



**GLENDALE CITY COUNCIL SPECIAL MEETING
Council Chambers
5850 West Glendale Avenue
February 15, 2011
1:00 p.m.**

The meeting was called to order by Mayor Elaine M. Scruggs, with Vice Mayor Steven E. Frate and the following Councilmembers present: Norma S. Alvarez, Joyce V. Clark, Yvonne J. Knaack, H. Philip Lieberman and Manuel D. Martinez.

Also present were Ed Beasley, City Manager; Horatio Skeete, Assistant City Manager; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk.

CONSENT AGENDA

Items on the consent agenda are of a routine nature or have been previously studied by the City Council at a work session. They are intended to be acted upon in one motion.

Mr. Ed Beasley, City Manager, read agenda item number 1.

1. ARENA AND COYOTES AGREEMENTS

Ed Beasley, City Manager; Horatio Skeete, Assistant City Manager; Craig Tindall, City Attorney; and Art Lynch, SRJ Government Consultants, LLC, presented this item.

This is a request for City Council to direct the City Manager to continue moving forward with finalizing the Arena Lease and Management Agreement (ALMA), the Use and Non-Relocation Agreement (UNRA), and other ancillary agreements necessary to fully effectuate the transactions reflected in the ALMA and UNRA with Arizona Hockey Arena Holdings LLC and Coyotes Newco, LLC.

This request supports Council's goals of one community that is fiscally sound and one community with quality economic development by keeping the Coyotes as the main tenant in the city-owned Jobing.Com Arena in Glendale for the full length of the lease. The Coyotes were the impetus for the creation and development of Glendale's Sports and Entertainment District, including Westgate City Center, University of Phoenix Stadium, Camelback Ranch-Glendale and other surrounding amenities.

This request protects current public and private investments, encourages additional investments, and continues to enhance the positive image of Glendale to residents and tourists. Thus, this request will protect the city's investment in its Sports and Entertainment District that has been an economic catalyst in bringing major national events to Glendale and attracting new businesses and employers to the area as well as residents, visitors and tourists to nearby hotels, restaurants and shops.

The agreements under consideration maintain the team in Glendale for a lease term of 30 years, protect current arena revenue streams, protect existing revenue streams and obligations and provide opportunities for the city to participate in revenue sharing.

Further, these agreements maintain Jobing.com Arena's position as the primary anchor at Westgate and ensure the viability and growth of Westgate, the surrounding Sports and Entertainment District, and the City of Glendale as a whole. Westgate is a prime location for future growth as the economy continues to show signs of improvement.

During the bankruptcy proceedings, it was determined that the economic impact of the Coyotes to the City of Glendale was approximately \$511 million. The agreement by the Coyotes not to relocate during the term of the ALMA has been independently valued at between \$270,536,000 and \$337,900,000. This amount does not include the substantial amount of revenue derived directly from the Coyotes occupancy of the Arena and the continued professional management of the facility that will attract many other events to the Arena. Moreover, the Coyotes presence at the Arena will assure substantial indirect revenues highly beneficial to the citizens of Glendale. These agreements will protect and sustain the long-term viability of the team in Glendale.

In 2001, the Mayor and City Council entered into an Arena Development Agreement, an Arena Management and Use Agreement (AMULA), and a Mixed-Use Development Agreement (MUDA). The purpose of these actions was to create a high-quality major economic center in Glendale, consisting of offices, hotels, entertainment, retail and restaurants. As part of this action, the Council entered into a related agreement to redevelop the former Manistee Town Center into what is now the very successful Northern Crossing Retail Development located at 59th and Northern Avenues.

The city-owned Jobing.com Arena is recognized as one of the top venues for hockey and concerts in the United States. The arena anchors the city's largest mixed-use development, including restaurants, hotels, entertainment facilities and offices at Westgate. As a result of the Council's strategic investment, the city's Sports and Entertainment District has transitioned from a primarily agricultural setting to a premier destination point for residents and tourists. Land values have increased from an initial starting point of approximately \$2 per square foot to a peak, prior to the economic downturn, of \$16.50 per square foot. Current land values are estimated to be up to \$10 per square foot.

