

City of Greater Sudbury

Sudbury Events Centre Update Report

June 2021



Executive Summary

- The development of the Kingsway Site has continued to advance since 2017, with the construction of a casino, hotel and other recently planned and proposed projects continuing to move closer to being developed. Casino and hotel development partners have reaffirmed their participation and interest in the development. It is noted, however, that the development of some of these projects are dependent on the construction of the New Events Centre.
- Since 2017, the City has continued to take steps to improve downtown Sudbury from a development investment perspective, with these programs and initiatives yielding a number of proposed projects; these initiatives and projects help lay a foundation for generating complementary development from catalyst projects. The potential exists for Greater Sudbury's catalyst projects to support this broader revitalization, consistent with what has occurred within other communities. The timing associated with realizing such complementary developments will, however, depend on local real estate development economics and conditions.
- Overall direct benefits associated with the Kingsway Site are estimated to be greater.
- Expectations are that planned projects at the Kingsway Site will be constructed upon final confirmation of the New Events Centre. The foregoing compares with the Downtown Site where, based on precedent experiences of other municipalities, the *potential* for additional ancillary / complementary development *could* occur; the exact form or nature of which is currently not known.
- Expectations are that once large indoor gatherings are again allowed (with some expecting this to occur in late 2021 / early 2022), demand by consumers to attend live events is expected to surge for a period of between 18 and 36 months (with this period referred to as the "roaring 20s"). Thereafter, demand for attending live events is expected to decline to pre-COVID levels. There does not appear to be a basis for supporting a change to the event or revenue assumptions contained in the 2017 Business Case Report.
- The cost of a 5,800-seat events centre in \$2021 is estimated to range between \$15,000 to \$16,000 per seat, or \$87.0 million to \$92.8 million (excluding site development costs), up from the previous estimate (\$2018) of \$80.0 million.
- The cost of modernizing the Sudbury Community Arena ("SCA") to a standard consistent with a New Events Centre is preliminarily anticipated to be between \$115.4 million (if implemented in a single phase) and \$118.6 million (if implemented in two phases).
- If implemented in a single phase, no events would be able to take place in the SCA for a period of at least two years, requiring the Sudbury Wolves and Sudbury Five to relocate to an alternative venue. If implemented in two phases, only hockey and basketball would be able take place in the SCA for a period of at least three years.
- A modernized SCA would likely generate a higher operating deficit compared to a New Events Centre; a modernized SCA would also have a higher risk profile compared to a new build Events Centre on either the Kingsway Site or Downtown Site.

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Summary

Summary

- At the City Council meeting on January 12, 2021, City Council requested that City staff update the 2017 Business Case Report with current available information, to address two specific questions:
 - *Since 2017, have any of the elements about the project changed such that its potential for producing the desired outcomes is markedly different; and*
 - *Since 2017, and especially considering the effects of the COVID-19 pandemic, have there been any changes in the operating environment that would affect the project's success.*

Since 2017, and considering the effects of the COVID-19 pandemic, what changes in the operating environment have occurred that would affect the project's success

- Based on discussions with event promoters and venue managers from across North America, the following observations were noted:
 - The COVID-19 pandemic has had a detrimental impact on the live events industry and on sports and entertainment facilities. Since March 2020, COVID-19 caused the cancellation of live events and shuttered most facilities in North America.
 - While most facilities remained shuttered throughout 2020, a gradual reopening of facilities has occurred in 2021, with venues initially offering up a reduced number of “socially distanced seats”.
 - Expectations are that once large indoor gatherings are again allowed (with some expecting this to occur in late 2021 / early 2022), demand by consumers to attend live events will surge for a period of between 18 and 36 months (with this period referred to as the “roaring 20s”). Thereafter, demand for attending live events is expected to decline to pre-COVID levels.
 - General perceptions were that the Greater Sudbury market could continue to support in the range of eight to 12 concerts per year, with majority of these events showcasing domestic artists.
 - From a venue design perspective, the COVID-19 pandemic does not appear to have caused noticeable long-term impacts on venue design apart from potential changes to HVAC / air handling requirements and building circulation (for example, building / building component entrances / exits). Venues which have opened in 2021 (principally in the US) have done so with reduced capacities (i.e., only selling seats located on aisles and in the middle of rows of seats, with one or two empty rows between them).
 - Based on commentary provided by event promoters and venue managers, there does not appear to be a basis for supporting a change to the event assumptions contained in the 2017 Business Case Report. The reader should note, however, that the permitting of large indoor gatherings will continue to be dependent upon vaccine take-up, the potential for additional “waves” of infection, the availability and need for additional “booster shots”, and the health and safety protocols and policies implemented by facilities and local health units.
 - The 2017 Business Case Report identified a prospective cost, in \$2018, for a New Events Centre in the range of \$13,700 per seat, or \$80.0 million for a 5,800-seat facility (excluding site development costs). Using a similar methodology as in the 2017 Business Case Report, it is preliminarily estimated that the cost of a New Events Centre could now be in the range of \$15,000 to \$16,000 per seat, or in the range of \$87.0 million to \$92.8 million (excluding site development costs).

Since 2017, have any of the elements changed such that its potential for producing the desired outcomes is markedly different

Modernized Sudbury Community Arena

- Based on a review completed by Ian McKay Architect Inc., it was determined that:
 - While the SCA could be modernized to bring it up to a level approaching the proposed New Events Centre, the SCA would continue to have a number of limitations from a functionality perspective.
 - A modernized SCA could achieve almost 5,200 fixed-seats and be improved with 150 Club Seats, 12 10-seat private suites and 13 4-seat loge boxes in addition to 4,850 general admission seats. Such capacities and seating counts would be lower than the proposed New Events Centre. The cost to effect these improvements is preliminarily anticipated by IMA to be in the range of \$115.4 million if implemented in a single phase, to \$118.6 million if implemented in two phases.
 - Depending on how the modernization is implemented, improving this facility could result in the loss of two full seasons if implemented in a single phase or impact three seasons if implemented over two sequential phases.
 - If the modernization was undertaken in a single phase, no events would be able to take place.
 - If the modernization was undertaken in two phases, no events other than hockey and basketball would be likely during phase 1; during phase 2, it is unlikely that events other than hockey and basketball would be able to take place.
 - Based on commentary provided by event promoters and venue managers, a modernized SCA would be unable to host events until at least 2025, missing the period between late 2021 / late 2023 which is anticipated to have both a high supply of and demand for events (the so-called “roaring 20’s”).

- From an operations perspective, a modernized SCA is expected to generate a higher net cashflow deficit compared to the proposed New Events Centre. In particular,
 - With potentially fewer events, total attendance may be negatively impacted, impacting net concession revenue, merchandise revenue, revenues from advertising and sponsorships, ticket surcharge revenue and box office revenue.
 - With fewer suites and club seats (offset somewhat by the three additional loge boxes), the amount of revenue potentially available from the licensing of suites and club seats is likely to be lower.

Kingsway Site

- Based on a review of available information and various discussions, including with the owner of the Kingsway Site and Gateway Casinos, it is noted that the development of the Kingsway Site has continued to advance since 2017. It is noted that:
 - Preliminary site designs for the Kingsway Site have been advanced.
 - A memorandum of understanding regarding the sharing of site development costs has been agreed to between the City, the property owner and Gateway.
 - The Local Planning Appeals Tribunal dismissed all objections to the development of the Kingsway Site.
 - Plans for the development of a hotel on the site continue to be advanced.
 - Gateway remains supportive and have written the City indicating their continued excitement to be a part of the overall development.

Since 2017, have any of the elements changed such that its potential for producing the desired outcomes is markedly different (continued)

Kingsway Site (continued)

- A proposal to develop a film and television studio has been advanced.
- The owner of the Kingsway Site has received letters of intent to lease and / or sell various plots of land for commercial / retail uses.
- It is specifically noted that these projects / initiatives are dependent upon the construction of the New Events Centre on the Kingsway Site.

Downtown Site

- Since 2017, the City has been able to advance new “catalyst” projects within its downtown, including Place des Arts and the planned Junction East project; the City has also implemented the DSCIP to incentivize development within downtown Sudbury. In addition, the City has convened a Task Team to address issues faced by the downtown and increase collaboration amongst key partners.
- While the City’s DSCIP program has been able to generate a number of new development proposals, it is noted that the majority of applications have been for façade improvements which do not generate assessment growth. It is noted that parking remains an issue in the downtown, and with the planned and proposed development of Junction East and Le Ledo, parking issues could be made worse.
- The potential exists for Greater Sudbury’s catalyst projects to support the broader revitalization of downtown Sudbury, consistent with what has occurred within other communities. The timing associated with realizing such complementary developments will, however, depend on local real estate development economics and conditions.

Benefits Assessment

Kingsway Site

- The siting of the New Events Centre on the Kingsway Site is assumed to be able to give rise to the following benefits:
 - The realization of a new casino, hotel, conference centre, new retail / commercial uses and a new film and television studio. These projects are anticipated to have a total development cost in excess of \$160 million.
The operations of these projects are preliminarily estimated to support in the range of 1,600 jobs, including 250 net new jobs at the casino, an estimated 250 at the hotel / conference centre, an estimated 1,000 jobs at the film / television studio, and an estimated 100 jobs at other proposed developments; and
 - Assuming the assessed value of these projects is equivalent to their construction value, these projects could generate in the range of \$4.264 million per year (assuming a tax rate, municipal portion only, of 2.664914% and an assessed value of \$160 million).
- Assuming all developments proceed with the construction of the New Events Centre, the level of development activity proposed for the Kingsway Site would be in excess of that realized in Moncton, NB, in the three years following the opening of that facility.
- In addition to the aforementioned benefits, the Kingsway Site would be envisioned to have created a “critical mass” of uses developed concurrently with the New Events Centre, allowing it to spawn additional commercial developments in the future (including restaurants and other complementary uses).

Benefits Assessment (continued)

Downtown Site

- The siting of the New Events Centre on the Downtown Site is assumed to be able to give rise to the following benefits:
 - The proposed development of the Le Ledo project is anticipated to have a total construction value in the range of \$45 million (per the DSCIP application); including other proposed projects received under the DSCIP, the total construction value would approach \$75 million;
 - The operations of these projects could support in the range of 800 jobs (based on assumed building efficiency ratios and employment densities); and
 - Assuming an assessed value equivalent to its construction cost, these projects could generate municipal property taxes in the range of \$1.999 million per year (assuming a tax rate, municipal portion only, of 2.664914% and an assessed value of \$75 million).
- Similar to other municipalities, the siting of the New Events Centre on the Downtown Site could have the potential to support additional development, including commercial and residential projects:
 - Sudbury has supported potential growth in its downtown through the pursuit of various planned and proposed “catalyst projects”, including Places des Arts and Junction East; and
 - Sudbury has instituted various facilitative policies designed to entice development, including its DSCIP.
 - It should be noted, however, that development activity in downtown Sudbury has been focused on façade improvements which is noted by the City as not impacting assessed property values.

Summary

- Complementary development projects planned for the Kingsway Site have become more advanced since 2017, such that expectations are they will be constructed upon final confirmation of the New Events Centre. The foregoing compares with the Downtown Site where, based on precedent experiences of other municipalities, the *potential* for additional ancillary / complementary development *could* occur; the exact form or nature of which is currently not known.

Figure 1 – Comparative benefits assessment (private sector projects only)

	Kingsway Site	Downtown Site
Construction Value	\$160 million	\$75 million
Employment	1,600 jobs	800
Property Taxes	\$4.264 million	\$1.999 million
Additional Ancillary Development	t.b.d	t.b.d

Source: PricewaterhouseCoopers LLP, 2021 (based on information provided by the City of Greater Sudbury and Kingsway Entertainment District)

Background

At its meeting on February 9, 2021, City of Greater Sudbury Council directed staff and PwC to update the 2017 Business Case Assessment Report

Background

- In 2016, the City of Greater Sudbury (the “City”) retained PricewaterhouseCoopers Real Estate Inc. (“PwC RE”) to prepare a business case assessment of a proposed new events centre (“New Events Centre”). This report (the “2017 Business Case Report”) was presented to Greater Sudbury City Council (“City Council”) in March 2017.
- Following City Council’s acceptance of this report, PwC RE then undertook an evaluation of alternative locations for the New Events Centre (the “2017 Site Assessment Report”) using criteria agreed to by Council; this report was presented to City Council in June 2017, whereat City Council selected the Kingsway Site as its preferred location for the New Events Centre.
- At the City Council meeting on February 9, 2021, City Council directed City staff to update the 2017 Business Case Report with current available information, to address two specific questions:
 - *Since 2017, have any of the elements about the project changed such that its potential for producing the desired outcomes is markedly different; and*
 - *Since 2017, and especially considering the effects of the COVID-19 pandemic, have there been any changes in the operating environment that would affect the project’s success.*
- Per the Staff Report prepared for the February 9, 2021 City Council meeting, the City retained a team led by PricewaterhouseCoopers LLP (“PwC”) to prepare an Update Report (the “Update Report”) focusing exclusively on three locations (the “Three Locations”):
 - the Kingsway Site;
 - the Shaughnessy-Minto Block (the “Downtown Site”); and
 - a renovation to the existing Sudbury Community Arena (“SCA”).

