

Event Centre Update

Presented To:	City Council
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Type:	Managers' Reports
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Recommended by:	Chief Administrative Officer

Report Summary

This report provides an update on the status of the Greater Sudbury Event Centre Project at the Kingsway Entertainment District.

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

This report addresses the following strategic objectives outlined in the CGS Strategic Plan 2019-2027:

- Economic Capacity and Investment Readiness.
- Asset Management and Service Excellence.
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From the perspective of CEEP, the project respects the objective to minimize the production of greenhouse gases in the operation of new assets.

Financial Implications

Expenditures associated with the work outlined in this report will be funded from the Event Centre Project capital account, which contains sufficient funds to support the work.

Background

The City of Greater Sudbury Event Centre at the Kingsway Entertainment District continues to follow a path that will realize Council's direction and vision for the facility. The overall project continues to represent one of the largest investments that Greater Sudbury has ever seen and will be a landmark development for the next several decades.

Staff continue to advance work on the Event Centre as directed by Council through Resolution CC21-227 on July 14, 2021. As detailed in this report, following the disposition of legal and planning challenges, staff restarted work on site engineering design, developed and issued a Request for Pre-Qualification (RFPQ) for a Venue Operator, and finalized the terms of the Design/Build RFP document.

The project partners have been active participants in this work over the past six months. The Developer has continued to address the CGS Planning and Development Process requirements to through the latter half of 2021.

The recent announcement of the hotel partner, as well as the submissions by two major firms into the venue operator RFPQ, indicates strong industry interest in the event centre and KED project. Unlike similar development projects in other communities where private investment follows public investment, sometimes after several years, this project represents a unique partnership where private investment is occurring concurrently with the public investment and will develop into a significant regional destination.

As this progress was underway, new risks emerged which resulted in Gateway Casino’s decision to delay the start of site preparation. Since then, the partners have worked to identify and clarify the project risks to establish a clear path to project completion.

Analysis

Project Risk

All capital projects include risks. A “risk” is the chance that something could impair a project’s successful achievement. Staff regularly assess and monitor risk on every project. Over the last quarter, new risks were introduced that have been subject to some Council/public discussion.

On November 29, the City received written notification through a letter, attached as Appendix A, from Gateway Casinos & Entertainment Limited stating that they will not continue to the next phase of the project (site grading) until the ongoing lawsuit and investigation are resolved and the entire scope of the project is confirmed to be moving ahead. With this notification, the City and the Developer paused the site grading contract that was scheduled to commence. All partners are working together to address the implications of this delay and develop a revised plan to move forward.

The notification from Gateway was unexpected. To date, staff’s approach to risk management has focused on the municipality’s portion of the work, with minimal emphasis on risk management approaches used by the development partners. The partners’ shared risk is controlled by the Cost Sharing Agreement, which has been in place since 2019. To mitigate future unexpected effects of a partner’s risk management processes on other partners’ developments, several partnership meetings were held to discuss risks and to understand how each partner evaluates/weights the identified risks. This resulted in the following table that describes risks which may affect each partner differently, but have potential consequences for all three projects:

Risk	Description
Police Investigation	As requested by Council Resolution 2021-254 on September 14, 2021, the Chief of Police of the Greater Sudbury Police Service reviewed the matter and referred it to the Ontario Provincial Police for investigation. -Staff is aware that officers of the OPP Anti-Rackets Branch have initiated inquiries but the timing of any conclusion or report is unknown.
Lawsuit	The City is vigorously defending the Minnow Lake Restoration Group (MLRG) lawsuit, with the support of the partners. There is a potential risk of future lawsuits, as experience with this project shows. -The schedule for the MLRG lawsuit court date is dependent on the availability in the court system but could be in April.
Each party building their facility (Casino, Hotel, or Event Centre)	The current cost sharing agreement covers only the site preparation, roads, and common elements (including site grading) and does not obligate each partner to build their facility.

	All partners recognize that any individual partner's success can only be realized if all three facilities are constructed. None of the partners wants to construct its facility without the other projects also proceeding and all partners want to mitigate the risk that one of the other partners backs out.
Each facility opening at the same time	There is concern that one of the planned new facilities opens while construction continues for a significant period on an adjacent property, which would impair the potential to achieve revenue objectives.

The risks can be divided into two groups: those risks that the partners can work to mitigate and those risks that cannot be mitigated. For example, the timing of the conclusion of the police investigation is unknown and, until it is concluded, updates are not anticipated. This is a risk that cannot be mitigated.

The City will continue to vigorously defend the lawsuit, however the scheduling of the court date is dependent on the court system's availability. The City requested an early hearing date. Consistent with its successful results in all previous court actions related to this project, the City is confident in a successful conclusion to this lawsuit. Nonetheless, the risk associated with the timing of a court date cannot be fully mitigated.

The risk that each party constructs its facility without assurance the other parties are also proceeding can be mitigated. To achieve this, the partnership has agreed to negotiate a Project Completion Agreement (PCA) that obligates each party to construct and operate their respective facility. The partners anticipate that the terms of the PCA can be negotiated over the next three to four months and will include a construction schedule for each of the facilities to coordinate the completion dates. The draft PCA will come before Council in a closed meeting prior to its execution.