Unexpectedly, in May 2009, the former team owner Coyotes Hockey, LLC and its affiliated entity, Arena Management Group, LLC (collectively referred to as the "Coyotes") filed for federal bankruptcy protection. The city's investment was meeting all financial projections and attracting economic development to the area until the Coyotes were thrust into bankruptcy.

During the bankruptcy proceedings, the NHL purchased the assets of the Coyotes but did not assume the Arena Management, Use and Lease Agreement.

For the past two years, under the direction of Council, the city has been actively working with potential buyers of the Coyotes to structure a deal that would keep the team in Glendale.

Council established criteria for negotiations with potential buyers of the Phoenix Coyotes including keeping the team in Glendale for the full length of lease, keeping current arena revenues intact and to provide opportunity to share in revenue streams, when feasible.

The NHL has established the value of the team at \$170 million. The current selling price of the team is a result of existing issues beyond the city's control.

According to a study conducted by ESI Corporation in 2008, the annual regional economic impact of the Coyotes and Jobing.com Arena is substantial:

- 750 jobs in Maricopa County and \$20 million in wages
- \$4.5 million generated in indirect business taxes for Glendale, Maricopa County and the state

The loss of the Coyotes as an anchor tenant would result in a loss of at least 43 major events per year at the arena. In addition, it is highly unlikely that the arena would be able to generate the same number and quality of replacement events.

In the past, Council approved multiple arena-related agreements including a Memorandum of Understanding (MOU) for Development of Hockey Arena Site (April, 2001), Arena Development Agreement (November, 2001), Arena Management and Use Agreement (November, 2001), and Mixed-Use Development Agreement (November, 2001).

Staff brought forward an MOU to the Council for potential buyers of the Phoenix Coyotes on April 13, 2010 and June 8, 2010. Neither potential buyer moved forward with viable plans to purchase the team. Thus, on May 11, 2010, Council authorized an agreement with the NHL to retain the team in Glendale for the 2010-11 season while city staff completed the necessary negotiations with potential new owners.

On December 14, 2010, Council approved the Arena Lease and Management Agreement and a Use and Non-Relocation Agreement with Arizona Hockey Arena Holdings LLC and Coyotes Newco, LLC.

The projected expenses associated with managing the arena are approximately \$17 million per year, which is currently offset by having the Coyotes as the arena's main tenant. Under these agreements, the city would now be responsible for paying expenses associated with managing the city-owned arena. If the team vacated the arena, the expenses would remain; however, a substantial source of funds to pay the expenses would be eliminated.

Under these agreements, the city would acquire parking rights from the team for \$100 million, generating new revenue streams for the city, including parking fees, advertising and naming rights. In addition, these agreements allow the city to sell the arena to the new team owners after

the first five years. These agreements also position Glendale to host the 2013 NHL All-Star Game and related events with a potential economic impact of \$10-\$30 million.

This bond issuance was authorized by the Municipal Property Corporation (M.P.C.) board and is supported by excise tax.

The recommendation is to direct the City Manager to continue taking the necessary actions to effectuate the transaction with Arizona Hockey Arena Holdings LLC and Coyotes Newco, LLC.

Art Lynch, SRJ Government Consultants, LLC, explained that the new arena lease agreement sets aside a \$10 million escrow account for the Coyote's owners to draw from, if the City of Glendale doesn't pay the arena management fees of \$97 million. After seven years, the city could close the account and keep all remaining money. He stated the account is not a modification to the amount of the management fee and only a security mechanism for payment. This agreement adds no additional expense to the city. The funds will be transferred from the deposits the NHL currently holds. The updated agreement also clarifies the Council's authority to audit the team's financial records each year.

Councilmember Lieberman remarked that this agreement was presented as being no additional expense to the city; however, since the money, including interest, cannot be used for anything else; he believes it was an expense to the city. Mr. Lynch explained those monies would not be diminished because they would be placed in escrow and would be earning interest. He added this would not be an expense because they would still be earning income and revenue. Councilmember Lieberman replied he understood the process; however, was concerned that the money could not be used for anything else for seven years.