Scope of Work

- In completing this assignment, PwC undertook the following scope of work.

Renovation Assessment

- with Ian McKay Architect Inc. (“IMA”), undertook an assessment of the SCA to identify the ability to, and the potential costs associated with, renovating the SCA to a level consistent with the building contemplated in the 2017 Business Case Report;
- identified key venue modernizations needed to be undertaken to the SCA in order for it to be consistent with the building contemplated in the 2017 Business Case Report;
- evaluated, at a high level, the ability to effect / implement these modernizations (including considering potential construction processes and phasing relative to maintaining ongoing operations);
- identified, at a high level, risks associated with undertaking those renovations;
- contacted cities in Canada (including North Bay, Peterborough and Kitchener) who have undertaken renovation projects at their facilities to note their experiences;
- developed conceptual cost estimates for renovating the SCA; and
- evaluated the directional impacts from a revenue and operating perspective on the business case for the New Events Centre.

Business Case Update

- reviewed the findings of the 2017 Business Case Report;
- reviewed operating statements for the SCA (from 2015 through 2020) to familiarize ourselves with how its operations have changed since 2017;

The Update Report is to address two key questions of City Council – project elements that may have changed and changes in the operating environment that could affect the New Event Centre’s success

Scope of Work (continued)

- obtained information detailing development activity in downtown Sudbury and in the vicinity of the Kingsway Site;
- held discussions with the City re the Junction project;
- held discussions with City staff and local business officials (landowners and developers) and the Downtown Sudbury BIA to identify how real estate and economic development conditions have changed since 2017;
- held discussions with third-party venue managers, event promoters and other entertainment industry contacts to obtain insights into the current and potential future impacts of COVID-19 on indoor events facilities;
- held discussions with the owners of the Kingsway Site and Gateway Casinos to understand their development intentions for the property;
- identified elements contained within the 2017 Business Case Report which may have changed, noting their directional impact;
- identified directional impacts which the COVID-19 pandemic could be expected have on the operating environment of sports and entertainment venues when the New Events Centre is anticipated to open in 2024/25 (compared to the 2017 Business Case Report);
- updated, as required, the findings contained in the 2017 Business Case Report to reflect more recent information;
- prepared an assessment of project risks on a comparative basis between the Three Locations; and
- prepared this Update Report.

Use of the Update Report

- This Update Report has been prepared for the exclusive use of the City of Greater Sudbury.
- PwC owes no duty of care to any other party or any party gaining access to PwC’s report. PwC accepts no responsibility for any claims, losses, liabilities and damages, including, without limitation, any claims, losses, liabilities and damages in negligence or negligent misrepresentation, arising from any unauthorized or improper use of this Update Report.
- The impacts and the duration of those impacts associated with the novel coronavirus disease (“COVID-19”) on the local, regional, provincial and national economies and on the real estate, entertainment, hospitality and sports, recreation and leisure industries remains uncertain as of the date of this Update Report, and the impacts of COVID-19 on the New Event Centre’s performance, operations, programming and / or results could be material. PwC is not responsible nor liable for any consequences, impacts, implications, direct or indirect, of COVID-19 arising from or related to the information and analysis contained in this Update Report.
- The use of any projections made in conjunction with this Update Report may not be appropriate for use outside of its intended purpose. The projections, which will not reflect actual development, economic, demographic and / or financial results, may reflect a possible scenario for the operations of the New Events Centre, a modernized SCA or the economic development benefits which could result therefrom.
- Since future events are not subject to precise projections, some assumptions will not materialize in the exact form presented in this Update Report.

The Update Report additionally includes an assessment of an potential modernization to the Sudbury Community Arena

Use of the Update Report (continued)

- In addition, other unanticipated events and circumstances may occur which could influence the future performance of the Facilities. While there is no recourse to predicting these matters with certainty apart from informed and reasoned judgments, it must be stated that future events will lead to variations in performance which may materially alter the success and performance of the Facilities. PwC does not warrant that actual results achieved will be the same, in whole or in part, as those shown in the projections. The projections are based on hypotheses and there is a significant risk that actual results will vary, perhaps materially, from the results projected.

Report Structure

- This Update Report includes the following sections:
 - Summary (report summary);
 - Background (describing PwC's scope of work);
 - 2017 Business Case Assessment (summary of the 2017 Business Case Assessment report);
 - Business Case Update (identifying and evaluating elements associated with the project that may have changed since 2017, including as a result of the COVID-19 pandemic); and
 - Sudbury Community Arena Modernization (describing the ability of, and the potential costs associated with, renovating the SCA);.

2017 Business Case Assessment Summary

The 2017 Business Case Report identified a “supportable” building size in the range of 5,500 to 6,000 fixed seats, with a target of 5,800 fixed seats. At such a size, the total seating capacity could approach 6,500 spectators for concerts (in an end-stage configuration)

Background

- In March, 2017, PwC RE prepared a Business Case Assessment of a proposed New Events Centre in the City of Greater Sudbury. The 2017 Business Case Report included the following sections:
 - Market Overview section, profiling Greater Sudbury from a socio-economic and demographic perspective;
 - An overview of the Ontario Hockey League, profiling teams, attendance and trends in new building construction;
 - A profile of the Sudbury Community Arena from an operations and event hosting perspective;
 - An assessment of the Greater Sudbury market and its ability to support a new events centre, focusing on market potential and identifying a “supportable building size”;
 - A profile of location criteria typically used in evaluating potential locations for a new events centre;
 - An assessment of prospective building operations, including from an event attraction, attendance and financial perspective;
 - A high-level assessment of project financing; and
 - An assessment of potential economic benefits.
- The following provides a summary of the principal findings, conclusions and observations from the 2017 Business Case Report from a building size, features and operations perspective.
- With 5,800 fixed seats, the total seating capacity for other entertainment events, including concerts in an end-stage configuration could be excess of 6,500 (assuming retractable seating and limited “seat kills” behind and beside the stage).
- Discussions with entertainment promoters and marketers felt a new building with a total sizing / capacity in the range of 5,500 to 6,000 seats would be within the ideal target range for a market like Greater Sudbury.

Design Features

Front-of-House

- Front-of-House (“FOH”) components are those components that create and provide an “overall experience” for spectators prior to them taking their seat. The FOH components identified for the New Events Centre include:
 - Main lobby;
 - Secure access for suite holders and VIPs;
 - Box office / ticketing area;
 - Public concourses with an average width of 16 feet (or more) for a continuous concourse and 20 feet (or more) for a horseshoe concourse;
 - Commercial space, with a minimum size of approximately 500 square feet;
 - Concession areas, with the number of fixed or permanent “points of sale” (“POS”) equal to the total fixed seating capacity of the facility divided by 175 as a minimum and 150 as a preferred (i.e., 33 to 40). In addition there should be sufficient space in the concourses for portable POS kiosks (with access to power);

Building Size

- The 2017 Business Case Report identified a New Events Centre with a total sizing / capacity in the range of 5,500 to 6,000 fixed seats, and a target of 5,800 seats, would be in the ideal target range for a market like the City of Greater Sudbury.

With a fixed seating capacity of 5,800, the New Events Centre is assumed to include 5,020 general admission seats, 500 club seats, 240 seats in private suites and 40 seats in loge boxes

Design Features (continued)

Front of House (continued)

- Washrooms; and
- Building administration offices.

House

- The House is the actual seating area surrounding the rink slab or flat floor area. The House includes all of the fixed seats, temporary floor seating (for concerts, assemblies and centre-stage events), and private suites / loge boxes. As noted above, the New Events Centre would have a targeted fixed-seating capacity of 5,800 and contain a combination of general seating and enhanced / club seating and suites:
 - General seating – approximately 5,020 “general admission” seats;
 - Club seating – some 500 Club seats (reserved seating areas generally providing the spectator with greater proximity and better sightlines to the playing surface);
 - Private suites – some 24 private seats (containing 240 total fixed seats);
 - Loge boxes – approximately 10 loge boxes (providing 40 fixed seats). Loge boxes are “semi-private suites” providing in-seat services, exclusive access to a “premium lounge” and parking passes.
- Also included in the House is a media booth (elevated above the ice surface and seating areas with unobstructed views and measuring approximately 60 feet in length).

Back-of-House

- The Back-of-House (“BOH”) is the area not generally accessible to the general public and is the realm of the entertainer / performer /

athlete, along with infrastructure that supports events and the building. Building elements included in the BOH include:

- Home team dressing room (including an entry lounge, dressing room, washroom, showers, a trainer room, coaches’ areas, a workshop, a laundry room and secure storage; additional areas could include a steam room / sauna / therapy pool, a fitness area and a media / interview room);
- Community dressing rooms (four to six dressing rooms, with two rooms comprising adjoining rooms and used by visiting Ontario Hockey League teams);
- Officials / multi-purpose dressing rooms;
- Multi-purpose meeting room / Green room (an amenity area for performers and event promoters);
- Kitchen and commissary storage (comprising a commercial kitchen for concessions with a storage area located either directly adjacent to, or in close proximity to both the kitchen and the BOH loading area);
- Control Centre area (the main BOH point of entry so building operations staff can oversee all traffic / individuals entering the building; the control centre was identified to have space for two offices, an open work area with space for four workstations, a first aid room, and a secure holding room);
- Ice Resurfacing Room / Workshop (including the ice resurfacing / Zamboni room) and a workshop;
- Marshalling / Open Storage (a large area between the rink entry and the main loading area and used for the movement of traffic and the non-secure storage of fixtures and equipment);

The 2017 Business Case Report outlined a series of “Front of House”, “House”, “Back of House” and building technical / performance criteria and features

Design Features (continued)

Back of House (continued)

- Secure storage;
- Mechanical rooms (including a refrigeration room, mechanical room and electrical room); and
- Vehicle Entry (accommodating two sloped bays for trucks backing up to the building, and an entrance allowing for vehicle entry and truck access directly into the building and onto the event floor; the path from this door to the ice surface / event floor should have a clear-height of approximately 14 feet along the complete travel path).

Building Technical / Performance Commentary

- The 2017 Business Case Report noted that a multipurpose events centre is a complex building that needs to respond to a broad range of uses and programs. While mid-size event centres are almost always associated with hockey, the most challenging design aspects of these facilities relate to the other activities that can occur within the building and how quickly the building can convert from one configuration to another. The planning and design of a New Events Centre has a number of objectives but three are fundamental:
 - Fitting into and enhancing the existing physical context, whether within a downtown or greenfield location;
 - Taking advantage of the existing and potential market context and responding to it with a highly flexible and adaptive event-driven facility to maximize revenues; and
 - Providing an operationally efficient building with the goal of minimizing energy and staffing costs.
- The effective operation of an New Events Centre was noted to require:
 - Easy and direct access to all House and FOH components by ticket holders regardless of the event.
 - Controlled separation between the FOH, House and BOH areas, with the audience not being placed in a position to directly interact with performers, athletes, or machinery associated with an event (unless that interaction is part of the event and controlled by either the facility or the event team).
 - A high level of flexibility in terms of venue transformation / re-configuration (one of the main goals in the design of an events centre is to provide operators with the greatest flexibility and opportunity to maximize their “event calendar”, and fundamental to that flexibility is the ability to quickly change from one event to another).
 - An open-type roof structure capable of accommodating show heights and show load / rigging requirements. The clear height from the event floor to the underside of structure over the ice surface should be a minimum of 45 feet (with 50 feet being ideal). Speaker / lighting loads are often in the 50,000 to 75,000 pound range and need to be easily and quickly suspended from the underside of the roof structure. A rigging grid should be provided especially over the location of the stage in end-stage configuration. The underside of the rigging grid should be at least 44 feet above the event level floor.
 - Access to the structure through catwalks for show setup, spotlight locations, lighting adjustments, and general servicing of both spot lighting and building lighting.

The 2017 Business Case Report additionally identified an event calendar comprising 78 total events, including OHL games, concerts, family shows, other sporting events, trade and consumer shows and other rentals

Building Technical / Performance Commentary (continued)

- Event floor lighting to allow for various levels of operation (maintenance only, public programs, events); for events, lighting should be designed for television broadcasting and have the capacity for instant on / off (all lighting should be accessible and serviceable from the catwalk system);
- Appropriate power distribution throughout the building, with critical areas of power concentration being BOH (for concerts and end-stage events), the bowl corners (used for even distribution of power for trade shows and other floor type events), catwalk level (for spot lights and special lighting), and shore power that is readily accessible by show-oriented vehicles including television broadcasting support;
- The main air handling system for the spectator area should be designed to minimize ambient noise, with major ducts being appropriately insulated acoustically, and the location of main mechanical supply units placed so as not to create either noise or vibration within the House;
- A separate exhaust system for smoke removal associated with pyrotechnics, vehicle exhaust (for example, during motocross events) and air-borne dirt (for example, during motocross events, rodeos, circuses, etc.);
- Energy efficiency through the use of high efficiency refrigeration plants, boilers, chillers, pumps and fans, and control systems that allow for easy monitoring and optimum efficiency adjustments; and
- Universal accessibility, with all aspects of the design accommodating patrons with disabilities. Access to all parts of

the publicly accessible facility (which may vary from event to event) should allow those with disabilities to take the same route as their able-bodied companions.

