

# City of Greater Sudbury

Precedent Projects - Private  
Sector Entities Assisting in the  
Provision of Community  
Infrastructure

*June 14, 2023*



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# Purpose of the Report (1 of 2)

## Background

- Greater Sudbury City Council (“Council”) passed Motion C2022-226 which directed staff to produce a report, by the end of Q2 2023, assessing the existing Sudbury Community Arena (“SCA”) and comparing its renovation to a new downtown Events Centre (the “Project”). An important consideration in this report is to be the identification of options for engaging private sector partners, and the identification of methods through which the Project could be structured to have maximum appeal to the private sector, including through a broader land assembly.
- KKR Advisors Ltd. (“KKR Advisors”) was retained by the City of Greater Sudbury (the “City”) to:
  - Undertake research to identify and describe examples where municipalities have attracted the interest of private sector entities to assist in the provision of community infrastructure; and
  - Provide strategic advice pertaining to a potential market solicitation from private sector developers.

## Scope of work

- Per its Engagement Letter dated March 30, 2023, KKR Advisors undertook the following scope of work:
  - Met with the City and identified six examples where municipalities have attracted the interest of private sector entities to assist in the provision of community infrastructure (the “Precedent Projects”). The Precedent Projects included:
    - Redevelopment of LeBreton Flats (Ottawa, ON);
    - Redevelopment of Lansdowne Park (Ottawa, ON);
    - Waterfront Redevelopment Project (Orillia, ON);
    - Urban Entertainment Precinct (Hamilton, ON);
    - Baker Street Redevelopment (Guelph, ON); and
    - Harry Jerome Community Recreation Centre redevelopment (North Vancouver, BC).
  - Following the selection of these Precedent Projects, the City asked KKR Advisors to additionally provide information on the following two projects:
    - Slush Puppie Centre (Gatineau, QC); and
    - Brantford & District Civic Centre (Brantford, ON).
  - Undertook research on each Precedent Project, including holding discussions with municipal and private sector representatives, to obtain insights and details into the nature

# Purpose of the Report (2 of 2)

## Scope of work (continued)

of the arrangements and deal structures between the public and private sectors, including with respect to land / land assembly, development incentives (for example, development charge waivers, property tax abatements, etc.), financial arrangements and procurement process.

- Obtained copies of the issued “Request for Proposals” document, if available.
- Prepared two- to three-page write-ups on each Precedent Project, summarizing the scope of the project, its financial arrangements, land assembly approach (if any) and procurement approach (to the extent such information was publicly disclosed).
- Reviewed the 2019 Market Sounding study prepared for the City by RSM Canada (“*City of Greater Sudbury: South District Market Findings Report Updated: September 2019*”). Based on this review, met with the City to discuss the currency of its findings and its application to a potential market solicitation to private developers.
- Undertook additional market soundings with a select group of Greater Sudbury-area developers to determine what conditions may have changed since 2019, and to gain insights

into a potential market solicitation to private developers, including potential development incentives that may be required.

- Based on the foregoing, identified, at a high level, key elements that may need to be included in a potential market solicitation to private sector developers.
- Met with the City to discuss these key elements.
- Prepared a draft document outlining key considerations, conditions and elements to include within a potential market solicitation to private sector developers.

## Use of Report

- This report (“Report”) has been prepared for the exclusive use of the City of Greater Sudbury. KKR Advisors owe no duty of care to any other party or any party gaining access to this Report. KKR Advisors expressly accept 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 Report.

# About KKR Advisors Ltd. (1 of 2)

## About KKR Advisors

- KKR Advisors Ltd. is a tactical consulting firm providing real property development advisory services with a focus on sports, recreation and entertainment facility development, financial and negotiation advisory services. Clients have included:
  - The Harbour Station Commission and the City of Saint John, NB (successfully negotiated a venue management agreement for TD Station, the City of Saint John's 6,300-seat sports and entertainment venue);
  - City of Brantford (successfully negotiated a facility lease and license agreement with the Hamilton Bulldogs to relocate the team to the City of Brantford); and
  - a high profile Eastern Canadian sports stadium / complex (providing advisory support relating to (a) negotiations with a prospective professional sports team tenant, (b) a prospective food and beverage concession, and (c) a corporate / building sponsorship strategies).
- Ronald Bidulka, Managing Partner of KKR Advisors, is a seasoned, experienced advisor on the development and financial structuring of sports, recreation and entertainment venues in Canada. Throughout his more than 25 years, Ron has advised on the development, financing, tenancy arrangements, operating arrangements and sponsorship arrangements of more than \$7.0 billion in sports, recreation and entertainment facilities, including:
  - 22 Canadian Hockey League arenas (3 QMJHL, 15 OHL, 4 WHL);
  - 2 American Hockey League arenas;
  - 3 National Hockey League arenas;
  - 1 US ECHL arena;
  - 4 CFL Stadiums;
  - 3 MSL Stadiums;
  - 6 Convention, Conference, Trade Show and Meeting Facilities;
  - 8 Canadian University sports facilities;
  - 10 National and International Sporting Events; and
  - 20+ municipal / community recreation facilities.

# About KKR Advisors Ltd. (2 of 2)

## About KKR Advisors

- In addition, Ron has successfully advised on the development, valuation, financial assessment, and structuring of more than \$45 billion in real property transactions and development projects. Ron's expertise spans a range of development projects and facilities, including land, mixed-use projects, residential projects, land value capture projects, office, retail, hotels, and seniors' residences, among numerous other assets classes and facility types.

### Quebec Major Junior Hockey League

Moncton	Saint John	Quebec City
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### Ontario Hockey League

Ottawa	St. Catharines	Windsor
Kingston	Niagara Falls <i>(proposed)</i>	Owen Sound
Oshawa	Guelph	North Bay
Brampton	Kitchener	Greater Sudbury
Burlington <i>(proposed)</i>	London	Sault Ste. Marie

### Western Hockey League

Fort McMurray <i>(proposed)</i>	Grande Prairie <i>(proposed)</i>	Dawson Creek <i>(proposed)</i>
Kelowna		

### American Hockey League

Toronto	Thunder Bay <i>(proposed)</i>
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### National Hockey League

Ottawa	Toronto	Hamilton <i>(proposed)</i>
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### Canadian Football League

Winnipeg	Hamilton	Toronto
Ottawa		

### Major League Soccer

Toronto	Ottawa	Montreal
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Assignments led by Ronald Bidulka while employed with Arthur Andersen LLP, Deloitte & Touche LLP, PricewaterhouseCoopers LLP and KKR Advisors Ltd.

# Precedent Projects (1 of 38)

## LeBreton Flats (Ottawa, ON)

### Background

- LeBreton Flats is an approximate 29 hectare (71.7 acre) brownfield site located along the south side of the Ottawa River, immediately west of downtown Ottawa and 1.5 kilometres west of Parliament Hill. The LeBreton Flats property is a mostly vacant and undeveloped site, due in part to historical disputes over the use of the land, and soil contamination issues resulting from the site's previous industrial uses.
- The National Capital Commission<sup>1</sup> ("NCC") became custodian of the LeBreton Flats property through a combination of expropriation, acquisitions and land exchanges in the early 1960s. In the late 1980's and early 1990's, the NCC led a process which ultimately culminated in an agreement that consolidated land ownership of LeBreton Flats under the NCC.
- In 1997, the NCC prepared the "*LeBreton Flats Plan*" which identified amendments to the City of Ottawa's Official Plan and designated the LeBreton Flats site for cultural, mixed-use, residential and open space use.
- Between the late 1990's and early 2010's, the NCC undertook numerous planning studies and initiatives to evaluate and ready the site for its potential redevelopment, including the realignment of the Ottawa River Parkway (Sir John A. Macdonald Parkway), the construction of the Canadian War Museum, and the initiation of some residential development on the east side of the site.

LeBreton Flats, Ottawa, ON



Source: National Capital Commission

1. The National Capital Commission is the federal Crown corporation dedicated to ensuring that Canada's Capital is a dynamic and inspiring source of pride for all Canadians, and a legacy for generations to come. The NCC provides unique value in the Capital Region by fulfilling three specific roles: long-term planner of federal lands, principal steward of nationally significant public places, and creative partner committed to excellence in development and conservation.