Mayor Scruggs asked Mr. Lynch to provide additional information as to the source of the funds and their possible uses. Mr. Lynch explained these funds could not be used for everyday city expenses. He noted that as with any investment choice, those funds are restricted for the term of the investment. Mayor Scruggs asked why, for example, these funds could not be used for employee salaries. Mr. Lynch indicated these funds were designated for long term future obligations and are being invested to meet that purpose. Mayor Scruggs said the public needs to know where the money comes from and why these funds would not be used to fund city amenities such as library books or to hire additional city employees. Mr. Lynch explained the money was currently being invested in an escrow account with the NHL. These funds were part of the deposit required by the NHL to keep the team in Glendale. He noted they are restricted funds deposited into an escrow account; therefore, cannot be used for anything else.

Mayor Scruggs asked Mr. Lynch to confirm her understanding of his previous statements. She said these funds were part of the \$25 million previously placed into an escrow account for the NHL. She continued that \$10 million of these funds will be placed into an independent escrow account and will earn interest. The Coyotes new owners could draw from the \$10 million if Glendale didn't make its payments. The \$15 million will go back into the enterprise fund account. Therefore, these funds were already accounted for and could not be used for other city purposes. Mr. Lynch stated she was correct adding that the \$15 million will go back into the enterprise fund. He additionally stated that none of the money was ever intended for day-to-day operations.

Councilmember Alvarez asked if the \$25 million had come from the enterprise fund and if there was a plan to repay those funds in the future. Mr. Lynch replied yes. He added these funds were designated for long term future obligations in the enterprise fund. They are being held in an NHL escrow account as an invested fund. He added those funds will come back to the city when they fulfill the commitment to the NHL. Councilmember Alvarez asked how much was in the enterprise fund today. Mr. Lynch stated he did not know the exact number; however, the enterprise fund regularly maintains an investment portfolio in excess of \$25 million. Councilmember Alvarez asked if there was a cap on those funds. Mr. Lynch explained that there was no cap on these funds. The amount in the enterprise fund is based on future needs and requirements.

Councilmember Clark reiterated that the account containing the \$25 million was put into escrow to satisfy a condition that the NHL imposed upon the city. She explained the NHL is willing to release the \$25 million because of the deal pending. Normally, the \$25 million would have gone to the enterprise reserve account to be reinvested. However, to satisfy the new Coyote's owners' concerns, a \$10 million escrow account will be established to cover any potential shortfall in the annual management fees. Mr. Lynch stated she was correct.

Mayor Scruggs said that this was a very important issue and many citizens want to understand it. In order to prevent any misunderstanding, she wanted to provide further explanation and information to those citizens. Mayor Scruggs stated the enterprise funds cover city services such as water, sewer, sanitation, recycling operations and landfill. She explained a portion of your utility payment made each month for these services goes into a reserve and is kept separate. She continued every citizen is paying a small amount towards the eventual needs and requirements of the enterprise system. She gave as an example someday having to close the city's landfill, which was 30 to 40 years away. She gave as a second example, the city having to build an additional water treatment plant or addition. She stated this money was set aside for things that will be needed 10 to 50 years from now. She added those were the funds that have been used to satisfy the NHL requirement. These funds will continue to earn interest but are not funds to be used for every day city services. Mr. Lynch stated his agreement with the Mayor's explanation.

Vice Mayor Frate commented that he had received many emails disapproving the city's decision regarding using the \$25 million in the NHL negotiations. He said many of those emails had come from Canada. However, the reality is that the \$25 million is coming back to the city. However, they will now deposit \$10 million in an escrow account because of an action the city took in changing the wording regarding the appropriations. He noted this money can only be used if the city defaults on the management payments and he did not see that occurring. He stated the Council was doing its due diligence to ensure Glendale's success in the future.

Councilmember Martinez reiterated that the \$25 million was provided as a security for the Coyotes. If not supported, the team would have gone elsewhere. He stated this was an investment that needed to be made. He believes it was the right decision and the correct approach to keep the team in Glendale.

It was moved by Knaack, and seconded by Frate, to direct the City Manager to continue taking the necessary actions to effectuate the transaction with Arizona Hockey Arena Holdings LLC and Coyotes Newco, LLC.

