

Downtown Event and Entertainment District – Three Auxiliary Site Land Acquisitions

ISSUE

Planning for the development of a Downtown Event and Entertainment District centred around a new event centre/arena and a new or expanded convention centre has been ongoing since 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 entertainment facilities, the Midtown Shopping Centre North Parking Lot (North Lot) has been identified as the site for the future Event Centre/Arena

Additional land acquisitions adjacent to the North Lot are recommended to further support and enhance the development of a Downtown Event and Entertainment District.

RECOMMENDATION

1. That the Administration be authorized to purchase 50 – 23rd Street from Presidio Holdings Inc., Lot 6, 7, 8, 9, 10, 10A, 11, 12, 13, 14, 15, 16, 17, 18, 19 Block 14, Plan G3042, consisting of approximately 1.14 acres with 20,870 square feet of building at a purchase price of \$6.95M;
2. That the Administration be authorized to purchase 39 – 23rd Street from Waldegrave Properties Limited, Lots 7, 8, 9, 10, 11, 12 Block 2, Plan F4570, consisting of approximately 0.41 acres with 18,767 square feet of building at a purchase price of \$5.2M;
3. That the Administration be authorized to purchase 149 Pacific Avenue from Hooper Holdings Inc., Lots 13, 14, 15, 16 Block 2 Plan F4570 and Parcel A, Plan 101276145, consisting of approximately 0.41 acres with 15,439 square feet of building at a purchase price of \$4.75M plus \$400,000 for relocation costs; and
4. That the City Solicitor prepare the appropriate agreements and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal.

BACKGROUND

At its meeting held on November 16, 2022, City Council considered a report entitled "[Arena/Event Centre Site Selection and Public Engagement Results](#)" and resolved:

"That Option 1 be approved with the future event centre/arena to be located on Site A – Midtown Shopping Centre North Parking Lot."

At its meeting held on November 16, 2022, City Council considered a report entitled [“Downtown Event and Entertainment District – Land Acquisition – Midtown North Lot”](#) and resolved:

“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.”

In reporting considered by City Council on November 16, Administration advised that further sites in proximity to Midtown North Lot totaling \$17.3M had been conditionally secured and these land acquisitions would be considered by City Council in December of 2022.

The following properties are owned by the City and could potentially support a future Downtown Event and Entertainment District surrounding a future event centre/arena located on the North Lot (Appendix 1).

- In December 2022, the City purchased 140 Pacific Avenue (the North Lot) which is a 5.28 acre paved parking lot;
- In late 2021, the City purchased 141 Pacific Avenue and 145 – 1st Avenue, a 0.70 acre paved 70 stall parking lot, and 145 – 1st Avenue, a 0.46 acres lot with a 28,800 square foot building;
- In early 2021, the City purchased 123 Auditorium Avenue which is a 0.27 acre corner site with 6,400 square foot single-story building;
- In 2013, the City purchased 120 Idylwyld Drive which is a 0.50 acre midblock site that was developed as a partially paved parking lot. In 2013, the City purchased 126 Idylwyld Drive which is a 0.81 acre interior site that was developed as a paved parking lot; and
- 110 Idylwyld Drive and 105 Auditorium Ave were purchased in a few phases between the 1950s and 1970s and have been used for parking since then.

DISCUSSION/ANALYSIS

Advice provided by external consultants suggested the City of Saskatoon (City) investigate all potential land assembly required for the project prior to any public announcement of the final location. The consultants advised Administration to assemble all potential lands required around the convention and event centre/arena as it provides flexibility in the design, development and construction, management, and expansion of the district. In the event the land ends up being surplus to the needs of the project, it can be offered for sale or potentially developed to support the district.

With the North Lot confirmed, by City Council, as the future event centre/arena location, additional property around the selected site is recommended to be purchased. These additional properties will allow for an expanded and enhanced public realm, and will

provide flexibility in the design of the event centre/arena, including the potential for a possible east-west configuration as shown in Appendix 2. The additional property would also help support construction logistics and provide the City with more control in the development of the district.

