

## Event Centre Update Report

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Recommended by:	Chief Administrative Officer

## Report Summary

This report responds to Council direction provided on February 9, 2021 to provide Council with updated information on the Event Centre Project.

## Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report addresses the strategic goal of Asset Management and Service Excellence as outlined in the City of Greater Sudbury Strategic Plan 2019-2027. The report aligns with the goals identified in the City of Greater Sudbury Community Energy and Emissions Plan.

## Financial Implications

There are no direct financial implications associated with this report.

## Introduction

The purpose of this report is to respond to Council Resolution CC2021-43 that directed staff to compile all of the facts associated with the Kingsway Entertainment District project and provide updated information based on events following Council's June 2017 decision to proceed with the project.

At the January 12, 2021 Council meeting, Mayor Bigger requested that staff update the factual information on the proposed Event Centre and return with a comprehensive report in the second quarter of 2021. Staff were directed to address two questions:

1. Since 2017, have any of the elements about the project changed such that its potential for producing the desired outcomes is markedly different?
2. Since 2017, and especially considering the effects of the Covid-19 virus, have there been any changes in the operating environment that would affect the project's success?

Mayor Bigger stressed the need for evidence-based analysis. The scope included reviewing elements associated with the three approaches Council considered in 2017:

- New construction on the current, approved site on the Kingsway using property that is now owned by the City of Greater Sudbury
- New construction on the Shaughnessy-Minto block, which would require land acquisition/assembly, and
- A renovation of the existing Sudbury Community Arena.

Council's direction to construct an event centre at the Kingsway Entertainment District in partnership with the landowner and Gateway Casinos remains in place. Council approval is required to initiate further steps on this file.

## **PwC's Approach**

As outlined in the February 9, 2020, Council Report, PricewaterhouseCoopers LLP "PwC" was retained to ensure Council's timing requirement for a report to be delivered in the second quarter could be met, and to ensure that Council has the benefit of professional insights into the state of the Event Centre market across North America. This included assessing the impact of the pandemic.

To complete the Assessment Study for the Expansion of the Sudbury Community Arena, PwC included Ian McKay Architect Inc. and WT Partnership on their project team. Mr. Ron Bidulka led the project from PwC, and the lead architect from Ian McKay Architect Inc. was Mr. Conrad Boychuk. These are the key team members that prepared the 2017 Business Case and the 2017 Greater Sudbury Event Centre Site Evaluation.

The PwC report, "Sudbury Event Centre Update Report", is attached. The report includes:

- A summary of the 2017 Business Case,
- A detailed assessment of the requirements, costs and anticipated benefits associated with refurbishing the Sudbury Community Arena,
- An update to the 2017 Business Case,
- A comparative risk assessment,
- An economic impact benefits analysis for each of the three sites, and
- The anticipated impact of COVID-19.

## **PwC's Analysis**

While PwC's report and the accompanying appendices should be read in their entirety to fully understand the due diligence and thoroughness of its work, key findings are:

- New aspects of the current, approved Kingsway site makes it the approach that offers the highest economic benefits and the lowest cost
- Agreements now in place between the City, Gateway casinos and the hotel developer that did not exist in 2017 offer the highest direct financial returns
- The proposed operating model for a new Event Centre requires a lower annual operating subsidy than a remodeled Event Centre, and offers more flexibility for hosting more events
- A remodeled Event Centre can be produced, but at a higher total cost and with a higher annual operating subsidy. It would not be able to offer the same range of events or visitor experience as a new Event Centre. Development of this option would also be complicated by a reduction in events and potential relocation of the Sudbury Wolves and Sudbury 5 for two seasons at additional expense

to the project.

