



CITY COUNCIL AGENDA REPORT

City of Anaheim OFFICE OF THE CITY MANAGER

DATE: OCTOBER 23, 2018
FROM: OFFICE OF THE CITY MANAGER AND CONVENTION,
SPORTS AND ENTERTAINMENT DEPARTMENT
SUBJECT: ANAHEIM ARENA MANAGEMENT NEGOTIATING
FRAMEWORK

ATTACHMENT (Y/N): NO **ITEM #** 25

RECOMMENDATION:

That City Council, by motion, approve a negotiating framework involving the City of Anaheim and Anaheim Arena Management, LLC (AAM) which would keep the Anaheim Ducks in Anaheim through 2048, increase annual General Fund revenue and contemplate the sale of City-owned property for purposes of development in and around Honda Center and the Anaheim Regional Transportation Intermodal Center (ARTIC) in accordance with the May 2004 Platinum Triangle Master Land Use Plan (PTMLUP), and direct staff to continue with negotiations with AAM based on the framework.

DISCUSSION:

On January 9, 2018, Council was advised of AAM's interest to discuss the possibility of development around the Honda Center and ARTIC. With Council's concurrence, staff initiated real property discussions with AAM on the sale of City-owned property around the Honda Center, ARTIC operations and the long-term retention of the Anaheim Ducks. At the October 9, 2018 Council meeting, Mayor Tait requested staff return with an update on the discussions with AAM.

History:

Platinum Triangle:

In 2004, the City adopted the Platinum Triangle Master Land Use Plan (PTMLUP) to provide opportunities for well-designed development projects that would combine residential with other uses including office space, retail, and business services in the 820-acre area surrounding and including Angel Stadium of Anaheim and Honda Center, generally north of Interstate 5 and west of the 57 freeway.

Objectives of the PTMLUP included creating a unique integrated, walkable urban environment to encourage pedestrian activity, creating a design where all development would be harmonious, reinforcing transit opportunities around ARTIC, and stimulating market-driven development investment.

The City has completed the environmental review process, pursuant to the California Environmental Quality Act (CEQA) to allow streamlined development processing for up to 17,501 residential units, 4.8 million square feet of commercial development, 9.2 million square feet of office development and 1.5 million square feet of Institutional land use (government offices, transportation facilities, public or private colleges and universities, public utilities, hospitals, community centers, etc.).

To date, only 3,358 residential units and 39,369 square feet of commercial development have been constructed in accordance with the PTMLUP. This new development is in addition to the 670,000 square feet of commercial development and 1.9 million square feet of office development that already existed within the Platinum Triangle prior to the adoption of the PTMLUP. Future approved development includes an additional 4,109 residential units, 647,600 square feet of commercial development and 77,000 square feet of office development, which the City has entitled through development agreements. 1,872 of these residential units are currently under construction. Remaining development intensity that has not yet been entitled to specific property owners includes more than 10,000 residential units, 3.4 million square feet of commercial development and 11 million square feet of office development.

Honda Center:

Honda Center, a 19,000-seat arena owned by the City of Anaheim, opened on June 19, 1993, under the management of Ogden Facility Management Corporation of Anaheim. The Anaheim Ducks (formerly known as the Mighty Ducks) were the first permanent tenant and one of the National Hockey League's expansion franchises that year.

On December 16, 2003, following the bankruptcy of Ogden, the City entered into a Facility Management Agreement with AAM, a subsidiary of H&S Ventures. Shortly thereafter, H&S Ventures purchased the Anaheim Ducks in 2005. The Ducks then became the first ever California Stanley Cup champions in 2007.

The Honda Center sits across Katella Avenue from ARTIC and adjacent to the 57 freeway, which allows for access to the venue from multiple modes of transportation.

ARTIC:

In December 2014, the City opened ARTIC, a transit hub in the Platinum Triangle, a growing and dynamic mixed use area, and within walking distance of both the Angel Stadium and the Honda Center. ARTIC serves as a transit hub for Orange County and the entire Southern California region with bus and rail services that include: Amtrak Metrolink, Orange County Transportation Authority Anaheim Resort Transportation, Tres Estrellas De Oro bus service to Mexico, Greyhound, Megabus.com, Flixbus, shuttles, taxis, and outdoor bicycle racks and lockers.

Negotiating Framework:

The arena has been an integral part of Anaheim and Orange County since 1993. The Anaheim Ducks, 2007 Stanley Cup champions and celebrating their 25th anniversary in Anaheim, add to the city's pride. H&S Ventures are world-class owners that consistently

invest in the city and our youth. Both are intimately weaved into Anaheim and Orange County's fabric.

Discussions with AAM were based on a multipoint vision to convert underutilized and undeveloped City-owned property to create an entertainment district, keep the Ducks in Anaheim through at least 2048 and attract additional visitors to the area and venues, thus increasing the city's tax revenue through development. The agreement would also eliminate the City's \$2.5 million annual general fund obligation for the operation of ARTIC.

To this end, Staff seeks approval of the following general negotiating framework:

- Honda Center:
 - City to maintain ownership of Honda Center, with all operating expenditures, inclusive of capital expenditures, borne by AAM.
 - Extend AAM's base management term to 2048, with five (5), five (5) year extensions.
 - Ducks to stay in Anaheim through 2048, with extensions, with the team continued to be known as the Anaheim Ducks.
 - Reduce profit-sharing threshold, thereby allowing the City to receive profit after a lower threshold is met.
 - Change the profit sharing from 75% (AAM) to 50/50.
- Honda Center Parking Lots:
 - Sell City owned land in parking lots 1, 3, 4 and 5 at appraised market value, reflecting continued parking requirements.
 - City to require a value protection clause on land sales.
 - AAM to assume City's parking requirement of ensuring 3,900 parking spaces for arena visitors.
- ARTIC:
 - AAM to assume management through 2048, with five (5), five (5) year extensions.
 - AAM to assume all operating losses, up to \$2.5M per year.
 - Authorize a "Spectacular" sign at ARTIC with all revenues, after construction costs, to offset operating ARTIC losses. AAM to advance all costs of signage construction.
 - Net revenue profit sharing; 60% to City, 40% to AAM.

The foregoing framework builds upon the city's vision to develop the Platinum Triangle with a desired entertainment district. H&S Ventures is a partner who is committed to Anaheim's growth and invested in ensuring development in and around Honda Center is successful.

IMPACT ON BUDGET:

Impacts would vary based on negotiations and contract documents. There would be one-time revenue associated with any land sale, approximately \$70M in general fund savings associated with the ARTIC operation over the course of the agreement, estimated at the current loss of \$2.5M, annually, and anticipated future developmental revenue at an amount undetermined at this time.

Respectfully submitted,

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Tom Morton
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