From the City's perspective, there is a risk of committing to a PCA without concluding the Design-Build procurement process and confirming the construction cost of the Event Centre. Therefore, the PCA will be conditional on the City awarding the Design-Build contract. The final project budget, which is required to award the Design-Build contract, is subject to Council approval.

The start of the site preparation will be adjusted to start following the execution of the PCA. Therefore, this will be after the award of the Design-Build contract and will begin in the summer of 2022. This will delay the scheduled opening of the Event Centre until 2025.

Design-Build RFP

The Design-Build RFP is scheduled to be issued prior to the end of January. It is anticipated that Council's final decision point, the confirmation of final budget based on the result of the Design/Build Request for Proposals, will come before Council in late June or July 2022.

As indicated in previous reports, there is a Compliance Team that includes third party expertise assisting with the procurement process, as well as a Fairness Monitor in place. The costs of this step include the honorarium for the unsuccessful proponents of the Design-Build procurement process and will total approximately \$700,000.

Venue Operator Selection

As indicated in previous updates, there are three stages to the venue operator selection: a Request for Prequalification (RFPQ), a Request for Proposals, and Contract Negotiations. The RFPQ closed on December 7, and the following two firms were shortlisted:

- ASM Global
- OVG Facilities, LLC

These are the two major North American venue operators and each has significant operational experience and a large network from which to draw both expertise and, once the facility is

operational, booking opportunities to bring events that activate the facility and generate the expected economic activity within our community. The Request for Proposals is scheduled to be issued in mid-January and expected to be awarded early in Q2 2022.

Once selected, the Venue Operator will participate in the Design/Build process, providing input on the final design to ensure the operational effectiveness and efficiency of the new facility. As indicated in the July 14 Council Resolution, the award of the Venue Operator contract is one of the decision points of Council.

Storm Water Management and Intersection Improvements

The detailed design for storm water management and the Kingsway intersection improvements is ongoing. The focus has been on the storm water management portion of the assignment and the interim storm water management report has already been submitted for review.

Site Plan Design

The finalization of the site plan continues. This is being undertaken with the partners and is subject to a separate cost sharing agreement. This work has previously been presented to Council. The detailed site plan ensures that all the partners agree on the layout of the site and that there are no conflicts with the development on the site.

Costs to Date

Expense	Total	City Share	Cost Shared By Others
Feasibility and business case, site evaluation*	\$353,639	\$353,639	-
Integrated site design	\$595,988	\$258,690	\$337,308
Detailed site design, engineering, professional fees, external legal fees	\$2,123,791	\$1,662,711	\$461,079
Salaries	\$580,193	\$580,193	-
Basketball floor, related equipment	\$259,668	\$129,834	\$129,834
Total	\$3,913,278	\$2,985,057	\$928,221
Percentage of total \$100 million budget	-	2.99%	-

Hotel Partner

On December 9, the Developer announced that Genesis Hospitality will be the hotel partner for the site. Genesis Hospitality will be responsible to build, own, and operate the hotel. Genesis has indicated that the operating brand for the property will be announced at a later date. Genesis Hospitality is expected to be a partner on the PCA described above, committing to the construction and operation of the hotel.

Conclusion and Next Steps

Staff continue to follow the direction Council provided last July. In collaboration with the corporation's development partners steps have been, and are being, taken to mitigate risk wherever possible and coordinate work so that planned outcomes are achieved. The following is a summary of the next steps:

- Issue the Design-Build RFP in January.
- Issue the Venue Operator RFP in January.
- Start negotiations with the Partners on terms for the PCA (January)
- Council approval of the Venue Operator RFP award (early Q2 2022)
- Council approval of the PCA (early Q3 2022, subject to the Event Centre Design-Build RFP results)
- Council approval of the final budget, subject to the Event Centre Design-Build RFP results (early Q3 2022)
- Begin site preparation (early Q3 2022, subject to PCA approval)
- Start of event Centre Construction (Q4 2022)
- Road and Intersection Construction, plus Storm Water Management Pond (Q2 2023)
- Event Centre opening will be in 2025.

Council's next approval milestone will occur with the selection of a venue operator, anticipated early in the second quarter of 2022. Regular updates will continue as they have since the project started in 2017.

Appendices

Appendix A – Gateway KED Communication November 29 2021

DATE: November 29, 2021

FROM: Jag Nijjar

TO: Edward Archer

CC: Ian Wood, David Shelsted

SUBJECT: KED – Gateway Casinos

Good Morning Mr. Archer,

Further to recent conversations with numerous City staff members, Gateway remains supportive of the KED project and continues to invest significant time and resources into the project as we believe it is the best location for a premier gaming and entertainment facility in Sudbury.

To date, Gateway has spent approximately \$3.9M on the project. Despite all of our efforts, the KED project continues to be challenged by significant risks, including the ongoing Minnow Lake Restoration Group legal action that will not be heard in court until April, 2022, and the OPP investigation called for by the City. Given this uncertainty around the project, it is not commercially reasonable for Gateway to continue to provide additional significant funding to the next phase of the project until these ongoing challenges are resolved and the entire scope of the project is confirmed to be moving ahead.

We hope for a quick and successful resolution of the outstanding issues, and in the meantime we continue to work collaboratively with other project stakeholders.

Jagtar Nijjar

Executive Vice President Development and Construction



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