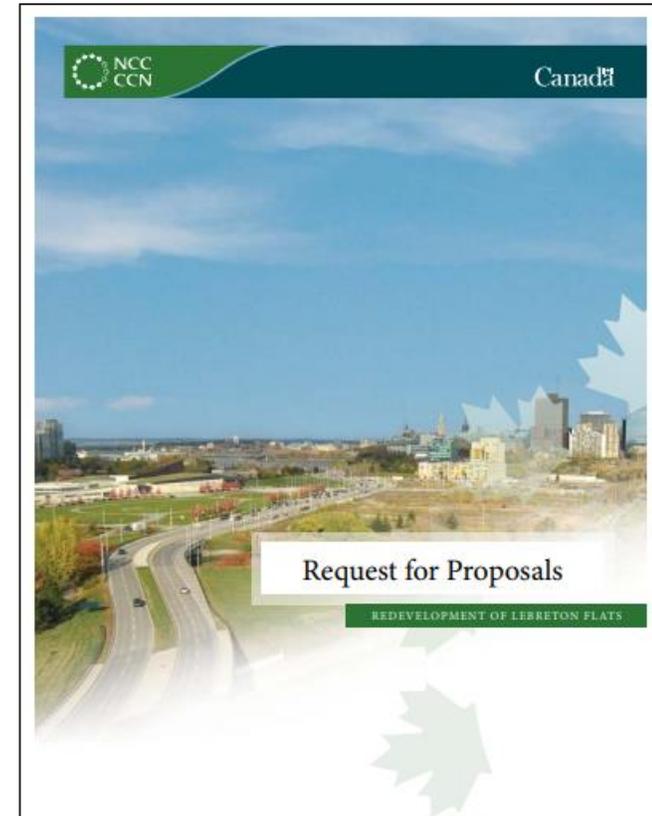
# Precedent Projects (2 of 38)

## LeBreton Flats (Ottawa, ON)

### 2014 / 2015 NCC Process to seek Redevelopment Proposals

- In 2014, the NCC initiated a two-stage competitive process to redevelop 21 hectares of the LeBreton Flats property. Four proponents were shortlisted from a Stage 1 Request for Qualifications / Request for Expressions of Interest process, designed to identify qualified proponents able to demonstrate development experience and design expertise.
- In April 2015, the NCC issued a Request for Proposals to redevelop the site from the four shortlisted proponents from Stage 1. The RFP had the primary objective of leveraging the LeBreton Flats site to enhance the attractiveness of the National Capital by “*attracting a new public anchor use(s) and bring back civic life back to this site*”. Proponents were required to submit a development proposal in the form of a business case structured in the following manner:
  - Market rationale (for both public and non-public anchor uses);
  - Development plan (highlighting design excellence, year-round animation, phasing approach and the viability of the development);
  - Site decommissioning and sustainability strategy;
  - Transportation strategy;
  - Servicing plan;
  - Delivery model (including ownership, management and financial capability, financial implementation plan and business terms); and
  - Risk assessment and mitigation strategies.

### LeBreton Redevelopment Request for Proposals (2015)



Source: National Capital Commission

# Precedent Projects (3 of 38)

## LeBreton Flats (Ottawa, ON)

### 2014 / 2015 NCC Process to seek Redevelopment Proposals (continued)

- Two competing proposals were received by the NCC in late 2015. Following the NCC's review and assessment of the submitted proposals (a process which included a public consultation process staged in early 2016), the NCC selected RendezVous LeBreton Group ("RLG"), a consortium led by Capital Sports Management Inc. (associated with the NHL's Ottawa Senators) and Trinity Development Group Inc. (an Ottawa-based real estate development company), as its preferred respondent in April 2016. In November 2016, the NCC Board authorized the NCC to enter into formal negotiations with RLG.
- Between November 2016 and January 2018, the NCC and RLG negotiated and finalized a Term Sheet governing the main business terms and conditions that would form part of the master development agreement governing the redevelopment of LeBreton Flats.

### RendezVous LeBreton Group Redevelopment Proposal

- The centerpiece of the RLG proposal was an 18,000-seat Event Centre and an adjacent public square. Once completed, the 18,000-seat Event Centre would become the home venue of the NHL's Ottawa Senators.
- Additional elements proposed by RLG included:
  - A community ice rink facility housing two NHL-sized hockey rinks ("Abilities Centre and Sensplex");
  - A new Ottawa Central Library;

Illustrative Site Plan and Redevelopment Images, LeBreton Flats (2015)



Source: National Capital Commission, RendezVous LeBreton Group

# Precedent Projects (4 of 38)

## LeBreton Flats (Ottawa, ON)

### *RendezVous LeBreton Group Redevelopment Proposal (continued)*

- A hotel;
  - Office and retail space; and
  - An estimated 4,000 housing units, including affordable housing units.
- The redevelopment was initially proposed to be developed in three phases (later consolidated to two phases, starting in approximately 2018 (and estimated to be completed in the 2030's). The total cost of the project was reported as being in excess of \$3.5 billion (including site remediation).
  - Per its proposal, the NCC would sell the property to RLG at fair market value; the final; the final price paid by RLG would not be determined until the site remediation costs had been established.

### **Current Status**

- In response to internal partnership issues within RLG, the NCC terminated the Term Sheet with RLG, effective February 28, 2019. Shortly thereafter, the NCC cancelled the Request for Proposals process and the NCC Board directed the NCC to move forward with a new process.
- In March 2019, the NCC announced it would be undertaking a new process to govern the redevelopment of LeBreton Flats (termed “Building LeBreton”) and as an initial step, commenced a process to prepare a renewed vision for the property. In this regard, the NCC commenced the preparation of a Master Concept Plan governing the site’s redevelopment.

*Redevelopment Images, LeBreton Flats (2015)*



Source: National Capital Commission, RendezVous LeBreton Group

# Precedent Projects (5 of 38)

## LeBreton Flats (Ottawa, ON)

### Current Status (continued)

- The Master Concept Plan, approved by the NCC in 2021, divided the LeBreton Flats site into four distinct zones:
  - The Aqueduct District: a cultural hub and entertainment district;
  - The Flats District: a residential community defined by intimate, pedestrian-oriented streets and a variety of housing types.
  - The Albert District: a mixed-use main street neighbourhood anchored by the Ottawa Public Library to the east and a potential Event Centre or major facility to the west; and
  - The Park District: a unique park and public realm area.
- In advancing the Master Concept Plan, the NCC has, to date, implemented separate procurement processes to:
  - Realize the redevelopment of the “Library Parcel” (a 1.1 hectare site located next to the new Ottawa Public Library). The project was awarded to Dream LeBreton, a partnership between Dream Asset Management Corporation and Dream Impact Master LP, with the Multifaith Housing Initiative serving as the group’s non-profit housing partner. Offered through a two-stage RFQ / RFP process, Dream LeBreton will purchase the property and build 601 residential units and approximately 790 square metres of retail and associated community space.