Calendar of Events

- The New Events Centre was preliminarily estimated to be able to attract in the range of 78 events. This event profile was comprised of the following events:
 - 36 OHL games (2 exhibition games and 34 regular season home games);
 - 9 concerts;
 - 5 family shows;
 - 4 other sporting events;
 - 5 other entertainment events; and
 - three three-day trade and consumer shows and ten other rentals.

Figure 2 – Prospective Calendar of Events

User / Tenant	Annual Number of Event Days	Average Attendance	Annual Attendance	% of Capacity
Sudbury Wolves	36	4,350	153,900	73.7%
Concerts	9	4,500	40,500	77.6%
Family Shows	5	3,500	17,500	60.3%
Other Sports	4	4,500	18,000	77.6%
Other Entertainment	5	3,500	17,500	60.3%
Trade & Consumer Shows / Day Rentals	19	n/a	n/a	n/a
TOTALS	78		247,400	42.3%

Source: PricewaterhouseCoopers Real Estate Inc., 2017 (p.50)

The 2017 Business Case Report identified that a New Events Centre could generate in the range of \$2.609 million in revenue and incur a net operating deficit, after management fees and capital reserves in the range of \$655,700

Calendar of Events (continued)

- In addition, it was also assumed that the New Events Centre would be available for use by minor and youth organizations on a regular basis throughout the winter season (approximately September 1 through April 30), including minor hockey (boys and girls), adult hockey, etc. It was also assumed that the ice would be removed between May 1 and July 31, during which time the New Events Centre could be utilized for a broad range of floor events. During August, it was presumed that the ice would be reinstalled and that the Events Centre would be used for various hockey camps, training camps and other ice uses.
- In projecting this calendar of events, consideration was given to comments forwarded to PwC RE by members of the concert and event promotion industry, including promoters, agents, production officials and management with the Sudbury Wolves and staff at the SCA.
- Among the comments, opinions and perceptions forwarded by this group were the following:
 - The configuration and amenities contained in the existing SCA serve as an impediment to attracting events and attendees;
 - While centring a large trade area, weather and travel issues will dictate that the majority of event attendees come from the local area (apart of marquee acts);
 - A number of promoters and agents cautioned that despite the presence of a new venue, operating as a pure rental venue (i.e., not taking show risk of any sort) could hinder its ability to secure acts. Despite this, it was still felt that a venue in the range of

5,800 seats (6,500 in an end-stage concert setting) would be supportive in helping attract a broad range of events, including concerts (classic rock and country in particular), other sporting / entertainment events (whether curling, figure skating, monster trucks / motor cross, combative sporting events, other sports), and a range of family shows.

Summary of Operations

- The 2017 Business Case Report included an illustrative operating proforma depicting the potential operations of a proposed 5,800-fixed seat New Events Centre (illustrated in Figure 3, on page 16, following).
- Based on the assumptions described above (and in more detail in the 2017 Business Case Report), the New Events Centre was projected to potentially generate operating revenues of some \$2.609 million and incur direct facility operating expenses, excluding management fees and capital reserves, of \$2.890 million, yielding a net operating deficit, prior to management fees and capital reserves of approximately \$280,700.
- After allowing for management fees and capital reserves, the proposed 5,800-fixed seat New Events Centre was projected to generate an operating deficit of some \$655,700 in its first full year of operations.

Over time, the projected operating deficit of the New Events Centre was projected to increase to approximately \$825,000 by its fifth year of operation

Figure 3 – Projected Operations, proposed Greater Sudbury New Events Centre

	Year 1	Year 2	Year 3	Year 4	Year 5
FACILITY REVENUES					
Sudbury Wolves	\$ 282,500	\$ 289,600	\$ 296,800	\$ 304,200	\$ 311,800
Other events	403,100	413,200	423,500	434,100	445,000
Net concession revenue	233,900	239,700	245,700	251,800	258,100
Net merchandise revenue	57,500	58,900	60,400	61,900	63,400
Advertising and Sponsorships	397,300	402,900	408,600	414,400	420,400
Suites / Loge Box license revenue	328,100	328,100	328,100	328,100	328,100
Club seat license revenue	153,100	153,100	153,100	153,100	153,100
Ticket surcharge	574,800	589,200	603,900	619,000	634,500
Box office revenue	109,700	112,400	115,200	118,100	121,100
Ice rental revenue	69,300	71,000	72,800	74,600	76,500
Total Revenues	\$ 2,609,300	\$ 2,658,100	\$ 2,708,100	\$ 2,759,300	\$ 2,812,000
FACILITY EXPENSES					
Personnel costs	\$ 1,590,000	\$ 1,629,800	\$ 1,670,500	\$ 1,712,300	\$ 1,755,100
Utilities	500,000	520,000	540,800	562,400	584,900
Operations, maintenance & repairs	250,000	256,300	262,700	269,300	276,000
Marketing	75,000	76,900	78,800	80,800	82,800
Insurance	100,000	102,500	105,100	107,700	110,400
Other miscellaneous expenses	175,000	179,400	183,900	188,500	193,200
Event costs	200,000	205,000	210,100	215,400	220,800
Total Expenses	\$ 2,890,000	\$ 2,969,900	\$ 3,051,900	\$ 3,136,400	\$ 3,223,200
Net Cash Flow Before Management Fees / Capital Reserve	\$ (280,700)	\$ (311,800)	\$ (343,800)	\$ (377,100)	\$ (411,200)
Management fee	175,000	179,400	183,900	188,500	193,200
Capital Reserve	200,000	205,000	210,100	215,400	220,800
NET CASH FLOW	\$ (655,700)	\$ (696,200)	\$ (737,800)	\$ (781,000)	\$ (825,200)

Source: PricewaterhouseCoopers Real Estate Inc., 2017 (p.63)

The proposed New Events Centre was projected to have a fixed seating capacity of 5,800 and a total capacity of 6,500

Summary

- Figure 4, opposite, summarizes the main building components (from a seating capacity and building amenity perspective) from the 2017 Business Case Report.

Figure 4 – Summary of main building components associated with the proposed New Events Centre

Venue Components	
Venue Capacity	5,800 fixed seats 6,500 total capacity
General Seating	5,020 seats
Club Seating	500 seats
Private Suites	24 suites 240 seats
Loge Boxes	10 loge boxes 40 seats
Private Suite Amenities	Lounge & party room
Commercial Space	500 - 1,000 square feet
Concession Points of Sale	33 to 40 plus portable kiosks

Source: PricewaterhouseCoopers Real Estate Inc., 2017

Business Case Update

The COVID-19 pandemic has had a detrimental impact on the live events industry and on sports and entertainment facilities. Since March 2020, COVID-19 caused the cancellation of live events and shuttered most facilities in North America

Background

- Per the February 9, 2021 Council Report, PwC was requested to update the 2017 Business Case Report with current available information to address two specific questions:
 - Since 2017, have any of the elements about the project changed such that its potential for producing the desired outcomes is markedly different; and
 - Since 2017, and especially considering the effects of the COVID-19 pandemic, have there been any changes in the operating environment that would affect the project's success.
- In preparing this Update Report, PwC:
 - held discussions with third-party venue managers, event promoters and other entertainment industry contacts to obtain insights into the current and potential future impacts of COVID-19 on indoor events facilities;
 - obtained and analyzed information detailing development activity in downtown Sudbury and in the vicinity of the Kingsway Site;
 - held discussions with the City re the Junction project;
 - held discussions with City staff and local business officials and the Downtown Sudbury BIA to identify how real estate and economic development conditions have changed since 2017;
 - held discussions with the owners of the Kingsway Site and Gateway to understand current their development intentions for the property;
 - identified elements contained within the 2017 Business Case Report which may have changed, noting their directional impact; and

identified directional impacts which the COVID-19 pandemic could be expected have on the operating environment of sports and entertainment venues when the New Events Centre is anticipated to open in 2024/25 (compared to the 2017 Business Case Report).

Impact of the COVID-19 pandemic on sports and entertainment facilities

- The COVID-19 pandemic, and the cancellation of indoor gatherings, has had a detrimental impact on live entertainment, with the “live events industry”, including sports, concerts, other live performances, tradeshow, and other entertainment, having been shuttered since March 2020. The COVID-19 pandemic has caused the cancellation or postponement of shows and events, resulting in financial loss and economic hardship within an industry estimated to employ in excess of 12 million people and generate approximately one trillion US dollars in annual revenue across North America. The COVID-19 pandemic has impacted both facilities as well as performers / artists and their respective employees and families.
- While the majority of facilities remained shuttered throughout 2020, a gradual reopening of facilities has occurred in 2021. The opening of facilities to live events has occurred in select markets across the United States (and for a period of time in Quebec and Atlantic Canada in late 2020), with venues offering up a reduced number of “socially distanced seats” (and in some arenas, additionally implementing health and safety guidelines related to non-medical masks, hand hygiene, physical distancing, and contact tracing).

The live events industry is anticipating that tours will recommence in late 2021 / early 2022 and return to pre-2020 levels prior to 2024/25; demand for live entertainment events at a New Events Centre is not expected to be materially changed from that outlined in the 2017 Business Case Report

Impact of the COVID-19 pandemic on sports and entertainment facilities (continued)

In an effort to gain an understanding of emerging trends and practices, PwC engaged with a number of event promoters (including some who have previously brought events into the SCA), and venue managers from across North America to obtain their views and opinions on the impact which the COVID-19 pandemic has had on sports and entertainment facilities, and the impact of the pandemic going forward. Among the commentary and opinions forwarded from these 14 consultations were the following:

- It was generally agreed that the COVID-19 pandemic has generated significant pent-up demand for consumers to attend live events. In addition, the COVID-19 pandemic has significantly increased savings rates of Canadians (the Bank of Canada notes that forced and precautionary savings of Canadians caused by the COVID-19 pandemic has totaled approximately \$180 billion). Expectations of both promoters and venue managers is that once large indoor gatherings are again allowed (with some expecting this to occur in late 2021 / early 2022), demand by consumers for attending live events (including sports, concerts, family entertainment, etc.) will surge for a period of between 18 and 36 months (two entities consulted with referred to this period as the “roaring 20s”). Thereafter, demand for attending live events is expected to approximate pre-COVID levels.
- Musical groups / artists, family shows and other entertainment which tour and perform in sports and entertainment venues have similarly had a significant portion of their incomes reduced /

eliminated because of the COVID-19 pandemic. Should restrictions be eased and large indoor gatherings again be allowed, expectations are that many of these acts will again go “on tour” resulting in multiple artists on tour at the same time. As venues have only so many available dates, not all touring acts will play larger markets, potentially opening up venues located in mid-sized and smaller markets. Greater Sudbury could therefore be a beneficiary of this initial surge. Supporting these viewpoints, it is noted that a number of promoters have / are looking to secure dates in venues in numerous secondary markets across Canada.

- General perceptions were that the Greater Sudbury market could continue to support in the range of eight to 12 concerts per year, with the majority of these events showcasing domestic artists.
- Uncertainty with respect to the COVID-19 pandemic remains high with the opening of venues to large mass gatherings dependent upon vaccine take-up, the potential for additional “waves” of infection, and the availability and need for additional “booster shots”. Current expectations are, however, that by 2024/25, the live events market would be similar to that which existed pre-pandemic.
- From a venue design perspective, the COVID-19 pandemic does not appear to have caused noticeable long-term impacts on venue design apart from potential changes to HVAC / air handling requirements and building circulation (for example, building / building component entrances / exits). As noted above, venues which have opened have done so with reduced

The COVID-19 pandemic has impacted construction projects and prices, causing supply chain disruptions and completion delays, and increasing the cost of certain building materials

Impact of the COVID-19 pandemic on sports and entertainment facilities (continued)

capacities (for example, selling seats located on aisles and in the middle of rows of seats, with one or two empty rows between them).

- Per PwC's 2021 "Emerging Trends in Real Estate" publication, the COVID-19 pandemic has had significant impacts on corporate budgets which has directly impacted in-person conferences, meetings, and business travel. Depending on the degree to which populations are vaccinated, business travel decisions will continue to be affected. In the US, the recovery pace for convention centres in larger urban cities is expected to be slower than in smaller cities / towns and suburban areas. However, while general perceptions are that business travel and large-group industry meetings may not return to pre-pandemic levels, perceptions are that pent-up demand for in-person meetings will continue to support business-to-business and business-to-consumer conferences, conventions and trade shows.
- Based on commentary provided by event promoters and venue managers, there does not appear to be a basis for supporting a change to the event assumptions contained in the 2017 Business Case Report (permitting large indoor gatherings will continue to be dependent upon vaccine take-up, the potential for additional "waves" of infection, the availability and need for additional "booster shots", and the health and safety protocols and policies implemented by facilities and local health units).