- The market for Event Centres looks positive; the effects of Covid-19 create unique opportunities for mid-sized Event Centres to attract performances that might not traditionally have considered them as suitable locations. This is due, in part, to the effects of Covid-19, as both performers and patrons rebound from the effects of worldwide lockdowns and relatively low economic activity. Early indications show significant pent-up demand, with performers competing for the same venues showing a willingness to expand their reach by selecting mid-size venues that would not normally have been part of their tours.
- A new Event Centre presents a more favorable risk profile than remodeling the existing Event Centre. From a cost and timing perspective, the Kingsway location presents the lowest risk.
- Direct financial benefits to the City of Greater Sudbury are highest with the Kingsway location; expected direct revenue of \$4.264M through increased assessment and 1,600 jobs
- While uncertainty regarding Covid-19 impacts remains high, current expectations are that the live event market will reflect 2019 levels by 2024/25. The economic analysis conducted by PwC, and reflected in the attached report, includes defined and known projects in the Downtown and Kingsway locations and other nearby development. It describes the direct benefits that would accrue to the City of Greater Sudbury and the local community. Where PwC could not establish evidence-based inputs to support its analysis, it was not included in its benefits assessment.

## Project Cost Estimates

PwC and the project team estimated the cost of the Modernized Sudbury Community Arena (page 20) and updated the estimated cost for a new Event Centre (page 27) while considering the cost impacts of COVID-19. The impacts of the pandemic include rising labour costs, labour shortages, material availability, material cost and general productivity due to health and safety protocols. Based on this information the table summarizing costs from the PwC 2017 Greater Sudbury Event Centre Site Evaluation has been updated:

	Modernized SCA 2021	Kingsway		Downtown	
		2017	2021	2017	2021
Facility Development Cost	\$115.4M to \$118.6M	\$80M	\$87M to \$92.8M	\$80M	\$87M to \$92.8M
Land, Site Development and Off-site Improvement	\$10M+ Note 1	\$15M to \$20M	\$17.4M to \$23.2M Note 2	\$15M to \$20M	\$17.9M to \$23.7M Note 3
Festival Square and Other Site Ancillary Items	Not Included	Included	Included	Not Included	Not Included
Parking	Not Included	Included	Included	Not Included	Not Included
<b>Total</b>	\$125.4M to \$128.6M	\$98.3M	\$113.8M	\$99.6M	\$115.8M

### Notes:

1. Site development costs other than restoring the immediate perimeter of the SCA were not included in the Facility Development Cost. There will be additional costs to accommodate the work on Minto and Grey Street as well as other off-site improvements similar to the adjacent Downtown site.

2. The Land, Site Development and Off-site Improvement costs have been updated with a 5% annual construction cost escalation as indicated by WT Partnership for the Sudbury area. The land for the Kingsway site has been acquired for a nominal sum. Cost sharing agreements for the site development and off-site improvements have been signed, and the detailed design has progressed that indicate that the costs are at the low end of the range provided.
3. The Land, Site Development and Off-site Improvement costs have been updated with a 5% annual construction cost escalation as indicated by WT Partnership for the Sudbury area. However as noted in PwC's Comparative Risk Assessment some of the lands for the Downtown site are privately held, and the City no longer holds options on these properties. As a result, staff has included an acquisition escalation factor in the outlined costs. In addition, some of the commercial properties at this site have made building improvements since 2017, which will further escalate the cost identified. If these owners are not willing sellers, then any scheduled construction will be further delayed. This cost includes the contribution from the Downtown BIA as outlined in the 2017 PwC Site Evaluation Report.

## **Community Energy and Emission Plan**

As part of the CEEP there are three goals for Energy Efficient Buildings. Included in the analysis of the Sudbury Community Arena Modernization is work that would replace/upgrade the building envelope, the HVAC system, and the refrigeration plant to meet the equivalent energy efficiency of a new Event Centre.

For the purpose of this report, a renovated arena or a new build would therefore reflect equivalent energy efficiency. As noted in the cost estimates, retrofit costs would differ from those incurred in a new build, with increased risk of cost variances.

## **Next Steps**

Staff anticipate returning to Council with a detailed schedule of tasks in contemplation of proceeding with the current, approved direction. This schedule will also outline the timing of Council's decision points as the project progresses to completion. In general, the following major tasks need to be completed and will be identified in the report.

- Retain a Venue Operator
- Issue the Design/Build RFP
- Site Development, including grading, road and intersection construction
- Develop Detailed Design Drawings
- Event Centre Construction