### Master Concept Plan, Building LeBreton (2021)



Source: National Capital Commission

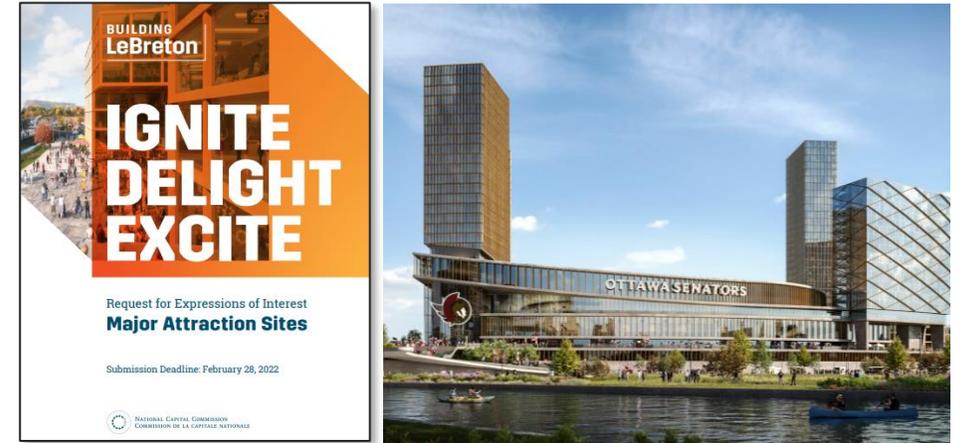
# Precedent Projects (6 of 38)

## LeBreton Flats (Ottawa, ON)

### Current Status (continued)

- Realize the redevelopment of the Flats District (a 1.6 hectare site planned for 80,000 square metres of residential and commercial space). The NCC is offering this site through a “Request for Offers to Lease” process.
- Realize the development of a major attraction within the Albert District (two separate parcels, one measuring 2.5 hectares, the second measuring 0.5 hectares). Offered through a Request for Expressions of Interest (“RFEI”) process, the NCC selected a consortium led by Capital Sports Development Inc. (“CSDI”, an entity affiliated with the NHL’s Ottawa Senators) who will lease the property and on it construct an NHL hockey arena and events venue surrounded by mixed-use development. The RFEI process was launched in December 2021 and closed in February 2022.
- Following the NCC’s review of submissions, a Memorandum of Understanding was approved by the NCC Board in June 2022. In 2023, it is expected that CSDI will develop a detailed concept and implementation plan which will then be submitted for federal and municipal approval. It is expected that the NCC and CSDI will negotiate a long-term lease for the site (targeted for signing in fall 2023).

## Building LeBreton – Major Event Centre (2021)



Source: National Capital Commission

# Precedent Projects (7 of 38)

## Lansdowne Park (Ottawa, ON)

### Background

- Lansdowne Park is a 16-hectare urban park located in central Ottawa adjacent to the Rideau Canal. Owned by the City of Ottawa, Lansdowne Park contains a sports stadium (previously known as Frank Clair Stadium), a 9,300-seat arena (previously known as the Ottawa Civic Centre) located as part of and under the stadium's north grandstands, the Aberdeen Pavilion (an exhibition hall) and the Horticulture Building.
- In 2007, the City of Ottawa considered initiating a process to redevelop Lansdowne Park, a process which involved a design competition and public consultation. As part of this process, the City of Ottawa initiated an engineering study of Frank Clair Stadium which concluded that the south grandstands were structurally unfit while the north grandstands and associated Civic Centre arena were structurally sound; the south grandstand was demolished in 2008.
- In 2008, the Ottawa Sports and Entertainment Group (“OSEG”) were awarded a conditional Canadian Football League franchise, contingent on the group securing a suitable stadium. OSEG is a consortium comprised of prominent Ottawa-based businessmen and property developers, along with the owner of the Ontario Hockey League’s Ottawa 67’s.
- In October 2008, OSEG prepared and forwarded an unsolicited proposal to the City of Ottawa. Called “*Lansdowne Live!*”, the proposal sought to revitalize Lansdowne Park by redeveloping the entire site through a public-private partnership with the City of Ottawa.

Lansdowne Park, Ottawa, ON



Source: City of Ottawa

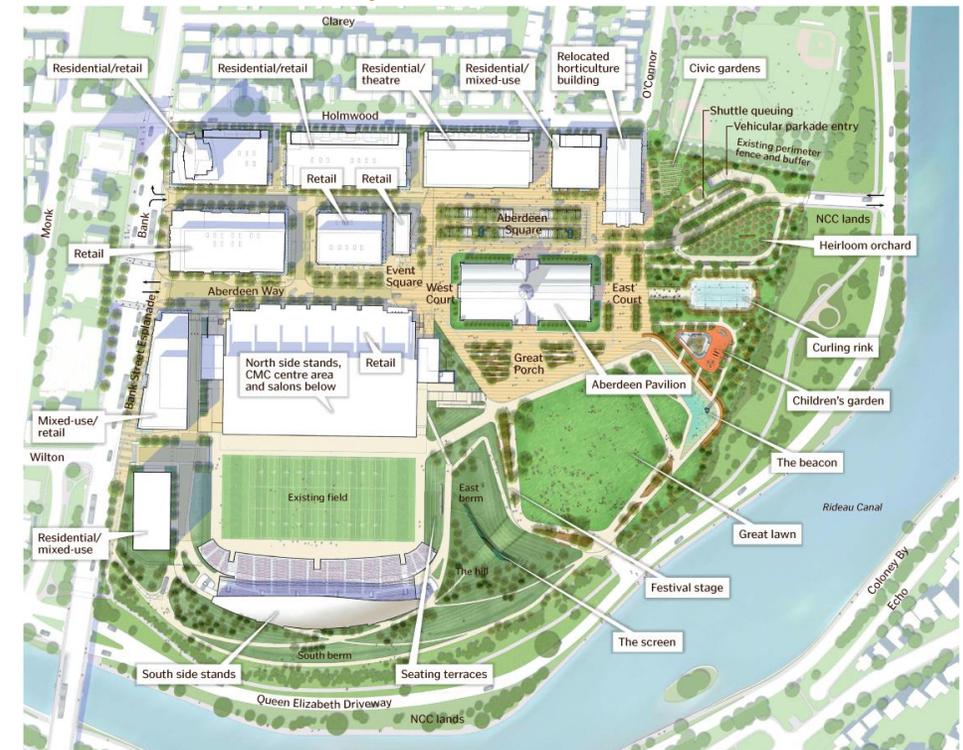
# Precedent Projects (8 of 38)

## Lansdowne Park (Ottawa, ON)

### Background (continued)

- While the City of Ottawa was considering the unsolicited proposal from OSEG, a competing unsolicited proposal was received by the City of Ottawa from Senators Sports & Entertainment (an affiliate company of the NHL Ottawa Senators) to develop a 20,000-seat soccer-specific stadium on city-owned land near the Canadian Tire Centre in Kanata, ON (the home arena of the Ottawa Senators).
- Between January and April 2009, the City of Ottawa undertook a detailed review of both proposals (using external consultants and a fairness commissioner); commercially-confidential meetings were also held with each proponent. Using the City of Ottawa's approved approach for dealing with unsolicited proposals (a consensus scoring approach using evaluation criteria approved by Council in its "*Opportunity Assessment Framework*"), each unsolicited proposal was evaluated against the following criteria:
  - Overall need;
  - Business plan (including financing plan and financial implications to the City of Ottawa);
  - Site considerations;
  - Facility design and overall concept; and
  - Risk to the City of Ottawa.
- At its meeting on April 22, 2009, Council authorized staff to commence negotiations with OSEG, and in November 2009, the Lansdowne Live! proposal was approved in principle (subject to certain conditions).

### Lansdowne Live! Redevelopment Plan



Source: City of Ottawa

# Precedent Projects (9 of 38)

## Lansdowne Park (Ottawa, ON)

### Background (continued)

- The Lansdowne Live! development was opposed by some Ottawa residents, particularly those living near the Lansdowne site, and an Ontario Municipal Board appeal and Ontario Superior Court challenge was pursued, contending that the City of Ottawa illegally proceeded with the sole-source project. Opponents proposed opening-up the redevelopment to a public tender, while other opponents proposed building a football stadium in another location and undertaking the park's reconstruction as a public project.
- The appeal to the Ontario Municipal Board and subsequent challenge to the Ontario Superior Court were both rejected. An appeal to the Ontario Court of Appeal was launched in September 2011 and dismissed in April 2012.
- The project commenced construction in October 2012, with the stadium being completed in spring 2014; the entire site began full operations in spring 2015.

### Lansdowne Live! Proposal

- The Lansdowne Live! proposal included the following elements:
  - rebuilding Frank Clair Stadium to accommodate CFL football (and professional soccer);
  - building a new south grandstand;
  - renovating the existing north grandstands and associated Civic Centre arena;
  - building approximately 340,000 square feet of retail space and 116,000 square feet of office space;

### Lansdowne Live! Redevelopment Images



Source: City of Ottawa, Trinity Development Group

# Precedent Projects (10 of 38)

## Lansdowne Park (Ottawa, ON)

### **Lansdowne Live! Proposal (continued)**

- building 280 residential units; and
- creating 1,430 underground parking spaces
- OSEG's original proposal additionally contemplated the construction of a hotel and additional residential space (pending confirmation of market demand).
- The term of the partnership agreement was originally for 30 years (ending December 31, 2044); in 2020, the 30-year partnership agreement was extended by an additional 10 years (to December 31, 2054).