Impact of the COVID-19 pandemic on construction costs

- The COVID-19 pandemic has had a number of impacts on construction projects and construction prices, including:

Figure 5 – New Events Centre calendar of events

User / Tenant	Annual Number of Event Days	Average Attendance	Annual Attendance	% of Capacity
Sudbury Wolves	36	4,350	153,900	73.7%
Concerts	9	4,500	40,500	77.6%
Family Shows	5	3,500	17,500	60.3%
Other Sports	4	4,500	18,000	77.6%
Other Entertainment	5	3,500	17,500	60.3%
Trade & Consumer Shows / Day Rentals	19	n/a	n/a	n/a
TOTALS	78		247,400	42.3%

Source: PricewaterhouseCoopers Real Estate Inc, 2017

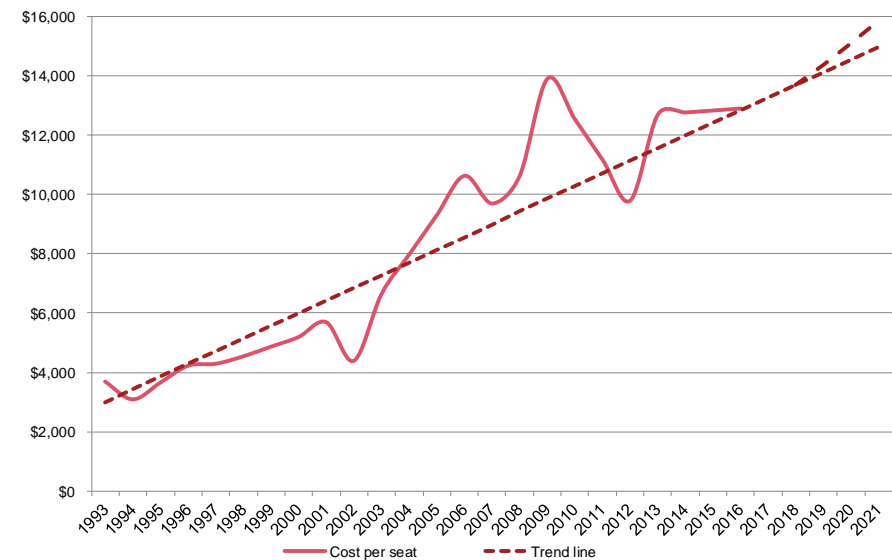
- delays and cancellations of construction projects;
- decreased productivity caused by reduced workforces and physical distancing protocols on construction sites;
- supply chain issues and disruptions caused by shortages of key materials (particularly lumber);
- commodity prices have reduced, a trend the World Bank forecasts may continue in the short to medium term (particularly for aluminum, iron ore and copper); and
- labour costs, particularly for specialty trades have increased.
- The Commercial Construction Index ("CCI"), a quarterly economic indicator designed to gauge the health of the construction industry in the US, rose to 60 in Q4 2020, a level below the 74 recorded at the start of 2020; the CCI did, however, increase by 5.3% from Q3 2020. The index also shows material prices are on the rise with steel and other key products reporting multiple planned price increases into 2021. Trade contractors in the US have also reported that material delays are expected to last at least into Q2 of 2021 and that a number of current projects are behind schedule and are struggling to find labour.

The cost of a New Events Centre could now range between \$15,000 and \$16,000 per seat, or between \$87.0 million and \$92.8 million, up from the initial estimate of \$80.0 million (\$2018)

Impact of the COVID-19 pandemic on construction costs (continued)

- The Turner Construction Company's Turner Building Cost Index (TBCITM), which measures costs in the non-residential building construction market in the United States, remained unchanged in Q4 2020 from Q3 2020, and decreased by 0.5% percent from Q4 2019. The TBCI notes that raw material costs have continued to fluctuate due to the COVID-19 pandemic, with fuel, copper, steel and aluminum having experienced modest increases, while concrete slightly decreased; these increases were, however, offset by increased competition by trade contractors.
- Statistics Canada identify that non-residential construction prices in Canada's largest 11 Census Metropolitan Areas increased at an average annual rate of 3.0% between 2018 and 2021. In Montreal, Ottawa and Toronto, this average annual increase ranged between 3.7% and 4.8% over this period.
- BTY Group project that construction prices will increase by between 3.0% and 5.0% in Ontario in 2021, a rate which is in keeping with information provided by WT Partnership (the entity which provided construction cost estimates for a modernized SCA).
- The 2017 Business Case Report identified a prospective cost for the New Events Centre in the range of \$13,700 per seat (in \$2018), or \$80.0 million for a 5,800-seat facility.
- Since 2017, one additional sports and entertainment centre was constructed in Canada, the Avenir Centre in Moncton, NB. This project is reported to have had a total construction cost of \$95.0 million; including architectural fees and related design and engineering expenses, and the cost of creating an adjacent plaza, the total cost of this projected is reported to have been \$113.2 million (\$12,900 per seat).

Figure 6 – Trend in Per Seat Costs of Recently Built Event Centres



Source: PricewaterhouseCoopers LLP, 2021 (based on publicly available information)

- Using a similar methodology as in the 2017 Business Case Report, the cost of the New Events Centre in \$2021 could approximate \$15,000 to \$16,000 per seat, or in the range of \$87.0 million to \$92.8 million (excluding site development costs).
- At \$87.0 million to \$92.8 million, cost inflation would approximate 2.8% to 5.1% per year, a range which is in keeping with the aforementioned cost inflation estimates.

Since 2017, the development of the Kingsway Site has continued to advance, with the parties involved agreeing to a site development cost sharing agreement, and the property owner advancing and firming up their development plans for the site

Kingsway Site

Background

- In the 2017 Site Assessment Report, PwC RE noted the following with respect to the Kingsway Site:
 - Generally, the ability of “greenfield” event centres to spawn new developments / enhanced development opportunities within its neighbouring area has been lower in the short term. If such ancillary / complementary developments are to occur, they will generally evolve over a longer period, and will tend to evolve more as a function of local economic conditions and development trends than purely because of the presence of the events centre.
- The 2017 Business Case Report noted the following with respect to event centres:
 - The Barrie Molson Centre was built on a greenfield site just east of Highway 400 in the southern section of the city of Barrie on land donated by Molson Breweries. At the time of its development in 1994 and 1995, the lands around the facility were mostly vacant. With the ongoing development of the city, this area has evolved into a major retail node, focused along Highway 400. In this regard, the development of the surrounding area is due more to traditional market forces brought about by significant residential and commercial development, along with its location next to a major highway, than due to siting of the Barrie Molson Centre in this location.
 - In Medicine Hat, AB, the city notes that the Canalta Centre (now Co-op Place), which opened in 2015 on land donated by a private developer, influenced development in and around that facility, including a hotel, restaurants and retail facilities (the location was already being developed as a highway commercial / retail node and according to the city, the offer and subsequent development of Co-op Place on this site helped spur and advance development in the area).
 - In Wilkes-Barre / Scranton Pennsylvania, the Mohegan Sun Arena at Casey Plaza (home of the AHL affiliate of the Pittsburgh Penguins) has generally been viewed as a catalyst for significant additional development which has taken place around this facility. Prior to this building’s construction, the surrounding area was generally characterized as comprising “some of the most worthless property in northeastern Pennsylvania”. Since the venue’s development, the area was reported to be one of the busiest retail districts in the region, with a number of hotels, restaurants and retail developments having been completed since the arena’s opening in 1999. It is also worth noting that the success which this facility and region have enjoyed is also due, in part, to its location in a growing regional economy (the Wilkes-Barre / Scranton area comprises the third largest market in Pennsylvania with a total population of some 14 million people within a 100-mile radius).
- In a follow-up discussion with economic development officials with the City of Medicine Hat, it was noted that limited additional development had occurred in the vicinity of Co-op Place since 2017.
- Medicine Hat economic development officials also noted that no negative fall-out has resulted from the arena relocating out of the city’s downtown core in 2015.

Planned development projects for the Kingsway Site include a casino, a hotel and conference centre, film and television studio and various commercial and retail uses

Kingsway Site (continued)

Background (continued)

- The 2017 Site Assessment Report noted that a benefit of the Kingsway Site was that the Events Centre would be part of a larger entertainment district development that is to include a casino as well as various hospitality, retail and other entertainment uses. The 2017 Site Assessment Report additionally noted that:
 - Such a development, if built, could create a “critical mass” of uses that are generally required to support ancillary uses.
- In order to provide a degree of comfort that the Kingsway Site would be developed, the property owner agreed to use reasonable efforts to substantially affect the development of the property, failing which the City would be entitled to receive monetary payment.

Current Development Status

- Since 2017, the development of the Kingsway Site has continued to advance:
 - In 2017 and 2018, the City and the owner of the Kingsway Site advanced a preliminary site design for the Kingsway Site;
 - In 2018, the City, the owner of the Kingsway Site and Gateway Casinos (“Gateway”) entered into a memorandum of understanding regarding the sharing of the Kingsway Site’s site development costs (including, for example, clearing the site of trees, shrubs and other growth, blasting and crushing of rock to create level building sites, a storm water management pond, internal access roads, transit access roads and associated common area spaces, etc.);
 - In 2020, the Local Planning Appeals Tribunal dismissed all objections to the development of the Kingsway Site;
 - The owner of the Kingsway Site has continued to advanced plans for the construction of a hotel on the Kingsway Site, including obtaining expressions of interest from hospitality companies to “flag” / “brand” the hotel, as well as an expression of interest from a prospective hotel operator / investor. Per discussions with the hospitality entity, their view of the project in 2017/18 was that it was a “good / interesting project”; their current viewpoint is that the project is “even more compelling” today.
 - The owner of the Kingsway Site is additionally proposing the construction of a 16,000 square foot meeting and banquet facility as part of their proposed hotel development;
 - Based on discussions with Gateway, our understanding is that Gateway remains supportive of the overall Kingsway Entertainment District project and have written the City indicating their continued excitement to be a part of the overall development. Our understanding is that Gateway will be looking to time the construction of their project such that both the casino and the New Events Centre would be completed and opened concurrently, and we additionally understand that a potential opening of the Events Centre by September 2024 may meet Gateway’s anticipated scheduling requirements. We note that Gateway has indicated that any potential development timing assumes that there are no further challenges to the project, that the impact of the COVID-19 pandemic on Gateway’s business has been mitigated and that Gateway’s existing properties have been able to reopen and return to operations without restrictions on a reasonable timeline.

Projects associated with the Kingsway Entertainment District are dependent upon the construction of the New Events Centre

Kingsway Site (continued)

Current Development Status (continued)

Per Gateway's June 2017 press release, Gateway's proposed casino will comprise a \$60 million investment that will bring up to 250 new jobs to Sudbury (growing Gateway's workforce to over 400 employees).

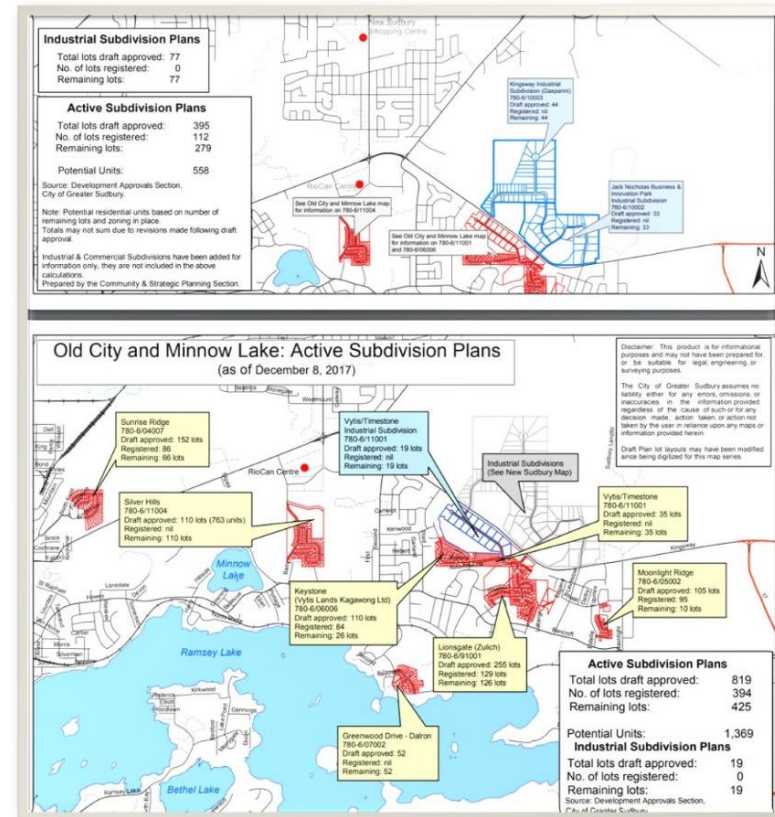
Per Gateway, the company is continuing with work on its North Bay casino project and will continue to assess its other potential development projects in Ontario once COVID restrictions have been lifted and business operations have begun to normalize.

- The owner of the Kingsway Site has additionally advanced a proposal to develop a purpose-built 116,000 square foot film and television studio on the Kingsway Site; and
- The owner of the Kingsway Site has received letters of intent to lease and / or sell various plots of land for commercial / retail uses.
- It is specifically noted that some of the projects / initiatives planned for Kingsway Site (including the casino, hotel, conference centre and some proposed retail / commercial projects) are dependent upon the construction of the New Events Centre on the Kingsway Site.
- These planned and proposed developments on the Kingsway Site are in addition to various draft plan approved residential, commercial and industrial development projects which we understand will come on line over the next few years.