The Administration, through its Agent, ICR Commercial Real Estate, has negotiated conditional agreements for the potential acquisition of the following properties adjacent to the City-owned North Lot:

- 50 – 23rd Street – Presidio Holdings Inc.
- 39 – 23rd Street – Hooper Holdings Inc.
- 149 Pacific Properties – Waldegrave Properties Ltd.

All three of the agreements are conditional upon City Council approval by December 20, 2022, and would close January 12, 2023, except for 50 - 23rd Street East which would close January 6, 2023.

Notable Terms and Property Details

Notable terms and property details for each site is as follows:

50 - 23rd Street East

- Purchase price of \$6.95M with a non-refundable \$100,000 deposit in the event City Council approval is not received. The non-refundable deposit serves as an option fee which allowed the City to have the property under agreement for six months while other properties were being conditionally secured. The owner would not enter into the sale agreement unless the City agreed to this form of deposit, which is not unreasonable due to the extended duration the City had 'tied up' the property, meaning it could not be offered to another party during that period.
- MX2 zoned corner site is 1.14 acres with two single story buildings. The main building was constructed in 1974 and has 14,961 square feet of leasable space and the rear building was constructed in 1977 with 5,909 square feet of leasable space.
- 60 paved parking stalls with some being leased out and generating monthly revenue.
- A leaseback for the rear building at \$1.00 would occur until May 1, 2023 to facilitate the vendor's transition off the property. Utility charges for this building would be the responsibility of the vendor.
- The current tenant in the main building is not expected to remain in the space beyond December of 2022.
- Annual holdings costs in the event a tenant is not secured for the 50 - 23rd St property are estimated at \$110,000.

Downtown Event and Entertainment District – Three Auxiliary Site Land Acquisitions

39 - 23rd Street East

- Purchase Price of \$5.2M with a refundable \$100,000 deposit in the event City Council approval is not received.
- B6 zoned corner site is 0.41 acres with a three-story office building that was constructed in 1988 and has 20,597 square feet of leasable space.
- 28 paved parking stalls with most of the stalls being leased out to tenants in the building.
- Building has nine tenant leases that occupy approximately 11,445 square feet.
- Current net revenue from parking and leases estimated at \$100,000 per year.
- Agreement for purchase requires approval of the limited partnership investors, which has been received.

149 Pacific Avenue

- Purchase Price of \$4.75M plus \$400,000 for relocation costs due to the owners occupying space in building. Includes a refundable \$100,000 deposit in the event City Council approval is not received.
- B6 zoned interior site is 0.41 acres with a three-story office building that was constructed in 1985 and has 15,884 square feet of leasable space.
- 27 paved parking stalls with all stalls being leased out to tenants in the building.
- Eight tenants in the building that occupy 15,116 square feet. The terms of the leases vary; however, the majority of the space is under agreement for another three years which would provide a secured source of income.
- Current net revenue from parking and leases are estimated at \$330,000 per year.

Appendix 3 provides a visual of the property locations and an overview of the buildings on the properties and additional property details.

Property Values

In securing agreements for each of the properties, the Administration and its Agent approached each owner to inquire about their interest in selling the properties. While all owners were willing to entertain discussions, the properties were not listed for sale

To establish a baseline for price discussions with the owners, the Administration had market appraisals completed by Suncorp Valuations for each property. The appraised values, and final agreed price are noted below:

Downtown Event and Entertainment District – Three Auxiliary Site Land Acquisitions

	Appraised Value	Final Negotiated Price	Price as Land Value	Price as Leasable Building Area
50 - 23rd Street	\$6.1M	\$6.95M	\$140 per sf	\$333 per sf
39 - 23rd Street	\$4.1M	\$5.2M	\$294 per sf	\$253 per sf
149 Pacific Avenue	\$3.7M	\$5.15M*	\$285 per sf	\$324 per sf

* includes moving costs

To incentivise the owners to sell the properties, the final negotiated price is higher than the appraised value for all of the properties.