### **Lansdowne Live! Financing**

- From a project structuring perspective, the redevelopment of Lansdowne Park is premised on a proposed business transaction between the City of Ottawa and OSEG, a partnership (the "LLP") which includes contributions from both parties to select components of the project. In addition to the core transaction contemplated within the LLP and Master Limited Partnership, the City of Ottawa was responsible for rehabilitating the urban park that adjoins the Stadium site remediation costs.
- The City of Ottawa, as a partner in the LLP, contributed funds to rehabilitate the Stadium as well improve the lands upon which the retail, residential and office components were built. The City of Ottawa also paid for a portion of the cost of building new parking. As landlord, the City of Ottawa leased the stadium and the land upon which the retail and office developments were built to OSEG.

*Lansdowne Live! Redevelopment Images*



*Source: City of Ottawa, Ottawa Sports and Entertainment Group*

# Precedent Projects (11 of 38)

## Lansdowne Park (Ottawa, ON)

### Lansdowne Live! Financing (continued)

- Per the 2012 “Completed Agreements”, the maximum hard and soft costs to the City of Ottawa relating to the stadium and its portion of the parking structure was \$135.8 million; OSEG was responsible for funding any cost overruns, should they occur, associated with redeveloping the stadium.
- OSEG, as the other partner in the LLP, contributed equity and took on debt to finance the construction of the retail and office components, as well as to acquire the CFL Team and OHL Team. OSEG is responsible for funding operating losses, to the extent they occur, from the stadium, sports teams, retail components, office component and parking components. OSEG is also responsible for funding the operations and maintenance of the stadium, and for making annual contributions to a major maintenance fund.
- Operationally, the LLP is based on a “closed financial system” (“CSF”) that combines the revenues and operating expenses from various components, to provide the basis for future distributions to the City of Ottawa and to OSEG (the “waterfall”):
  - Net cash flow from the operations of the stadium and arena are included in the CSF;
  - Net cash flow from the operations of the CFL Team and OHL Team are included in the CSF;
  - Net cash flow from the operations of the retail, office and commercial spaces is included in the CSF; and
  - Net cash flow from the operations of the parking lots are including in the CSF.

### Lansdowne Live! Redevelopment Images



Source: Ottawa Sports and Entertainment Group

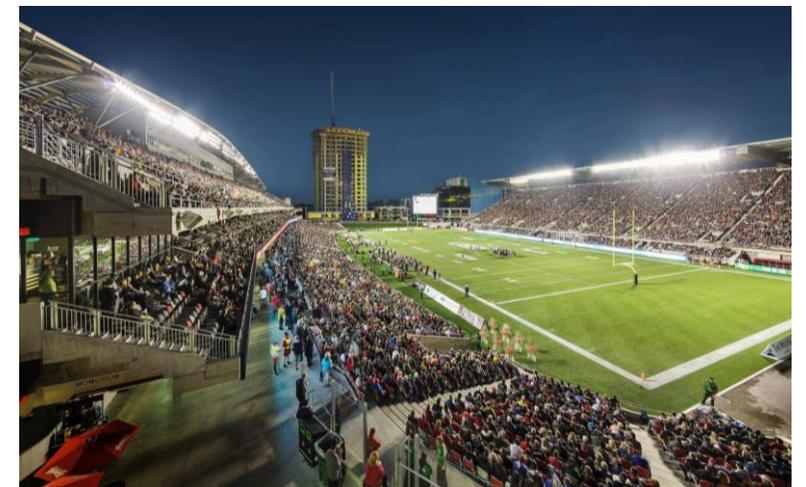
# Precedent Projects (12 of 38)

## Lansdowne Park (Ottawa, ON)

### *Lansdowne Live! Financing (continued)*

- Net cash flow, in any year and to the extent it exists, is distributed as follows:
  - First, to reserve funds for the stadium and parking structure;
  - Second, to the City of Ottawa and to OSEG on each party's contributed equity at 8% per year (if insufficient net cash flow exists, proportionate payments would be made to each party);
  - Third, to the return on OSEG's additional contributed equity;
  - Fourth, following the third anniversary of the commencement of the operating term of the Stadium Lease, the return of OSEG's Equity, amounts paid in connection with OSEG's completion guarantee for the stadium (excluding the parking structure) and the City of Ottawa's equity funding (if there is sufficient net cash flow to make only a portion of such payment, proportionate payments will be made to each party):
    - in respect of OSEG's minimum equity and amounts paid in connection with its completion guarantee, such amounts are determined on a "straight-line amortized" basis over a period of 27 years;
    - in respect of the City of Ottawa's equity funding, such amounts are determined on a "straight-line amortized" basis over a period of 27 years;
  - Fifth, a return on the City of Ottawa's deemed equity at 8% per annum (on a cumulative, not compounded basis); and
  - Sixth, any remaining balance is shared equally by the City of Ottawa and OSEG.

### *Lansdowne Live! Redevelopment Images*



Source: City of Ottawa, The Globe & Mail

# Precedent Projects (13 of 38)

## Lansdowne Park (Ottawa, ON)

### Lansdowne 2.0 Proposal

- In July 2021, the City of Ottawa developed a framework and principles for improving Lansdowne Park and directed staff to negotiate with OSEG on a commercially confidential basis on a proposal to revitalize Lansdowne Park to ensure it could achieve its potential.
- OSEG tabled “Lansdowne 2.0”, a proposal to replace the functionally obsolete Civic Centre and north grandstands with a new 5,500-seat Event Centre and new 11,200-seat grandstand. Supporting the replacement of these facilities was a mixed-use development with 1,200 residential housing units and 59,000 square feet of net new retail space.
- The total estimated capital cost of the redevelopment was estimated at \$332.6 million (excluding the cost of building the residential units and retail space but including soft costs, contingencies and escalations).
- The City of Ottawa would be responsible for funding the \$332.6 million in improvements, with OSEG responsible for cost overruns, purchasing the air rights within which to construct the residential and retail components (estimated at \$43.5 million). Per the staff report, the City of Ottawa’s cost would be funded from:
  - the aforementioned sale of air rights;
  - projected property tax uplift from the residential and commercial developments;
  - ticket surcharge revenue;

### Lansdowne 2.0 - Redevelopment Images



Source: City of Ottawa, Ottawa Sports and Entertainment Group

# Precedent Projects (14 of 38)

## Lansdowne Park (Ottawa, ON)

### Lansdowne 2.0 Proposal (continued)

- the City of Ottawa's existing capital envelope;
  - debenture premiums from the initial Lansdowne Live! proposal;
  - return of the City of Ottawa's equity from the initial Lansdowne Live! proposal; and
  - new debt funding.
- Operationally, Lansdowne 2.0 would fold into the existing LLP arrangement between the City of Ottawa and OSEG, with some adjustments / changes:
    - the term of the partnership arrangement would be extended until December 21, 2066 (from December 31, 2054); and
    - amendments to certain provisions in the closed financial system arrangement (i.e., the waterfall).
  - At its meeting on May 25, 2022, Ottawa City Council approved the project in principle, pending, among other matters, finalized negotiations between the City of Ottawa and OSEG. Our understanding is that negotiations are progressing (in order to report back to Council in the first half of 2023).