Summary

- The development of the Kingsway Site has continued to advance since 2017, with the construction of the casino, hotel and conference centre, and other recently planned and proposed

Figure 7 – Draft plan approved development projects in the vicinity of the Kingsway Site



Source: City of Greater Sudbury

projects continuing to move closer to being developed. In addition, casino and hotel development partners have reaffirmed their participation and interest in the development. It is noted, however, that the development of some of these projects are dependent on the construction of the New Events Centre.

Events centres constructed in downtown locations have supported new complementary developments within their vicinity, including facilities developed in downtown London, Kingston, Oshawa, Guelph and Moncton

Downtown Site

Background

- In the 2017 Site Assessment Report, PwC RE noted the following with respect to the Downtown Site:
 - The development of an Events Centre is viewed as being able to potentially impart a number of complementary benefits within the downtown area, including taking advantage of existing infrastructure, enhancing the existing urban fabric with compatible projects and assisting with the revitalization of downtown Sudbury.
 - The potential exists for the Events Centre to support the broader revitalization of downtown Sudbury, consistent with what has occurred within other communities which have developed new event centres in their downtown cores.
 - Precedent examples illustrate that the development of an events centre adjacent to existing development has supported some immediate development impacts and provided potential for new development to occur in the medium to longer term.
 - An Events Centre developed within Sudbury's downtown could support investment in the core, with such investments complementing other existing investments and planned future investments including the McEwan School of Architecture, Place des Arts and a Performing Arts Centre.
- The 2017 Business Case Report noted the following with respect to new event centres developed within downtown cores:
 - In London, Budweiser Gardens partly assisted in revitalizing an area of the city's downtown core where it has been noted that following its opening, there was a 40% increase in the area's housing stock, office and retail vacancies fell, commercial rental rates improved and building permit activity increased. Overall in the 10-year period from when Budweiser Gardens was first opened, total property assessment values increased by 61% including from numerous new retail, restaurants, office and residential developments.
 - In Kingston, where between the opening of the Rogers K-Rock Centre (now known as the Leon's Centre) in 2008 and 2012, the number of new business located in the downtown core of that city increased in every year. In addition, three separate pre-event surveys of Leon's Centre patrons indicated that, on average, 48% of respondents ate in a restaurant prior to attending an event, and of those, 65% ate in a restaurant located in the city's downtown core.
 - In Oshawa, the downtown commercial vacancy rate decreased from approximately 21% in 2006 to approximately 11% within the six years following the opening of the GM Centre (now known as Tribute Communities Centre). In addition, it was noted that 83% of all building permits, by value, issued in downtown Oshawa between 1994 and 2010 were issued after the Tribute Communities Centre opened in 2006 (roughly \$540 million). The Tribute Communities Centre was additionally cited for producing economic spin-offs in this area, attracting non-residents to the city, and driving a "night time economy".
 - In Guelph, investments made in the city's downtown "cultural infrastructure" (including the Sleeman Centre, River Run Theatre and Market Square development) have been able to draw people to the downtown, generate higher property values, support

In order to support new development and investment, Events Centres additionally require supportive municipal policies, development economics and complementary “catalyst” projects to incentivize development

Downtown Site (continued)

Background (continued)

enhanced retail economies and provide associated returns from an enhanced tax base.

- In Moncton, NB, their new downtown Events Centre (which was under construction at the time of the 2017 Site Assessment Report) was reportedly spawning new interest in that city’s downtown core, with a reported \$100+ million in downtown development applications having been submitted to the city, including applications for mixed-use projects involving hotels, residential projects, retail projects and restaurants.
- In a follow-up discussion with economic development officials with the City of Moncton, it was noted that the Avenir Centre has exceeded the city’s goals with respect to supporting additional development. In a downtown that had traditionally saw \$8 million to \$20 million in new development per year (building permit value), the city set an aggressive (to the city) target of increasing the total assessment base within the downtown by \$108 million in the five years following the opening on the Avenir Centre (i.e., by 2023). By July 2021 (when municipal assessment updates are completed), the city expects to have surpassed this goal (accomplished within three years).

These developments were facilitated, in part, by the city’s investment in the Avenir Centre, as well as by the city implementing various supportive planning policies (similar to those implemented in London), which incentivize developers. In this regard, it was noted that the city initially implemented a pilot project in 2015/16 and expanded these policies, including community improvement grants, reimbursing development application and permitting fees and providing property tax abatement grants, once the Avenir Centre was confirmed.

Following the opening of the Avenir Centre in 2018, the city realized record development activity (total value of building permits issued), significantly growing the amount of development activity occurring in Moncton’s downtown compared to historical averages.

- Our understanding is that London also implemented a series of supportive planning policies to incentive developers to invest in downtown London and allow the city to capitalize on its investment in Budweiser Gardens and the neighbouring Covent Garden Market (such policies similarly provided property tax forgiveness grants and development application and building permit fee grants for certain developments / development types).
- Best practices from these cities suggest that in order to facilitate development in the vicinity of downtown event centres, these projects need to be considered in conjunction with supportive municipal policies to incentivize developers. Such policies would work to complement local development economics and metrics as well as with other public facilities and catalyst projects to incentivize developers.

City of Greater Sudbury Initiatives

- The foregoing compares and contrasts with Greater Sudbury and the Downtown Site:
 - In 2012, the City prepared a Master Plan for downtown Sudbury, establishing a strategy to transform the downtown into an active, safe and diverse destination for people, businesses and new investment.

In recent years, and in particular since 2017, the City has been investing in downtown Sudbury, including Place des Arts, the planned Junction East project and proposed Junction West project

Downtown Site (continued)

Greater Sudbury Initiatives (continued)

- The City has been investing in its downtown, including pursuing projects such as:
 - Place des Arts, a multidisciplinary arts and cultural centre anticipated to reach substantial completion in 2021 and featuring a 299-seat theatre, a multifunctional studio, a contemporary art gallery, a youth zone, and early childhood artistic centre, a bistro, a bookstore, office space and meeting rooms;
 - Junction East, a planned 62,000 square foot facility that is to include a new Central Library and Art Gallery of Sudbury. The project is anticipated to open in 2024 and is to be developed on a site located immediately east of the Downtown Site; and
 - the proposed Junction West project, a 60,500 square foot convention centre, soft-seat auditorium and performance facility with an initial cost of \$65.5 million. While not confirmed, this project is currently proposed to be developed on the Downtown Site.

As illustrated in Figure 10 (on page 29), the Downtown Site is located immediately west of the planned Junction East project, immediately east of the SCA, and a short distance from Place des Arts. It is noted that each of these three projects / sites are currently / were used (in the case of Place des Arts) for surface parking.

- As / should these sites are developed, it is noted that the downtown will lose a number of parking spaces. Per the 2017 Site Assessment Report, while a sufficient number of parking

Figure 8 – Place des Arts



Source: <https://maplacedesarts.ca/en/>

Figure 9 – Image of the Junction Projects



Source: City of Greater Sudbury

With the development of catalyst projects in the downtown, parking issues will become exacerbated

Downtown Site (continued)

Greater Sudbury Initiatives (continued)

spaces may be available within 600 metres of the Downtown Site, public perception is that many of these spaces are located physically too far from that site; the redevelopment of these three sites (Junction East, Downtown Site and Place des Arts) would remove valuable surface parking located in close proximity to the Downtown Site and the SCA.

Per the 2017 Site Assessment Report, while a parking structure was being considered by a private entity, no consideration was given to any new parking facility (this project did not proceed). Since 2017, our understanding is that no additional parking spaces have been developed within downtown Sudbury (the City has, however, issued and request for expression of interest in 2019).

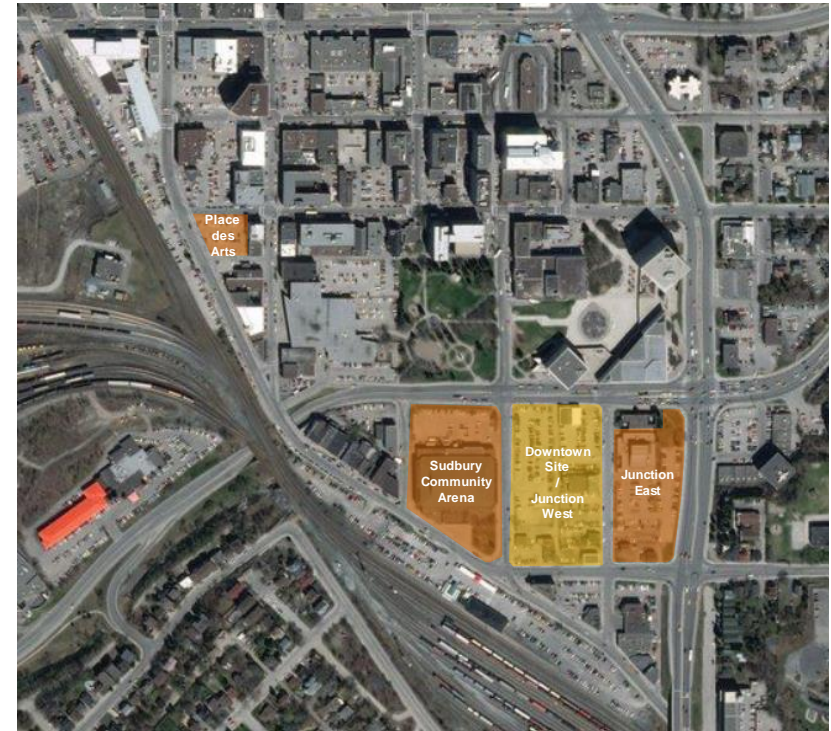
Through consultations with representatives of the Downtown Sudbury BIA and the principals behind the Ledo Hotel redevelopment project (discussed subsequently), we understand that parking remains an issue.

Per consultations with event promoters and venue managers, parking was also noted as a concern. Per one event promoter, location (of a venue) does not matter, what does matter is a venue in a location which allows for easy access by ticket holders” (from home, to parking space, to venue and back).

Should Junction East and the Downtown Site be developed, it would appear, based on the foregoing, that a parking facility should be additionally pursued in conjunction with these projects.

- The City has also implemented a series of supportive Community Improvement Plan (“CIP”) policies to support and incentivize

Figure 10 – Location of major projects vis-à-vis the Downtown Site



Source: City of Greater Sudbury

In recent years, and in particular since 2017, the City has also implemented supportive planning policies to incentivize development

Downtown Site (continued)

Greater Sudbury Initiatives (continued)

development in downtown Sudbury, including:

- Brownfield Strategy and Community Improvement Plan (“BSCIP”): implemented in 2011, the BSCIP is a program designed to support the redevelopment of brownfield sites (vacant industrial and commercial properties) by providing incentives such as tax assistance during site development / rehabilitation, landfill tipping fee rebates, planning and
- building permit fee rebates, and a tax increment grant program (granting 100% of the incremental increase in the municipal portion of property taxes for up to five years); and
- Downtown Sudbury Community Improvement Plan (“DSCIP”): implemented in 2017, the DSCIP provides grants and loans to reduce the cost of development and redevelopment in downtown Sudbury. Available grants / loans include a tax increment grant program, a façade improvement program, a planning and building fee rebate program, a residential incentive program, a feasibility grant program and a downtown Sudbury multi-residential interest-free loan program.

One of the stated goals of these programs is to facilitate increased property assessments and to stimulate the development / redevelopment of un- and under-utilized properties.

CIP applications received by the City since 2017 involving more substantial projects include:

- the redevelopment of the Ledo Hotel (for which a DSCIP application was submitted and which was recommended be

subject to a more comprehensive evaluation). This \$45 million project would redevelop the Ledo Hotel (located immediately south of the Downtown Site) as a 150,000 square foot commercial development (the CIP applications submitted in 2020). Our understanding is that this project will require dedicated access to a number of parking spaces;

- a 6,000 square foot development creating residential space geared for students;
- the conversion of an existing residential and office building to a mid-century style boutique hotel and café / speakeasy;
- a \$23 million expansion to a seniors residence (submitted in 2017), located 1.3 kilometres north of the Downtown Site;
- the renovation of 124 Cedar Street, located 0.5 kilometres north of the Downtown Site, to create 20 new residential units;
- a \$3.5 million mixed-use (commercial / residential) project (submitted in 2017), located 1.2 kilometres north-west of the Downtown Site.

While the City has received multiple applications for funding under these programs, the majority have been for façade improvements, which, as noted in a report to the City’s Finance and Administration Committee (dated November 3, 2020), do not result in a reassessment by the Municipal Property Assessment Corporation.

Since 2017, the City of Greater Sudbury has continued to take steps to lay a foundation to improve downtown Sudbury from a development perspective and increase the potential of catalyst project to facilitate complementary development

Downtown Site (continued)

Greater Sudbury Initiatives (continued)

Per this staff report, the quantum of CIP applications which have been submitted are noted as a barometer of investor confidence in Greater Sudbury and the downtown.