Due Diligence

In considering the purchase of each property, Administration completed due diligence reviews of the following:

- Existing leases in place;
- Building plans/permits;
- Property appraisals;
- Hazardous materials;
- Real property report / surveyors' certificate;
- Environmental investigations/consideration; and
- Detailed building, roof, and mechanical inspections.

Given the planned use of the properties as part of a future Downtown Event and Entertainment District, the outcome of the due diligence process concluded there was no significant issues that would cause the City not to move forward with the potential purchases subject to City Council approval.

The hazardous materials investigations completed on the 39 – 23rd Street and 149 Pacific did identify the existence of some asbestos containing materials; however, the extent of the materials is manageable and not uncommon for buildings of this age. Abatement of the materials would be required as part of any demolition of the buildings.

Administrative Comments

The proposed additional land acquisitions adjacent to the North Lot would further support and enhance the development of a Downtown Event and Entertainment District at the North Lot location in the following ways:

1. Allow for a larger and enhanced public plaza and public realm around the future event centre/arena, and more control of the district.
2. Allow for the most flexibility in the sighting of the future event centre/arena in an east-west or a north-south orientation.

3. Provide a laydown area for the construction of future improvements and thus make for easier construction logistics which may reduce project costs.
4. Allow for improved event opportunities/logistics once the future event centre/arena is operational, such as: tour bus staging, premier and luxury ticket holder parking, and transportation drop-off/pick-up areas.
5. Reduce the risk of paying substantial premiums for the properties if determined to be critical for the project at a later date. Acquiring these properties now allows for recapturing some of the purchase price from the interim lease revenues being generated from the properties.
6. Provides flexibility with the relocation of the Midtown underground parking access ramps and Hudson Bay Company loading dock.

FINANCIAL IMPLICATIONS

The total purchase price for the three properties is \$17.3M with an additional \$335,000 in commissions and closing costs. Sufficient funds for these purchases exist in the Property Realized Reserve (PRR), which would be used as an interim source of funding until the Downtown Event and Entertainment District capital project is approved. Upon potential approval of the project by City Council, all lands used by the project would be repaid at the higher of historical cost or fair market value. Further reporting on the status of PRR sufficiency for the purchases is detailed in a companion report being presented at the December 19, 2022 meeting of City Council.

As noted above, the three properties are expected to generate a net-positive cash flow given the current leases and parking contracts in place. The current net revenues from the three properties are estimated at \$320,000 annually, with the potential to increase as tenants are secured for the vacant spaces within the 50 and 39 – 23rd Street buildings.

Factoring in opportunities for interim lease revenues and market timing, the Administration is of the opinion that in the event one, or all, of these properties are not required as part of the Downtown Event and Entertainment District project, a disposition could occur where the City recoups the majority, if not all, of the purchase price.

Should the capital project for the Downtown Event and Entertainment District not be approved by City Council, the following options exist for these properties assuming the acquisition proceeds:

1. List the properties for sale and sell.
2. Retain the properties and continue to lease the space in the properties to third parties until such time as civic plans/direction indicates otherwise.
3. Examine the potential for locating City staff/uses in the properties.

ENVIRONMENTAL IMPLICATIONS

Environmental assessments were completed for the three properties. The results of these investigations identified nothing of significant concern.

OTHER IMPLICATIONS

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

NEXT STEPS

If the acquisitions are approved, the Administration would procure the services of a property management company to manage the day-to-day operation of 149 Pacific Avenue, 50 – 23rd Street, and 39 – 23rd Street and a commercial real estate company to find tenant(s) to lease any vacant space in the properties until such time as the properties are required for the Downtown Event and Entertainment District project. If/once qualified tenants are found, the Administration would report to Committee seeking approval to enter such leases for any vacant spaces in the properties.

APPENDICES

1. Location of Properties for Acquisition
2. East-west Configuration of Event Centre/Arena
3. Overview of the Properties for Acquisition

REPORT APPROVAL

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