### Lansdowne 2.0 - Redevelopment Images



Source: City of Ottawa, Ottawa Sports and Entertainment Group

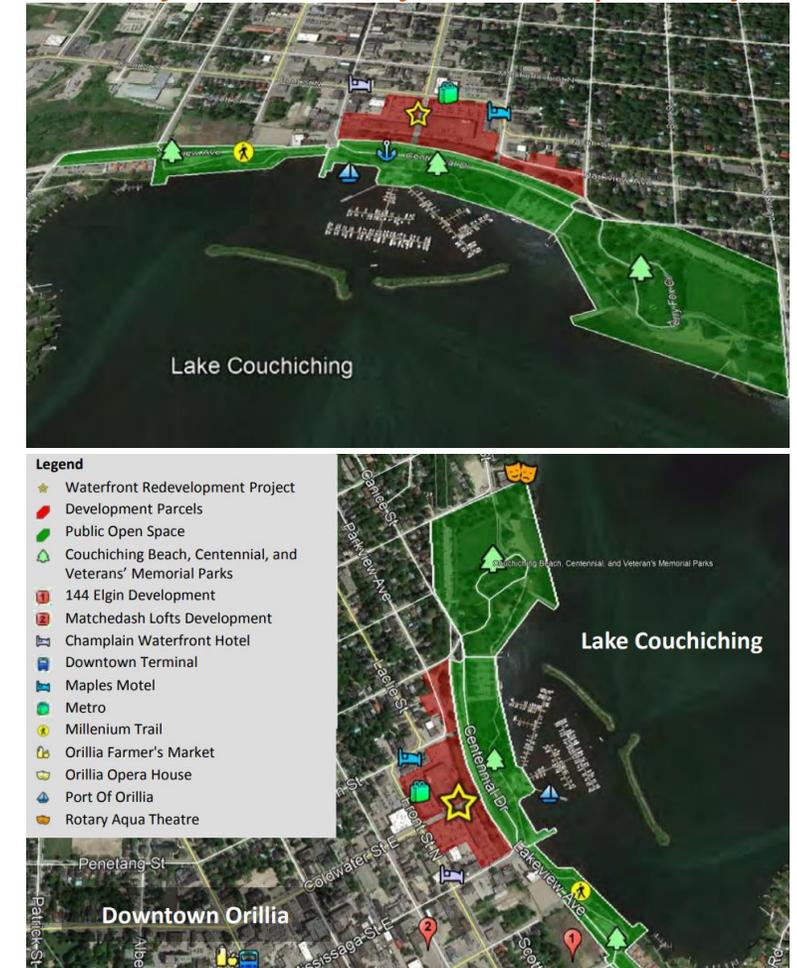
# Precedent Projects (15 of 38)

## Waterfront Redevelopment Project (Orillia, ON)

### Background

- Since 2012, the City of Orillia has been engaged in transforming its downtown waterfront area, preparing an over-riding planning document to focus the future development of this area. The “2012 Downtown Tomorrow Plan: Linking Orillia’s Core to the Waterfront” (the “Downtown Tomorrow Plan”) outlined 33 strategic initiatives and provided 20 priority action items to improve and expand Orillia’s downtown waterfront from a shopping, dining, mobility, playing, gathering, learning, working, culture and heritage perspective.
- The Downtown Tomorrow Plan identified the 9.75-acre property located 70 Front Street (the “Property”) as a strategic parcel connecting the waterfront to the downtown. In 2016, the City of Orillia purchased the Property in order to facilitate the extension of Coldwater Street to the Lake Couchiching waterfront and to facilitate the redevelopment of the Property.
- The Downtown Tomorrow Plan additionally implemented a Community Improvement Plan (“CIP”) to increase land value and increase housing options, including providing grants to developers for certain development costs including façade improvements, signage, feasibility studies, building improvements and the creation of residential units.
- Following the purchase of the Property, the City of Orillia established the Waterfront Working Group (“WWG”) to oversee its redevelopment.

Location of the Orillia Waterfront Redevelopment Project



Source: City of Orillia

# Precedent Projects (16 of 38)

## Waterfront Redevelopment Project (Orillia, ON)

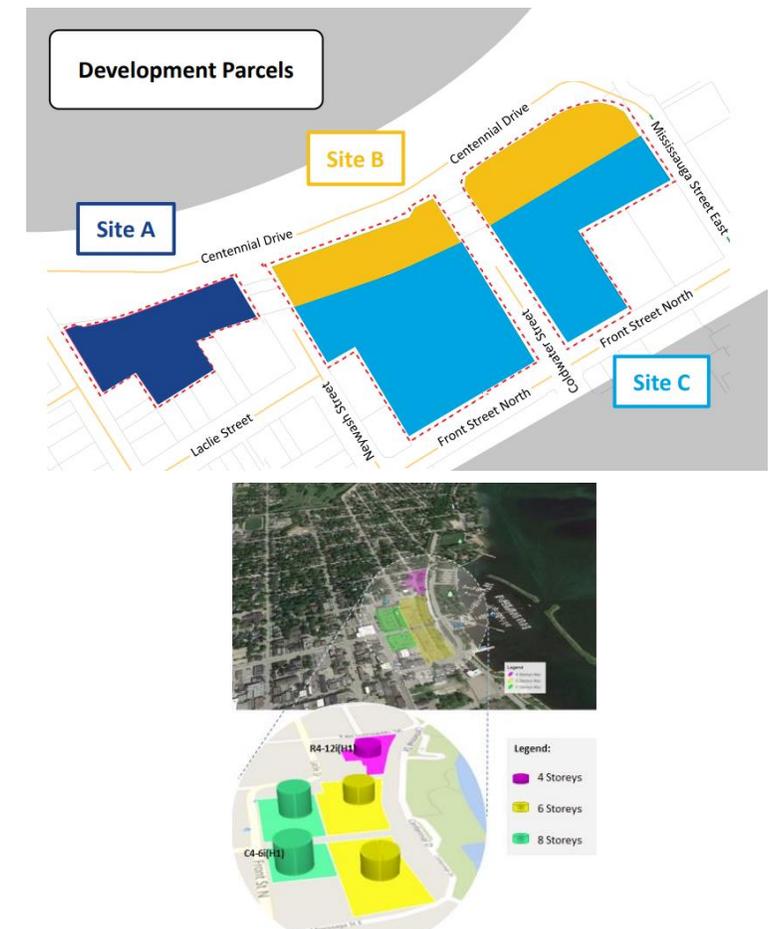
### Background (continued)

- The WWG identified opportunities to prioritize various infrastructure improvements to the waterfront area to better position the Property for development, and additionally undertook a review of the development potential of the Property, including examining permitted uses to maximize the development appeal of the site.
- In 2018, the City of Orillia initiated a process to amend the City of Orillia's Zoning By-law ("ZBL") and Official Plan ("OP") to allow for increased development densities. The amended ZBL and OP increased development heights to between four and eight stories, and additionally increased permitted site coverages.
- The City of Orillia also approved three incentive programs designed to incentivize large and "catalytic" developments, including:
  - Brownfield Tax Assistance Grant Program;
  - Tax Increment Grant Program; and
  - Development Charge Grant Program.

### RFQ / RFP Process

- In April 2019, the City of Orillia commenced a two-stage disposition process to market the sale and redevelopment of the Property. In guiding the process, the WWG established 12 development principles through which it would evaluate submissions, including:
  - Supporting the Downtown Tomorrow Plan and vision;
  - Optimizing the City of Orillia's financial return;
  - Demonstrating a sustainable / green approach;

### Orillia Waterfront Redevelopment Project Development Densities



Source: City of Orillia

# Precedent Projects (17 of 38)

## Waterfront Redevelopment Project (Orillia, ON)

### RFQ / RFP Process (continued)

- Enhancing resident and visitor experiences;
  - Responding to the surrounding built form;
  - Integrating the Site within Orillia's downtown and waterfront area;
  - Considering downtown food and grocery needs;
  - Consisting of simple and timeless design;
  - Consisting of a high-quality public realm;
  - Promoting a safe, comfortable and inviting pedestrian environment;
  - Integration of parking; and
  - Integration of servicing.
- The City of Orillia issued the RFQ in April 2019, and following a review and evaluation of submissions, three proponents were short-listed in June 2019 to respond to the Stage 2 Request for Proposals process.
  - The City of Orillia released its RFP in December 2020 (the timeframe for issuing the RFP was delayed due to a need to resolve certain legal issues associated with the Property), and two qualified proponents, FRAM Building Group and TPI Acquisitions (Tribal Partners), submitted proposals by the March 31, 2021 deadline.
  - After reviewing the technical and financial submission requirements defined in the RFP, and obtaining public feedback (obtained through a virtual open house held in April 2021), FRAM Building Group ("FRAM") was identified as the preferred respondent.