- The City also convened a Task Team, comprised of representatives from a local groups and organizations including police, the Downtown Business Improvement Area (“BIA”), the Canadian Mental Health Association, Public Health Sudbury and Districts and the Shkagamik-Kwe Health Centre, to address issues faced by the downtown and increase collaboration amongst key partners.
- Since 2017, the City has been able to advance a number of new “catalyst” projects within its downtown, including Place des Arts, the planned Junction East project and proposed Junction West project, as well as implement the DSCIP to incentivize development within downtown Sudbury. In addition, we understand that the Downtown BIA has also implemented policies and programs aimed at improving the operating environment for business in the downtown (including, for example, a program aimed at increasing street front retail and office vacancies).
- Per a 2019 study undertaken for the City, there is strong and significant interest in the Sudbury’s downtown, particularly from local developers. Participants in this study commented that the proposed Junction Projects would be a key component to invigorate the downtown due to their potential to increase foot traffic. Participants in this study perceived that there was limited foot traffic after businesses closed as well as on weekends (despite the continuing presence of the SCA). In addition, developers from

outside of the local region acknowledged the potential impact of these proposed developments.

- Consultations with the Downtown BIA and local developers undertaken as part of this Update Report identified similar expectations for the New Events Centre and its ability to generate evening and weekend foot traffic. Per one consultation, the business case for a new parking facility will be dependent upon 12 to 16-hour per day parking (as opposed to the current eight-hour per weekday only).

Summary

- Since 2017, the City has taken steps to improve downtown Sudbury from a development investment perspective, with these programs and initiatives yielding a number of proposed projects. As was noted during the research and consultations undertaken as part of this report, these initiatives and projects help lay a foundation for generating complementary development from catalyst projects.
- The potential exists for Greater Sudbury’s catalyst projects to support the broader revitalization of downtown Sudbury, consistent with what has occurred within other communities. The timing associated with realizing such complementary developments will, however, depend on local real estate development economics and conditions.

A Modernized SCA is concluded to have the highest risk. Development / construction and operational risks are concluded to exist with both the Downtown Site and the Kingsway Site with the Kingsway offering a reduced risk profile

Risk Assessment

- Figure 11, on pages 33 and 34, following, provide a comparative assessment of project risks between the Three Locations (SCA, Downtown Site, Kingsway Site).
- In summary, modernizing the SCA is concluded to be the location / project with the highest risk. Renovation projects, particularly major renovations to older facilities, despite best efforts and due diligence undertaken prior to commencing the project, have tended to be more likely to incur cost over runs and / or construction delays. By way of example, major renovation projects undertaken in North Bay and Peterborough each went over budget.
- The Downtown Site and Kingsway Site are each preliminarily concluded to have lower risk profiles (compared to modernizing the SCA), but nonetheless, have risk from a site development, tendering, scheduling and cost perspective. The Downtown Site is viewed to carry somewhat higher comparable risks, given potential soil / constructability issues and given that the City would be required to acquire a number of properties in order to assemble a sufficiently sized site on which to construct the New Events Centre.
- From an operations perspective, a modernized SCA is concluded to pose higher risks given that when the facility is being modernized, it would be closed to all activities (if constructed in a single phase) or potentially closed to all non-hockey / basketball events (if constructed in two phases) for a period of up to three years.
- The Downtown Site is viewed as having an additional risk if the planned development of Le Ledo and Junction East remove surface parking and increase the demand for parking within the immediate area around the Downtown Site.
- All sites are viewed as having risk associated with realizing ancillary development in the vicinity of the New Events Centre / SCA. It is specifically noted that a number of development projects are more advanced in the vicinity of the Kingsway Site and that these projects would proceed with the construction of the New Events Centre on that site; this risk is mitigated somewhat with the land owner agreeing to financial penalties. No such full or partial risk mitigation strategy exists for the Downtown Site or Modernized SCA.

Figure 11 – Comparative risk assessment

	Modernized SCA	Downtown Site	Kingsway Site
Construction			
Design	Design risk related to the availability of up-to-date drawings of the existing building to enable (a) the preparation of detailed and precise construction drawings, and (b) the preparation of precise cost estimates (i.e., with less built-in contingencies)	Less risk as the project would involve a new build on a vacant site	Less risk as the project would involve a new build on a vacant site
Design Process	Overall design process may be protracted depending on the nature and availability of precise drawings and level of diligence needed to be undertaken on the building to finalize the design	Less risk as the project would involve a new build on a vacant site	Less risk as the project would involve a new build on a vacant site
Site	<p>Will require investigations to confirm the condition of the underlying soils. Per the 2017 Site Assessment Report, the site's geotechnical and soil conditions (soft clay and silts with low bearing strengths) are such that micropilings may be required, similar to the recent development of Laurentian University's School of Architecture</p> <p>Per the 2017 Site Assessment Report, the site may require investigations to confirm the presence of any environment contamination (per Terraprobe and based on the site's proximity to the CP rail lands)</p> <p>Costs associated with the above would be responsibility of the City</p> <p>City already owns the site</p>	<p>Will require investigations to confirm the condition of the underlying soils. Per the 2017 Site Assessment Report, the site's geotechnical and soil conditions (soft clay and silts with low bearing strengths) are such that micropilings may be required, similar to the recent development of Laurentian University's School of Architecture</p> <p>Per the 2017 Site Assessment Report, the site may require investigations to confirm the presence of any environment contamination (per Terraprobe and based on the site's proximity to the CP rail lands)</p> <p>Costs associated with the above would be responsibility of the City</p> <p>Individuals land parcels not already owned by the City would need to be acquired, increasing the project's overall cost and potentially impacting the scheduling of the project (may be mitigated as sites should be acquired prior to finalizing project design)</p>	<p>Site requires blasting and site grading to create a level building site. The cost of blasting / site preparation is part of the cost sharing agreement between the City, the owner of the Kingsway Site and Gateway Casinos</p> <p>City has already acquired the site for a nominal sum</p>
Tendering	Given the nature of the project (major renovation to a facility built in 1951), the project tendering process is unlikely to result in a fixed-price, lump sum bid (would likely have high contingency factor built in)	Given the nature of the project (new build on a level site) more likely to obtain a fixed-price, lump sum bid	Given the nature of the project (new build on a level site) more likely to obtain a fixed-price, lump sum bid
Scheduling	<p>Project will involve demolition and new construction. If undertaken in a single phase, the modernization is preliminarily envisioned to occur over a 24-month period (following a 16-month architect selection, design and construction tendering process). The SCA would be unavailable during this period, necessitating that the Sudbury Wolves and Sudbury Five relocate to another venue until construction has been completed.</p> <p>If undertaken in two phases, the modernization is preliminarily envisioned to occur over a 38-month period (following a 16-month architect selection, design and construction tendering process), with phase 1 involving the expansion of the building and the renovation of all back-of-house areas and phase 2 involving work on the interior seating area of the building. The SCA would be available only for Sudbury Wolves and Sudbury Five games during this period (no concerts or other events would likely occur).</p> <p>Risk exists that construction could extend beyond these dates (depending on the quality of existing building drawings and quality of the existing building that would remain).</p>	<p>Less risk as the project would involve a new build on a vacant site.</p> <p>Project could be delayed depending on the ability of the City to acquire individual land parcels not already owned by the City on a timely basis.</p>	Less risk as the project would involve a new build on a vacant site

Source: PricewaterhouseCoopers LLP, 2021

Figure 11 – Comparative risk assessment (continued)

Modernized SCA		Downtown Site	Kingsway Site
Construction			
Cost	Because this is a major renovation project, risk will exist that the project will experience cost overruns (as has happened in other event centre modernizations)	Less risk of cost overruns on the development of the New Events Centre as the Downtown Site is mostly vacant (it will, however, require demolition of existing structures which will add to the project's overall cost; individual properties will also need to be acquired)	Less risk of cost overruns as this project would involve a new build on a vacant site
Impacts during construction	<p>During a single phase modernization, no events could be held in the facility until construction has completed.</p> <p>During a two-phase modernization, the SCA would only be available for hockey and basketball during phase 1 (concerts and other events needing back-of-house access would be prohibited); during phase 2 it is possible that concerts and other events may not be permitted.</p> <p>Because the venue is unavailable, the SCA would not be able to participate in the anticipated period of high concert demand (the "roaring 20s" commencing in late 2021 / early 2022 and lasting for approximately 18 to 36 months).</p>	During construction, events would continue to be held in the SCA (including hockey, basketball, concerts and other live entertainment), allowing the City to benefit from the anticipated period of high demand ("roaring 20s")	During construction, events would continue to be held in the SCA (including hockey, basketball, concerts and other live entertainment), allowing the City to benefit from the anticipated period of high demand ("roaring 20s")
Operations			
Financial	Risk that a modernized SCA would generate a higher net cashflow deficit compared to a New Events Centre	n/a	n/a
Programming	Risk that a modernized SCA may not attract as many events, given that improvements to the SCA's roof structure are not contemplated	n/a	n/a
Parking	Risk that with the development of Le Ledo and Junction East (and potentially Junction West), insufficient parking would exist in the downtown, impacting attendance and potentially the number of events attracted to a modernized SCA	Risk that with the development of Le Ledo and Junction East, insufficient parking would exist in the downtown, impacting attendance and potentially the number of events attracted to a New Events Centre. Addressing this risk would require the construction of a new parking facility, increasing the overall cost of the projects.	Risk is felt to be low given the amount of on-site parking to be included on site
Ancillary Development	Risk that a Modernized SCA, whether by itself or in conjunction with other planned and proposed developments in its vicinity (Le Ledo, Junction East), does not create the "critical mass" of uses that can support ancillary development in its vicinity (no full or partial risk mitigation strategy exists)	Risk that a New Events Centre, whether by itself or in conjunction with other planned and proposed developments in its vicinity (Le Ledo, Junction East), does not create the "critical mass" of uses that can support ancillary development in its vicinity (no full or partial risk mitigation strategy exists)	Risk that planned developments within the Kingsway Entertainment District do not materialize or do not create the "critical mass" of uses that can support ancillary developments in its vicinity - impact mitigated somewhat by imposition of financial penalties

Source: PricewaterhouseCoopers LLP, 2021

Sudbury Community Arena Modernization

While the SCA could be modernized to bring it up to a level approaching a New Events Centre, the SCA would continue to have a number of limitations from a functionality perspective

Renovation Assessment

- Ian McKay Architect Inc. (“IMA”) undertook an assessment of the SCA to identify the ability to, and the potential costs associated with, renovating the SCA to a level consistent with the proposed New Events Centre. IMA’s report is included as Appendix B to this Update Report.

Summary of IMA’s Findings

Description of modernizations

- IMA developed a concept design and prepared an illustrative estimate of costs for an assumed modernization to the SCA. In summary, IMA concluded that the SCA could be modernized to bring it up to a level approaching the proposed New Events Centre; however, a modernized SCA would continue to have a number of limitations from an overall functionality perspective:
 - The main entrance / entry level of the SCA would need to be redesigned / expanded, allowing for a new spectator entrance, box office, retail store and administrative offices.
 - The lower / ice level would need to be redesigned and reconfigured.
 - In order to accommodate the various BOH functions contemplated within the New Events Centre, the lower / ice level of the SCA would need to be expanded to the north; this expansion is not considered to be overly complex from a constructability perspective and would allow for vehicular access into the facility and onto the ice surface. This expansion would also require the relocation and expansion of Sudbury Wolves’ dressing rooms, administrative areas and coaches’ rooms.
 - In order to provide a more functional concourse around the top of the seating area, the SCA would need to be expanded on all four sides, with this expansion encroaching outside its existing property lines and into Grey Street and Minto Street. Expansion of the concourse is similarly not considered to be complex from a constructability perspective. The expanded concourse would then allow for an estimated 35 permanent concession POS and temporary POS located through the concourse.
 - The location of the existing structure, and in particular the triangular truss columns located within the main seating area, were concluded to make the expansion of the seating bowl difficult in terms of sightlines. As the SCA’s seating bowl does not meet current fan expectations, a new metal bowl “liner” would be installed over the existing concrete structure, allowing for additional seats and increased row-to-row spacing. This modernization is expected to create a more intimate relationship between fans and the ice surface and allow for two additional seating rows to be created, increasing the number of fixed seats from the current 4,470 to approximately 5,000 (including 150 club seats and 4,850 general admission seats).
 - Around the concourse on the north and south sides, 13 loge boxes could be created (providing 52 seats in total) and located between the existing columns.
 - A new private suites level, on the east (Minto Street) side of the SCA would be constructed, allowing for the creation of 12 private seats (containing 120 seats in total).
- As the modernization of the SCA would involve significant demolition and construction, staging the modernizations could allow the Sudbury Wolves and Sudbury Five to play their respective home games during the renovation / expansion of the SCA. However,

A modernized SCA could achieve almost 5,200 fixed-seats and be improved with 150 Club Seats, 12 10-seat private suites and 13 4-seat loge boxes in addition to 4,850 general admission seats

Summary of IMA's Findings (continued)

staging the construction / modernization would have significant impacts on overall construction and completion timelines.

