenue will be used to cover any required maintenance and operating costs on the lot prior to its potential use by Downtown Entertainment and Event District project.

Administration Comments on the North Lot Acquisition

The following summary outlines Administrations comments on the potential acquisition.

- Purchase price of \$25M (\$108.70/sq ft. for 230,000 sf site) falls within the range of market value for the site. For comparison's sake, recent acquisitions of 141 Pacific Avenue (paved parking lot) purchased in 2021 for \$115/sq ft, 345 2nd Avenue (gravel parking lot) purchased in 2020 by Saskatoon Public Library for \$107/sf ft., and 120 Idylwyld Drive (paved parking lot) purchased in 2013 for \$110/sq ft are all similar in value. In addition, throughout the negotiation process Administration validated the final land cost with local Real Estate brokerage firms to confirm the price was reflective of market value for downtown Saskatoon.
- Integration of Midtown's underground parking with the underground parking of a new or expanded convention centre will provide the City with direct access to

Midtown's existing underground parking stalls. In addition, the location and integration of the underground parking offers a potential opportunity for an underground pedway with direct access to the arena/event centre, convention centre, performing arts centre, hotels, and shopping mall.

- Midtown has agreed to make lands available for use without compensation to accommodate a new west access/egress ramp onto Idylwyld Drive North, if required.
- The terms of the Agreement necessitate a phased approach and logistical coordination of development of a new or expanded convention centre and arena. 526 public accessible parking stalls must be in place and operational prior to commencing construction on the arena/event centre and relocation of the North Access Ramp and HBC Loading Dock Access Tunnel. This will extend the development timeframe of the project; however, phasing these improvements will be less disruptive to the Downtown.
- The Agreement requires retaining and potentially relocating the HBC loading dock ramp access and tunnel.
- The Agreement requires relocation of the North Access Ramp and tunnel which currently provides access and egress to and from Midtown's existing underground parking. Although this is a requirement of the Agreement, this ramp would have to be physically relocated in order to accommodate placement of an arena/event centre on this site. The Agreement requires review and approval by Midtown of the plans, specifications and location of the North Access Ramp, HBC loading dock ramp, and Public Accessible Parking in order to ensure Midtown's continuous access to public parking and contractual obligations to their tenants. The project team has committed to involve Midtown early and throughout the project, agreeing to regular meetings with designated Midtown representatives during the functional, preliminary design and detailed design stages as well as throughout construction. A 30-day timeline for responses was included to mitigate potential delays.
- The costs of the obligations related to the ramp access and tunnels and establishing new parking facilities will not be fully understood until designs for the new facilities and infrastructure can be developed. At this time, the Administration estimates that these additional costs will be approximately \$25M, although most of this infrastructure will also support the new event centre/arena and new or expanded convention centre.
- The Agreement provides Midtown the option to re-purchase the North Lot at the same price if the project and associated funding plan is not approved by City Council by 2027.
- The Agreement requires access to the additional (526) Publicly Accessible Parking stalls to remain in place for 99 years. These stalls would be built and owned by the City with all future parking revenues retained by the City. These revenues would be used to cover off any operating costs for the parking lot and DEED with any remaining funds being used to pay back the Property Realized

Reserve (PRR) for the acquisition of the site.

FINANCIAL IMPLICATIONS

The purchase price for the North Lot is \$25M. Sufficient funds for this purchase exist in the PRR, which would be used as an interim source of funding until the Downtown Event and Entertainment District Capital project is approved. The PRR receives no funding from taxpayer contributions. Further reports to the appropriate Committee on the project funding plan will identify how PRR will be repaid by the project per City Council Policy.

ENVIRONMENTAL IMPLICATIONS

Phase I and Phase II Environmental Site Assessments were completed on the site by qualified consultants to determine if there are any contaminants present on the site resulting from its historic use for rail activities. Assessment efforts corresponded to the environmental risk identified. The results of these investigations were reviewed with the City's Environmental Soil Engineer and determined not to be of significant concern.

OTHER IMPLICATIONS

There are no privacy, legal, or social implications identified.

NEXT STEPS

The next step will be to undertake the various planning and design studies necessary to determine the feasibility of the Downtown Event and Entertainment District project. This includes a masterplan for the area, functional and design plans for the proposed City Improvements, and a funding plan.

APPENDICES

1. Appendix 1 – Identification of Lands
2. Appendix 2 - Definitions and Intent of Auxiliary Agreements

REPORT APPROVAL

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