### FRAM Building Group Concept Plan - Orillia Waterfront Redevelopment Project



Source: City of Orillia, FRAM Building Group

# Precedent Projects (18 of 38)

## Waterfront Redevelopment Project (Orillia, ON)

### RFQ / RFP Process (continued)

- Between May and July 2021, the City of Orillia and FRAM negotiated an agreement of purchase and sale (“APS”), and in July 2021, the City of Orillia announced FRAM as the successful proponent and that the parties had signed a definitive APS for the sale and redevelopment of the Property (the purchase price was reported to be \$10.5 million).
- FRAM’s proposal features the development of 151 residential units (totalling 206,000 square feet), including:
  - 62 townhouse units;
  - 89 apartment suites; and
  - 3,000 square feet of commercial space.

### FRAM Building Group Concept Plan - Orillia Waterfront Redevelopment Project



Source: City of Orillia, FRAM Building Group

# Precedent Projects (19 of 38)

## Urban Entertainment Precinct (Hamilton, ON)

### Background

- In December 2017, Hamilton City Council approved a motion directing staff to:
  - a) investigate opportunities for the redevelopment of the FirstOntario Centre, the Hamilton Convention Centre and the FirstOntario Concert Hall (together, the “Entertainment Assets”), with the investigation to include:
    - an examination of developers’ interest in creating a sports and entertainment precinct; and
    - the potential for the precinct to include an arena, a convention centre, a concert hall, condominiums and retail;
  - b) the potential transfer of ownership of the Entertainment Assets, as the City of Hamilton’s financial contribution towards a future development;
  - c) input from community stakeholders, industry experts, and comparator municipalities;
  - d) appropriate due diligence should staff receive an unsolicited proposal outlining a development proposal for any or all of the Entertainment Assets in question;
  - e) that any discussion regarding the location of a new arena not be limited to the Hamilton downtown core; and
  - f) that an open, transparent and highly publicized process, aimed at engaging citizens across the City of Hamilton for their input, be implemented.

### Hamilton Entertainment Venues



FirstOntario Centre



Hamilton Convention Centre



FirstOntario Concert Hall  
(formerly Hamilton Place Theatre)

# Precedent Projects (20 of 38)

## Urban Entertainment Precinct (Hamilton, ON)

### Background (continued)

- In October 2019, the City of Hamilton received an unsolicited proposal from the owner of the OHL's Hamilton Bulldogs (and Cadillac Fairview) to construct a 6,000-seat Event Centre and 1,800 stall parking garage at CF Lime Ridge Mall, a suburban shopping mall (the "Bulldogs' Proposal"). The Bulldogs Proposal had the following elements:
  - Total cost of \$126 million, allocated between the Event Centre (\$72 million; \$12,000 per seat) and the parking garage (\$54 million; \$30,000 per parking stall);
  - City of Hamilton to finance the construction of the Event Centre and parking garage, with the Bulldogs contributing up to \$30 million (net cost to City of Hamilton of \$96 million);
  - Bulldogs to operate the arena at no cost to the City of Hamilton (eliminating the City of Hamilton's ongoing operating subsidy, estimated in the Bulldogs' Proposal as being \$3 million per year); and
  - Cadillac Fairview leases the lands upon which the Event Centre and parking garage would be built to the City of Hamilton for \$1 per year.
- In January 2020, Hamilton City Council endorsed the staff recommendation that no further action be taken on the Bulldogs' Proposal.
- In late 2019 / early 2020, the City of Hamilton received two additional unsolicited expressions of interest to create an urban entertainment precinct in downtown Hamilton. Upon receipt of the unsolicited expressions of interest, the City of Hamilton established a process to obtain more detailed proposals and authorized staff to undertake concurrent "commercially confidential negotiations" with the two parties.

### Hamilton Bulldogs / Cadillac Fairview Proposal Rendition



Source: City of Hamilton, Hamilton Bulldogs

# Precedent Projects (21 of 38)

## Urban Entertainment Precinct (Hamilton, ON)

### HUPEG Proposal

- In July 2020, the City of Hamilton announced the Hamilton Urban Precinct Entertainment Group (“HUPEG”) as the successful proponent.
- HUPEG is a consortium led by local, Hamilton-based entities, including:
  - Carmen’s Group (a Hamilton-based company that had the operating contract at the Hamilton Convention Centre);
  - Paletta Group, since rebranded as Alinea Group Holdings Inc. (a Burlington-based real estate development company);
  - Fengate Capital; and
  - LiUNA (Laborers' International Union of North America).
- Per their proposal, the City of Hamilton would transfer the Entertainment Assets to HUPEG. HUPEG would then take on all capital costs associated with each Entertainment Assets’ renewal; HUPEG would also take on responsibility for the operations and maintenance of each Entertainment Asset (estimated to result in a savings to the City of Hamilton of \$155 million over 30 years).
- Key features of the HUPEG Proposal included:
  - a \$50 million renovation to FirstOntario Centre (including a new building exterior, expanded concourse, installation of a curtaining system for the upper bowl and various premium amenity and hospital improvements);
  - a \$16 million renovation to the Hamilton Convention Centre, FirstOntario Concert Hall and Art Gallery of Hamilton; and

### HUPEG Initial Proposal Renditions



Source: City of Hamilton, Hamilton Urban Precinct Entertainment Group

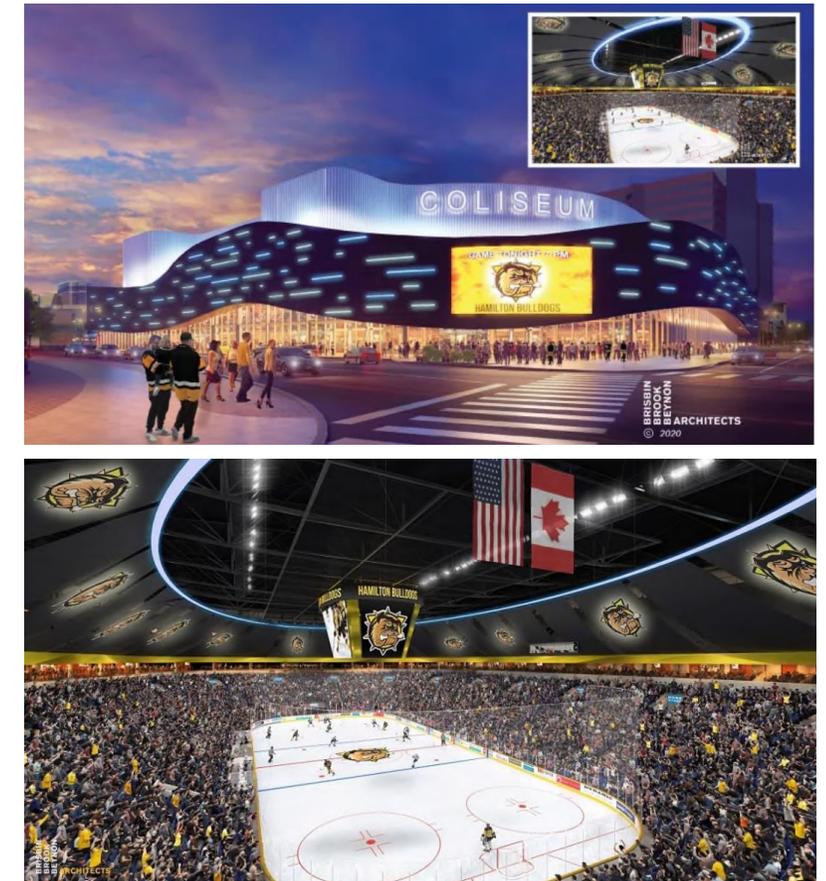
# Precedent Projects (22 of 38)