- In total, the modernization would expand the SCA by some 92,300 square feet, and improve / update the building's existing 72,300 square feet of space (in addition to providing a new steel liner seating bowl insert of almost 27,300 square feet).
- Based on their concept design, IMA estimate that the total fixed seating capacity of a modernized SCA could increase from 4,470 to 5,172:
 - 4,850 general admission seats;
 - 150 Club Seats;
 - 52 seats in 13 loges boxes; and
 - 120 seats in 12 private suites;
- However, because of various constraints within the existing building footprint, it is not envisioned that a modernized SCA could include suite level lounges or party rooms.
- Schematic sketches of the above described modernizations are included in Figures 13 (Event / Entry Level), 14 (Concourse Level), 15 (Private Suites Level) and 16 (Building Cross-sections), on pages 38 and 39.

Construction Plans and Scheduling

- In completing the above described modernizations, IMA prepared illustrative construction schedules under two alternative scenarios:

Single Phase Scenario

- Under a single phase construction scenario, all proposed modernizations would be undertaken concurrently and would

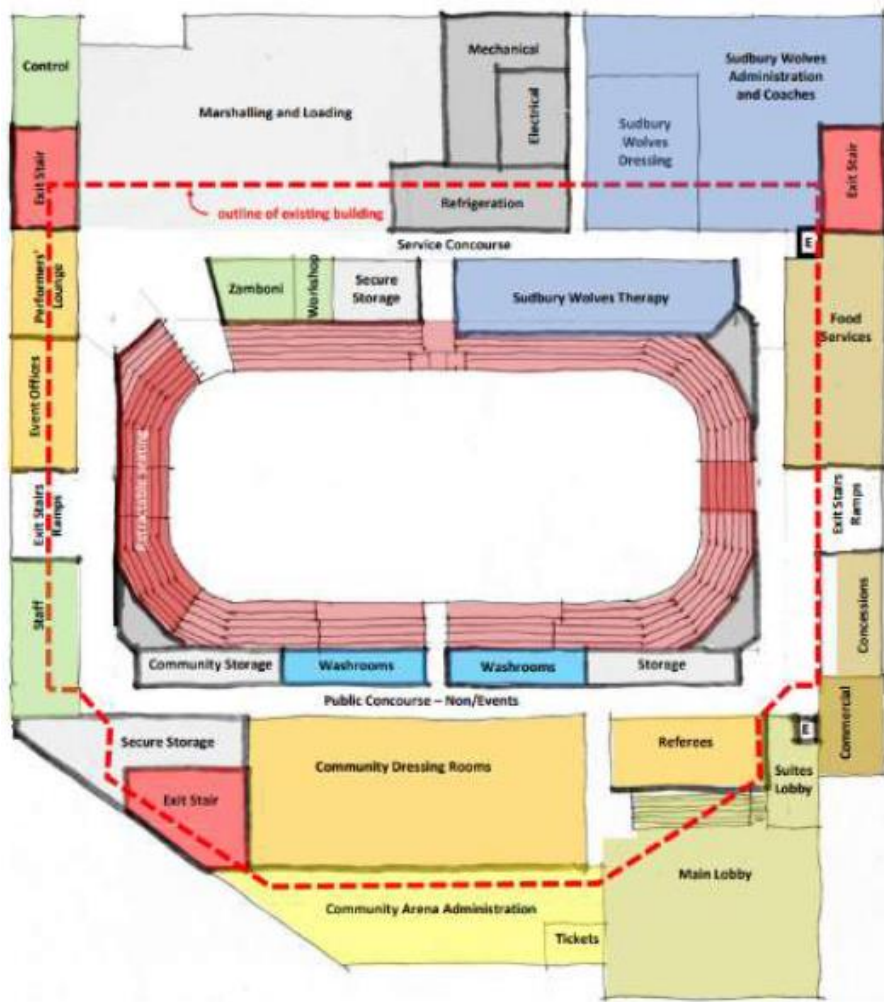
Figure 12 – Summary of main building components associated with a modernized Sudbury Community Arena

	Existing SCA	Modernized SCA
Venue Capacity	4,470 fixed seats 5,186 total capacity	5,172 fixed seats 5,200 total capacity
General Seating	4,470 seats	4,850 seats
Club Seating	n/a	150 seats
Private Suites	n/a ¹	12 suites 120 seats
Loge Boxes	n/a	13 loge boxes 52 seats
Private Suite Amenities	n/a	none
Commercial Space	n/a	500 - 1,000 square feet
Concession Points of Sale	12 plus portable kiosks	35 plus portable kiosks

Note: 1. While 12 suites / loge boxes (of approximately eight seats each) exist in the SCA, they are not equivalent in form, size or function as those contemplated within a Modernized SCA or within a new Events Centre.

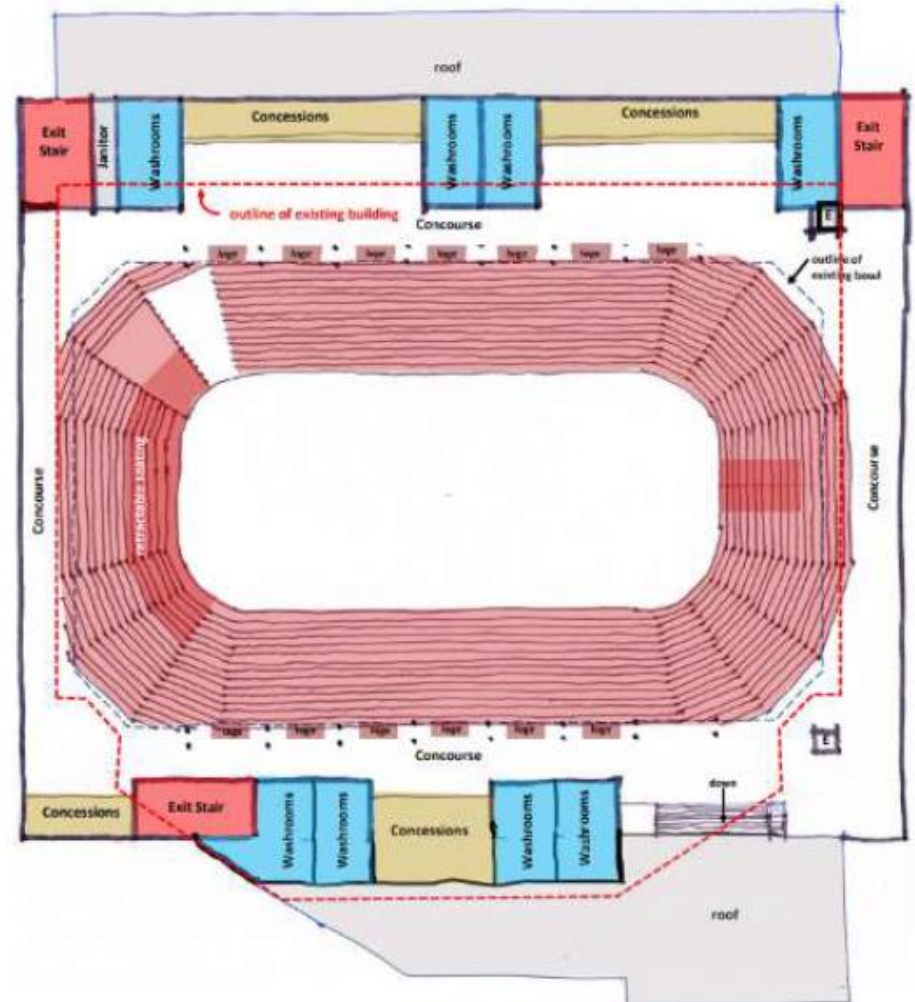
Source: City of Greater Sudbury, Ian McKay Architect Inc., 2021

Figure 13 – Schematic sketch depicting the Event / Entry Level of a Modernized Sudbury Community Arena



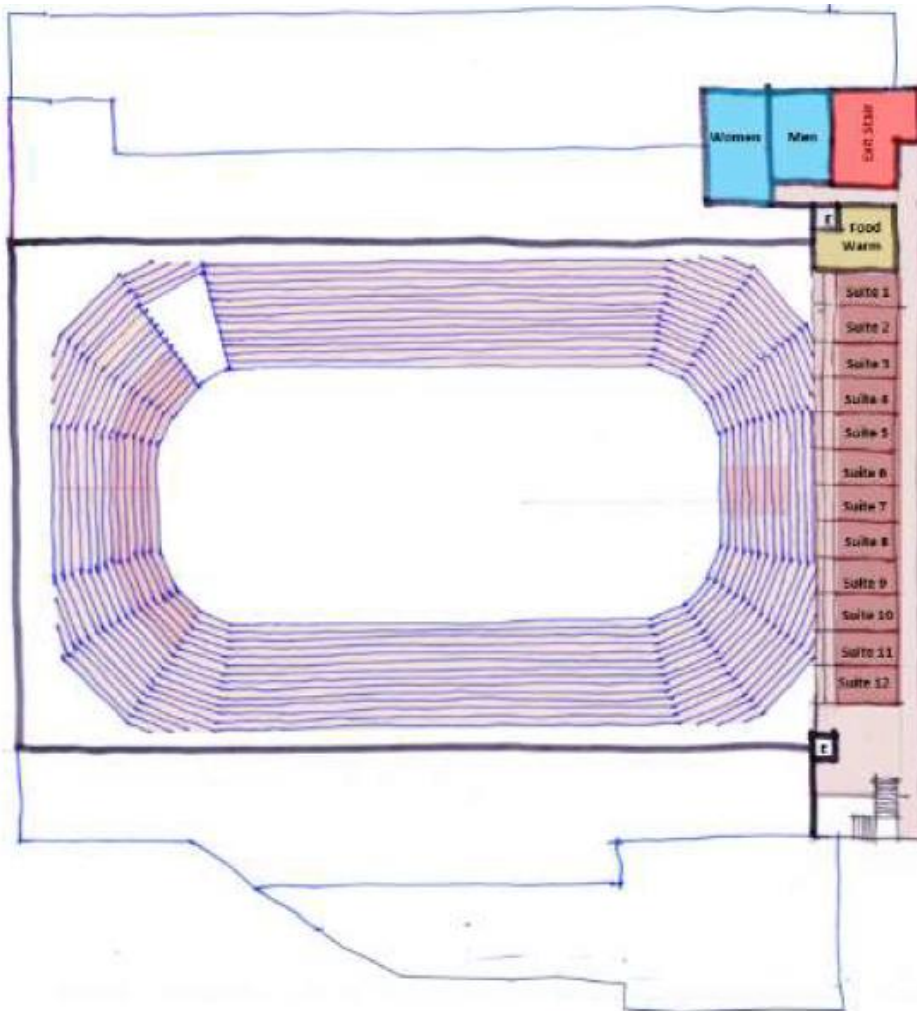
Source: Ian McKay Architect Inc., 2021

Figure 14 – Schematic sketch depicting the Concourse Level of a Modernized Sudbury Community Arena



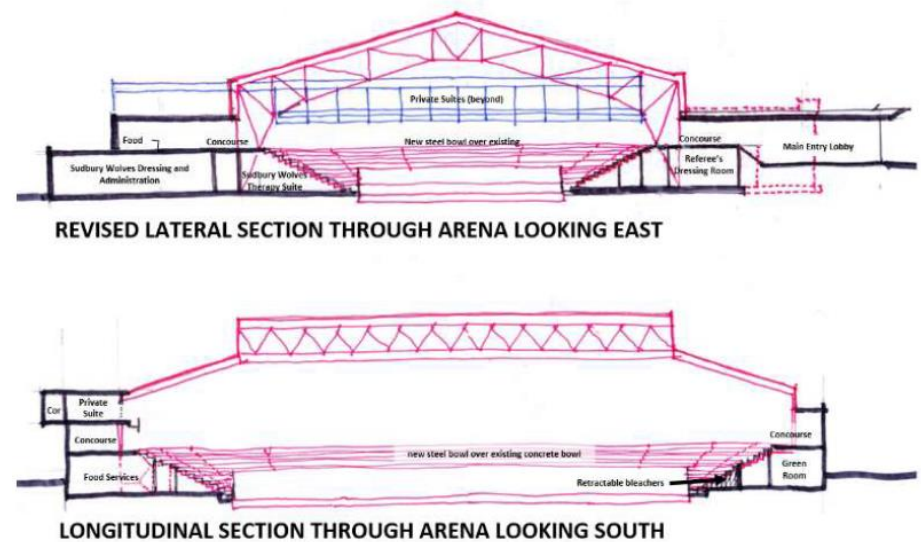
Source: Ian McKay Architect Inc., 2021

Figure 15 – Schematic sketch depicting the Private Suites Level of a Modernized Sudbury Community Arena



Source: Ian McKay Architect Inc., 2021

Figure 16 – Schematic sketch depicting Building Cross-Sections of a Modernized Sudbury Community Arena



Source: Ian McKay Architect Inc., 2021

The modernization of the SCA could result in the loss of two hockey seasons if implemented in a single phase or impact three hockey seasons if implemented over two sequential phases

Summary of IMA's Findings (continued)

Single Phase Scenario (continued)

be undertaken over an assumed 24-month period, following an assumed 2-month architect selection process, a 12-month process to finalize the design and construction drawings, and a two-month construction tendering process.