Mayor Scruggs called upon members of the public, who had requested to speak on this item.

Andrew Marwick, a Phoenix resident, commented on the reduced library hours and the city's plan for service facilities in the future. He stated the city had high priorities that needed to be dealt with and should spend money on that instead of the Coyotes. He believes the Coyotes will never make money and will only lose money for the city. He discussed earlier deals regarding the sale of the Coyotes. He disagrees with the Council's decision to subsidize the Coyotes in any way and encourages them to call the NHL's bluff.

T.J. MacKay, a Yucca resident, stated he has attended Hockey and Cardinal Games at Westgate. He also lives right across from the Westgate City Center area and witnesses firsthand the amount of economic traffic generated by these events. He appreciated the increase in jobs, infrastructure and amenities around the area. He explained when he purchased his home in 1993; there was nothing in the area but an unfinished golf course. He believes the area has developed a good community infrastructure. He has faith in the city's elected officials to do what is in the best interest of his family. He noted he was very pleased with all the progress made in Glendale and believes it was a safe and prosperous place to live. He believes the city was doing everything in their power to ensure the deal with the Coyotes benefits Glendale. He remarked that the situation they were in today was not the original intent of this project; however, the long term view should be maintained and continue to do what is best for the city.

Arthur Thruston, a Cactus resident, stated he had not attended a hockey game but hopes to someday. He stated his objection to selling the team to an out-of-state group. He believes the money the city was using for the deal, in his opinion, was insane. He remarked how the Green Bay Packers were owned by their city and believes Glendale can do the same. He indicated the Hulsizer Group has not come up with one dollar and the city keeps giving them money and has nothing to show for it. He expressed his opposition to the buyer's proposal and to city officials accepting the \$10 million request. He stated he could not believe the gall of the buyer to request \$10 million and the foolishness of the city to accept their request.

Heather McWhorter, President of the Save the Coyotes Coalition, stated she was here representing their 3000 members who were in full support of the Council in this decision. She added they were behind the Council 100%.

Heather Schroeder, President of the Phoenix Coyotes Booster Club, thanked staff and Council for all the work they have done on this matter. She thanked them on behalf of all the ticket holders and supporters. She believes this agreement was a good idea because it did not sound as though the city was losing any money. She thanked them once again for keeping the team in Glendale.

Councilmember Clark stated the last time this item was voted on, she had voted not to approve it because of a specific clause in the agreement. This time around, the agreement still has that

clause, but with new language. She indicated her position had not changed and believes the termination agreement clause is inappropriate. She will not support this action.

The motion carried with the following members voting “AYE”: Frate, Knaack, Martinez and Scruggs. The following members voting “NAY”: Alvarez, Clark and Lieberman.

Councilmember Lieberman requested that the Mayor do a roll call vote. The following members voted “AYE”: Frate, Knaack, Martinez, and Scruggs. The following voted “NAY”: Alvarez, Clark and Lieberman. The motion passed.

CITIZEN COMMENTS

Arthur Thruston, a Cactus resident, thanked the Council for all their hard work. He claimed to disagree with a lot of the things the Council continues to do; however, it did not mean that he did not respect the Council. He stated he was proud of Glendale and how much it has grown and prospered, even if it seemed like he wasn't. He is proud of all the hard working people in Glendale from the police department to the assistants at city hall. He hopes the Council does not object to his difference of opinion because his intentions were good. He described how he spent three hours trying to find the perfect Valentine's gift for Mayor Scruggs, balloons and tried to deliver them to city hall; however, the balloons popped. He added that he still hopes to get a casino on the west side.

COUNCIL COMMENTS AND SUGGESTIONS

Vice Mayor Frate reminded the public to watch children around water.

Councilmember Knaack asked if citizens, when making their comments, should also state their address. Mayor Scruggs stated that for safety reasons, she preferred they did not announce their address; however, they fill out the citizen comment card including their address before speaking.

ADJOURNMENT

There being no further business, the meeting was adjourned at 2:00 p.m.

Pamela Hanna

Pamela Hanna - City Clerk