## Urban Entertainment Precinct (Hamilton, ON)

### HUPEG Proposal (continued)

- an estimated \$340 million mixed-use residential development.
- In June 2021, after substantial negotiations between the parties, the City of Hamilton and HUPEG announced it had agreed to a 49-year partnership agreement. The main elements of the agreement included the following:
  - HUPEG will take over management and operating responsibilities of the Entertainment Assets with no monetary contributions from the City of Hamilton;
  - HUPEG would undertake a \$50 million renovation of the FirstOntario Centre (including a new exterior façade, new video board, comprehensive transformation of the lower seating bowl, expanded concourse level, and the installation of a new, flexible curtaining system for the upper seating bowl);
  - HUPEG would additionally invest \$12.5 million in capital upgrades, expansion and aesthetic enhancements to the Hamilton Convention Centre and FirstOntario Concert Hall;
  - HUPEG would provide a one-time contribution of \$2 million to the Art Gallery of Hamilton;
  - The City of Hamilton would “transact” three properties (the “Transacted Properties”) to HUPEG for redevelopment (the Transacted Properties include a parkade, a surface parking lot and an office building; all three Transacted Properties are located less than 300 metres from FirstOntario Centre);

### HUPEG Final Proposal Renditions



Source: City of Hamilton, Hamilton Urban Precinct Entertainment Group

# Precedent Projects (23 of 38)

## Urban Entertainment Precinct (Hamilton, ON)

### HUPEG Proposal (continued)

- On the Transacted Properties, HUPEG would undertake a \$500 million mixed-use development (combined value), including providing 5% affordable housing in one of the residential developments;
- The City of Hamilton agreed to amend its “Commercial Districts Community Improvement Plan and Associated Financial Incentive Programs” to provide property tax abatements to HUPEG for a 30-year period. Per the revised program, the City of Hamilton created the Downtown Entertainment Precinct Advancement (“DEPA”) Program which provides grants as a percentage of the new municipal property taxes generated on each eligible property as follows:
  - Year 1: 100%;
  - Year 2: 80%;
  - Year 3: 60%;
  - Year 4: 40%;
  - Year 5: 20%;
  - Years 6-22: 39%;
  - Years 23-30: 35%; and
- The City of Hamilton executed Municipal Capital Facilities Agreements for each of the Entertainment Facilities, for the purpose of exempting each from taxation for municipal and school purposes.

### Location of City of Hamilton Entertainment Assets and Transacted Properties



Source: City of Hamilton, Hamilton Urban Precinct Entertainment Group

- HUPEG assumed management and operating control of the Entertainment Venues on April 1, 2022; renovations to the FirstOntario Centre were to have commenced in fall 2022 (since delayed to fall 2023) and take approximately two years to complete.

# Precedent Projects (24 of 38)

## Baker Street Redevelopment (Guelph, ON)

### Background

- The City of Guelph has, since approximately 2007, been interested in realizing the redevelopment of the “Baker Street Parking Lot”, (the “Site”) a 2.45-acre city-owned surface parking lot located in downtown Guelph. Among the preferred uses envisioned for the Site have been a new Central Library building (as endorsed by Council resolution in 2007, 2009, 2011 and 2017), as well as mixed-use development (as endorsed by Council resolution in 2009, 2011, 2014, 2015 and 2017).
- In 2015, the City of Guelph adopted a Downtown Secondary Plan (which specifically included the Site) and directed staff to develop an investment / market sounding package to gauge the public sector’s interest in redeveloping the Site and, where feasible, other downtown properties. In 2016, the City of Guelph subsequently issued a “Request for Information” (“RFI”) to gauge private sector interest in “downtown real estate investment opportunities”, including for the Site.
- It is noted that between 2007 and 2018, the City of Guelph invested \$7.3 million in the redevelopment of the Site, including expenditures on environmental assessment, archeological remediation and property acquisition, as well as in the development of a planning, policy and regulatory framework, and investments in supporting infrastructure and in the implementation of the RFP process.
- In July 2017, Guelph City Council endorsed the Site as the city’s priority Downtown project and directed staff to implement a two-stage process (three-stage process including the RFI stage) to seek out private sector developer interest, qualifications and proposals for the redevelopment of the Site. A Request for Qualifications (“RFQ”)

Map of Downtown Guelph showing the Baker Street Property



Source: City of Guelph

# Precedent Projects (25 of 38)

## Baker Street Redevelopment (Guelph, ON)

### Background (continued)

process was initiated in November 2017, from which ten entities submitted qualifications and four were shortlisted to respond to a more detailed Request for Proposals process.

- In February 2018, Guelph City Council directed staff to include an 88,000 square foot new Central Library Building in the RFP for the redevelopment of the Site. The RFP was issued in April 2018 and closed in June 2018. In July 2018, the City of Guelph selected Windmill Development Group Ltd. (“Windmill”), an Ottawa-based development company, as its preferred proponent and directed staff to enter into a Letter of Intent (“LOI”) with Windmill.
- Windmill’s proposal involved the development of two mixed-use buildings, one incorporating the new Central Library with residential uses above (to the north end of the Site), and an institutional building (to the south end of the Site).
- In completing the redevelopment of the Site, the City of Guelph would be responsible for site remediation, servicing and archaeological works (estimated to cost \$15 million), pay for the construction of an urban square and related streetscape construction costs (estimated to cost \$2.6 million), and pay for the cost of creating 280 public parking stalls (estimated to cost \$21 million); these public works were to be funded from a combination of proceeds from land sales, from property taxes, development charges, parking revenue and debt.

### Windmill Developments - Initial Redevelopment Images



Source: City of Guelph, Windmill Development Group Ltd.

# Precedent Projects (26 of 38)

## Baker Street Redevelopment (Guelph, ON)

### Approved Redevelopment Plan

- Between 2018 and 2021, the City of Guelph and Windmill prepared an “Urban Development Master Plan” (“UDMP”) which further refined Windmill’s initial development proposal, a process which included additional public consultations and detailed redevelopment design.
- In 2020, a redesign of the Site was approved by Guelph City Council, with the new Central Library moving to the south end of the Site as a stand-alone building; residential uses would be located on the north and mid blocks (with commercial uses on the lower levels and with the possibility of institutional uses in the north block). The redesign was necessitated, in part, due to a lack of interest from institutional partners for space in the south lot building, and, in part because of increased costs and risks associated with acquiring additional properties originally included in the City of Guelph’s RFP.
- Based on the revised plan, the Site’s redevelopment would include the following features:
  - North Block: 15-storey building containing 4,800 square feet of commercial / retail and 175-185 residential apartment units (137,300 square feet in total) and 16 2-storey stacked-townhouse units (15,900 square feet in total)
  - Mid-block Tower: 15-story building containing 6,400 square feet of commercial / retail and 170-180 residential apartment units (133,700 square feet in total)
  - South Block: Central Library (88,000 square feet over three stories);
  - Two “urban squares”; and
  - Two levels of underground parking – 156 stalls in a parkade owned and operated by the City of Guelph and 260 private stalls for the two residential buildings.

Baker Street Redevelopment Images (revised per UDMP)



Source: City of Guelph, Windmill Development Group Ltd.

# Precedent Projects (27 of 38)

## Baker Street Redevelopment (Guelph, ON)

### Current Status

- The Baker District Redevelopment project is a multi-year, multi-faceted project that will see the City of Guelph build the new Central Library, a parking garage (public component), public squares and new roadways. Phasing of the project includes redeveloping the Site from its current use (surface parking lot), site preparation activities, archaeological remediation, utility relocation and installation of hard services:

### City of Guelph Works

- Road reconstruction is expected to be completed in Q4 2024;
- The Central Library is expected to commence construction in 2023 (and be completed by the end of 2025);
- The parkade is expected to commence construction in 2023 (and be completed by the end of 2025);
- Building commissioning and operational start up is expected to occur between late 2025 and the end of 2026; and
- The Public Squares are expected to commence construction in 2024 (and be completed in 2026).

### Windmill

- It is anticipated that the residential towers may commence construction in 2024.