- Assuming project initiation in Q3 2021, IMA preliminarily estimate a modernized SCA could be completed in late 2024 / early 2025.
- Undertaken in a single phase, the SCA would be closed to all activities while construction takes place, requiring the Sudbury Wolves and Sudbury Five to play home games in an alternative venue for at least two seasons (2023/24 and 2024/25 seasons).
- Our understanding is that upgrades may be required to other Sudbury arenas (for example, Countryside) in order for the Sudbury Wolves to play their Ontario Hockey League games in that arena.

Two Phase Scenario

- IMA assume that it could be possible to renovate and expand the SCA so that it could continue to accommodate the playing of hockey and basketball during construction. However, IMA note that completing the above described modernizations would have significant impacts on project scheduling and result in three seasons of sports being played in a facility under construction.
- Phase 1 is estimated by IMA to commence following a 2-month architect selection process, a 12-month process to finalize the design and construction drawings and a 2-month construction tendering process. Overall, Phase 1 is envisioned to take approximately 18 months to complete.

Figure 17 – Schematic schedule depicting the timeframes associated with modernizing the Sudbury Community Arena in a single phase



Source: Ian McKay Architect Inc., 2021

Figure 18 – Schematic schedule depicting the timeframes associated with modernizing the Sudbury Community Arena in two sequential phases



Source: Ian McKay Architect Inc., 2021

[illegible]

Source: Ian McKay Architect Inc., 2021

The architectural site plan illustrates the proposed arena at the University of Illinois at Chicago. The plan is divided into two main construction phases:

- Phase 1:** Indicated by a blue outline and labeled "Phase 1" in large blue text. It encompasses the perimeter structure, including the roof, concessions areas, restrooms, and exit stairs. A red dashed line indicates the "outline of existing building" within this phase.
- Phase 2:** The central arena seating area, labeled "Phase 2" in large blue text. It is depicted with red hatching and a blue outline. The seating is arranged in a large, oval-shaped bowl.

Key features and labels on the plan include:

- Roof:** Labeled at the top and bottom of the arena structure.
- Concessions:** Multiple yellow rectangular areas located around the perimeter of the seating bowl.
- Restrooms:** Blue rectangular areas interspersed with the concessions.
- Exit Stair:** Red rectangular areas providing egress from the building.
- Concourse:** Labeled at the bottom of the seating bowl.
- Existing Building:** A red dashed line outlines the footprint of the existing building, which is partially overlaid by the new arena structure.
- Seating Bowl:** The central area, filled with red hatching, representing the arena seating.

Source: Ian McKay Architect Inc., 2021

The cost of modernizing the SCA is preliminarily estimated to be in the range of \$115.4 million (if implemented in a single phase) to \$118.6 million (if implemented in two phases)

Summary of IMA's Findings (continued)

Because of the nature of the renovations envisioned (principally the non-seating area components), IMA note that the SCA would not be able to host any events other than hockey and basketball games.

- Phase 2 is assumed to commence immediately following the completion of Phase 1 and take approximately 20 months to complete.
- Assuming a project initiation in Q3 2021, IMA preliminarily estimate that Phase 1 could be completed by mid to late 2024, while Phase 2 would not be completed until mid-2026.
- Under this scenario, it is estimated that three sports seasons would be played within a facility that is under construction.

Estimated Costs

- Project costs, including construction related costs and furniture, fixtures and equipment, were developed by the WT Partnership for IMA. IMA additionally included an allowance for architectural and engineering fees as well as specialty consultants. Per IMA, it is specifically noted that as the concept design extends west onto the sidewalk on Grey Street and east onto Minto Street, any impact on City services or infrastructure related to this expansion are not included.
- Based on their assessment, IMA identify a cost estimate of \$115.4 million if constructed in a single phase, and \$118.6 million if constructed in two phases.

Comparison of a Modernized SCA to a New Events Centre

- While a modernized SCA could offer improved amenities and features, it will nonetheless have several shortcomings in

Figure 21 – Estimated SCA modernization costs

Single Phase of Design and Construction	
Total construction costs	\$102,600,000
Site development costs	\$2,300,000
Sub-Total, Construction	\$104,900,000
Architectural, engineering and specialty fees	\$10,500,000
Total	\$115,400,000
Single Phase of Design and Two Phases of Construction	
Total construction costs - Phase 1	\$71,200,000
Total construction costs - Phase 2	\$34,200,000
Site development costs	\$2,400,000
Sub-Total, Construction	\$107,800,000
Architectural, engineering and specialty fees	\$10,800,000
Total	\$118,600,000

Source: Ian McKay Architect Inc., 2021

In comparison to the proposed New Events Centre, a modernized SCA would have fewer fixed seats and a lower total seating capacity

Comparison of a Modernized SCA to a New Events Centre (continued)

comparison to the proposed new Events Centre:

- a modernized SCA would have approximately 628 fewer fixed seats and a lower total seating capacity in the range of approximately 1,300; a modernized SCA would have 170 fewer general admission seats;
- a modernized SCA would have 350 fewer club seats;
- a modernized SCA would have 12 fewer private suites and 120 fewer seats in private seats; and
- a modernized SCA would not have associated private suite amenities (i.e., lounge and party room).
- A modernized SCA would, however have the ability to have more loge boxes (13 with 52 seats, versus 10 and 40 seats in the proposed new Events Centre).
- Both a modernized SCA and new Events Centre would be able to provide a similar number of concession points of sale, and commercial / retail space.
- PwC evaluated the impact of these differences on the operating proforma presented in the 2017 Business Case Report (Figure 3 on page 16, above) to determine their directional impact on revenues, operating costs and net operating income / deficit:
 - During the actual modernization of the SCA, attendance and the number of events staged at the SCA would likely be impacted negatively as spectators and promoters may be wary about attending events in a venue under construction:
 - Under the single-phased construction approach, the SCA would be unable to host any events during its estimated 24-month

Figure 22 – Comparison of building capacities and features of the New Events Centre and a Modernized Sudbury Community Arena

	New Events Centre	Modernized SCA
Venue Capacity	5,800 fixed seats 6,500 total capacity	5,172 fixed seats 5,200 total capacity
General Seating	5,020 seats	4,850 seats
Club Seating	500 seats	150 seats
Private Suites	24 suites 240 seats	12 suites 120 seats
Loge Boxes	10 loge boxes 40 seats	13 loge boxes 52 seats
Private Suite Amenities	Lounge & party room	none
Commercial Space	500 - 1,000 square feet	500 - 1,000 square feet
Concession Points of Sale	33 to 40 plus portable kiosks	35 plus portable kiosks

Source: PricewaterhouseCoopers Real Estate Inc. (2017), Ian McKay Architect Inc. (2021)

A modernized SCA is also expected to generate lower revenue compared to a New Events Centre

Comparison of a Modernized SCA to a New Events Centre (continued)

construction period. In addition, promoters may be wary of committing to dates until the reopening of the modernized SCA was more certain (the reader should note that promoters will typically look to secure dates within a venue six or more months in advance of the show date).

- Under a two-phased construction approach, no events other than hockey and basketball could be staged under phase 1 (anticipated to be 18-months in duration), while under phase 2, it is unlikely that events could be staged until after the steel seating insert has been installed.
- Upon opening, it is possible that the Sudbury Wolves could attract an equivalent number of fans per game. The duration over which the team could attract higher than average attendance will be dependent upon the on-ice success of the team and the duration of the modernized venue's "honeymoon period" (the period over which newer venues attract higher than average attendance).
- Revenue from other events may be negatively impacted as increases in total seating capacities would improve promoter's economics for bringing in shows; however, no modernization improvements are contemplated to be made to the SCA's roof structure, potentially impacting the ability to bring in shows compared to the proposed New Events Centre.
- With potentially fewer events, total attendance may be negatively impacted, impacting net concession revenue, merchandise revenue, revenues from advertising and sponsorships, ticket surcharge revenue and box office revenue.

Figure 23 – Directional comparison of impacts on revenue, operating expenses and net operating income of a Modernized Sudbury Community Arena versus the proposed New Events Centre

	Directional Impact
FACILITY REVENUES	
Sudbury Wolves	↔
Other events	↘
Net concession revenue	↘
Net merchandise revenue	↘
Advertising and Sponsorships	↘
Suites / Loge Box license revenue	↓
Club seat license revenue	↓
Ticket surcharge	↘
Box office revenue	↘
Ice rental revenue	↔
Total Revenues	↘
FACILITY EXPENSES	
Personnel costs	↔
Utilities	↔
Operations, maintenance & repairs	↗
Marketing	↔
Insurance	↔
Other miscellaneous expenses	↔
Event costs	↔
Total Expenses	↗
Management fee	↔
Capital Reserve	↗
NET CASH FLOW	↘

Source: PricewaterhouseCoopers LLP, 2021

A modernized SCA is expected to generate a higher net cashflow deficit compared to a New Events Centre

Comparison of a Modernized SCA to a New Events Centre (continued)

- With fewer suites and club seats (offset somewhat by the three additional loge boxes), the amount of revenue potentially available from the licensing of suites and club seats is likely to be lower.
- Total revenues are therefore preliminarily concluded to be lower within a modernized SCA compared to the New Events Centre.
- Facility operating expenses are preliminarily estimated to be similar between a new Events Centre and a modernized SCA. It is, however, possible that operating, maintenance and repair costs could be higher given the underlying age of the SCA (constructed in 1951).
- Total operating expenses are therefore preliminarily concluded to be potentially higher compared to the New Events Centre.
- Major maintenance and capital reserves are preliminarily concluded to be higher compared to the New Events Centre, given the underlying age of the SCA.
- Overall, a modernized SCA is preliminarily concluded to generate a higher cash flow deficit compared to the New Events Centre.

General Assumptions and Limiting Conditions

1. The use of any projections made in conjunction with this Update Report may not be appropriate for use outside of its intended purpose. The projections, which will not reflect actual development, economic, demographic and / or financial results, may reflect a possible scenario for the operations of the New Events Centre or a modernized SCA (collectively, the “Facilities”) during the projection period, given PwC’s judgment as to a probable set of economic conditions, together with the hypotheses which are consistent with the purpose of the projections. Scenarios produced in conjunction with our analysis may contain hypotheses and assumptions which are based on a set of economic conditions or anticipated courses of action that are not unreasonable, are consistent with the purpose of the projections, but which will not materialize as set out therein. The hypotheses represent plausible circumstances, but need not be, and may not have been fully supported.

Since future events are not subject to precise projections, some assumptions will not materialize in the exact form presented by our analysis. In addition, other unanticipated events and circumstances may occur which could influence the future performance of the Facilities. While there is no recourse to predicting these matters with certainty apart from informed and reasoned judgments, it must be stated that future events will lead to variations in performance which may materially alter the success and performance of the Facilities. PwC does not warrant that actual results achieved will be the same, in whole or in part, as those shown in the projections. The projections are based on hypotheses and there is a significant risk that actual results will vary, perhaps materially, from the results projected.
2. The impacts and the duration of those impacts associated with the novel coronavirus disease (“COVID-19”) on the local, regional, provincial and national economies and on the real estate, entertainment, hospitality and sports, recreation and leisure industries remains uncertain as of the date of this Update Report, and the impacts of COVID-19 on the New Event Centre’s performance, operations, programming and / or results could be material. PwC is not responsible nor liable for any consequences, impacts, implications, direct or indirect, of COVID-19 arising from or related to the information and analysis contained in this Update Report.
3. Information furnished by others, including the City of Greater Sudbury, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
4. Our report and work product cannot be included, or be referred to, in any prospectus, securities and exchange commission filing or other public investment document.
5. The intended use of this report is to provide an update to the 2017 Business Case Report for a New Events Centre in Greater Sudbury, Ontario.
6. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the estimates provided in this report are based.
7. Responsible and competent management is assumed.
8. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances.
9. Full compliance with all applicable federal, provincial and local zoning, use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.
10. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the effective date of this report.
11. Any financial structure within this report is predicated on the market conditions prevailing as of the date of this report.
12. Areas and dimensions of any property referenced in this report were obtained from sources believed to be reliable. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property / site and no responsibility is assumed for their accuracy. No independent surveys were conducted.

13. It is assumed that there are no hidden or unapparent conditions of the site, subsoil, or structures that affect future use and / or value. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
14. Neither PwC nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony or appear in court or other legal proceedings, unless specific arrangements thereof have been made.
15. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including without limitation any conclusions, the identity of PwC or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties by any means without the prior written consent and approval of PwC.
16. We have not been engaged nor are qualified to detect the existence of hazardous material which may or may not be present on or near the property. The presence of potentially hazardous substances such as asbestos, urea-formaldehyde foam insulation, industrial wastes, etc. may affect the value and future use of a particular site and the viability of using the site for a New Events Centre. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. It is assumed that such reviews and examinations would be made following any decision by Greater Sudbury City Council.

Ian McKay Architect Inc. Report

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