*Baker Street Redevelopment Images (revised per UDMP)  
New Central Library*



*Source: City of Guelph*

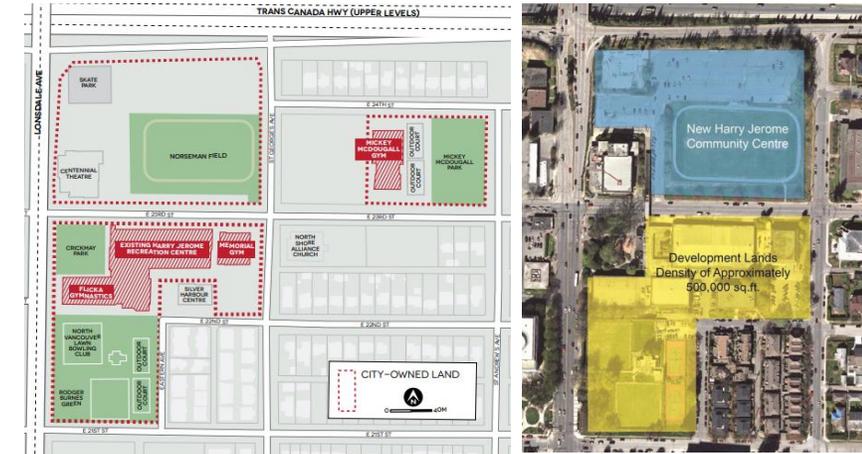
# Precedent Projects (28 of 38)

## Harry Jerome Community Recreation Centre (North Vancouver, BC)

### Background

- In the mid to late 2000's, the City of North Vancouver began investigations for the potential renovation / modernization or replacement of the Harry Jerome Community Centre ("HJCC"), a community recreation centre comprised of an arena, 25-metre pool, fitness area, gymnasium and community rooms. Also located on block containing the HJCC was a lawn bowling facility, seniors' centre and tennis courts.
- While consideration was given to renovating / modernizing the 55+ year old facility (opened in 1965), North Vancouver City Council endorsed the \$200+ million replacement of the HJCC on the block located immediately north of the existing HJCC site. This project, comprising a 50-metre aquatics facility, arena, gymnasiums and seniors' centre (among other uses), was subsequently endorsed as a priority project within the city's multi-year capital plan.
- To support the cost of replacing the HJCC, the City of North Vancouver investigated the potential proceeds which could be generated from the sale of the block upon which the existing HJCC, lawn bowling club, seniors' centre and tennis courts were located (together, the Harry Jerome Neighbourhood Lands, "HJNL").
- During the early 2010's, the City of North Vancouver evaluated the development potential of the HJNL and in its 2014 Official Community Plan, designated the site as mixed-use, parks, recreation and open space, allowing for buildings from six- to 20-stories, with a base density of 2.0 floor space ratio ("FSR"), and a provision for a density bonus of 0.5 FSR (for a total FSR of 2.5). Under such provisions, a multi-family residential and mixed-use development in the range of 500,000 could be supported.

### Layout and Aerial View of the Harry Jerome Community Centre Site (incl. site of the new Harry Jerome Community Centre)



Source: City of North Vancouver

# Precedent Projects (29 of 38)

## Harry Jerome Community Recreation Centre (North Vancouver, BC)

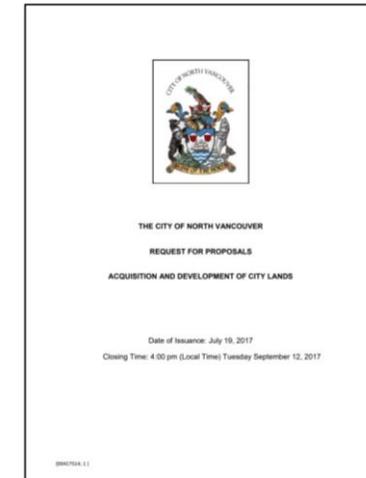
### Background (continued)

- In July 2017, the City of North Vancouver launched a single-stage Request for Proposals process for the “Acquisition and Development of City Lands”. The RFP invited respondents to submit offers for the long-term lease of the HJNL’s (either 75 or 90 years), or for the purchase of the fee simple interest in the entire site.

### Selected Development Concept

- Following the City of North Vancouver’s review of offers, Council adopted a resolution in March 2018 authorizing staff to negotiate a 99-year lease of the HJNL’s with its preferred proponent (Darwin Properties, “Darwin”). While the agreement was expected to generate approximately \$210 million in total proceeds for the City of North Vancouver, it was noted that the potential proceeds would be dependent upon the overall density approved for the site and potential market pricing adjustments.
- Per their proposal, Darwin intended to develop the HJNL’s with 786,600 square feet, comprising 700 residential units, (including 93 affordable rental units and non-profit housing), 100 seniors’ assisted living units and 100,000 square feet of commercial space, in three phases (spanning 2019 to 2021, 2021 to 2024 and 2023 to 2026).
- Between 2018 and 2020, Darwin took the HJNL’s through a public process to rezone the site, while concurrently negotiating with the City of North Vancouver on the terms of the 99-year land lease.

## Harry Jerome Neighbourhood Lands Request for Proposals and Selected Development Concept



### Site Plan

- T1/T2 = Market Condominium
- M1 = Non-Profit Housing + Childcare
- M2 = Rental Housing
- M3 = Seniors Rental Housing
- M4 = Retail, Medical/Dental Office
- = Expanded City Park
- = Integrated Green Necklace

Source: City of North Vancouver

# Precedent Projects (30 of 38)

## Harry Jerome Community Recreation Centre (North Vancouver, BC)

### Land Lease Transaction

- In December 2020, the City of North Vancouver announced it had agreed to a 99-year land lease with Darwin for the first phase of the HJNL's redevelopment. The Phase 1 lands comprise approximately one-third of the HJNL site. In exchange for the 99-year lease of the site, Darwin paid the City of North Vancouver \$50.4 million.
- The Phase 1 development involves the construction of a 113-unit rental apartment building with 8,000 square feet of retail space, and a 100-unit seniors' assisted housing building.

### Current Status

- Between 2020 and late 2021, the City of North Vancouver and Darwin attempted to negotiate terms for the lease of the remaining HJNL's. However, in November 2021, the City of North Vancouver terminated its offer to lease the remaining HJNL's as a result of Darwin not meeting a key contractual term of the agreement.
- The termination of the offer to lease the remaining lands to Darwin prompted the City of North Vancouver to develop a new financial strategy to pay for the cost of building the new HJCC; the revised strategy continues to be premised, in part, on the sale / pre-paid leasing of the remaining HJNL's. Per a January 2022 staff report, the disposition of the remaining HJNL's is anticipated to occur in 2025 and generate total proceeds to the City of North Vancouver of approximately \$167 million.

## Harry Jerome Neighbourhood Lands – Phase 1 Redevelopment Rental Apartment Building



Source: City of North Vancouver, Darwin Properties

# Precedent Projects (31 of 38)

## Slush Puppie Centre (Gatineau, QC)

### Background

- Throughout the late 2000's and into the 2010's, the Ville de Gatineau had been considering options to replace the Robert Guertin Centre (the "RGC"). The RGC, located in downtown Gatineau, is a 4,000 capacity (3,200 fixed-seat) arena built in 1957 and home to the Gatineau Olympiques of the Quebec Major Junior Hockey League.

### Project Description and Initial Financing Model

- In February 2017, Gatineau City Council agreed to an arrangement with Vision Multisports Outaouais ("VMSO"), a Gatineau-based not-for-profit entity whose objective is to improve the involvement of youth in society through enhanced participation in sport. The Ville de Gatineau and VSMO had previously entered into a 15-year partnership arrangement for the development of the \$33 million Branchaud-Brière Recreation Complex (the "BBRC"), a facility that includes two community arenas and an indoor soccer pad (the partnership arrangement involves the Ville de Gatineau renting time for ice and soccer at the BBRC).
- The Slush Puppie Centre ("SPC") is a four-pad arena complex featuring a 4,000-seat arena (with 36 corporate boxes accommodating 600 people) for the Gatineau Olympiques and three community ice pads (each with containing between 240 and 500 seats and having 15 change rooms in total).

Robert Guertin Centre



Source: Ville de Gatineau

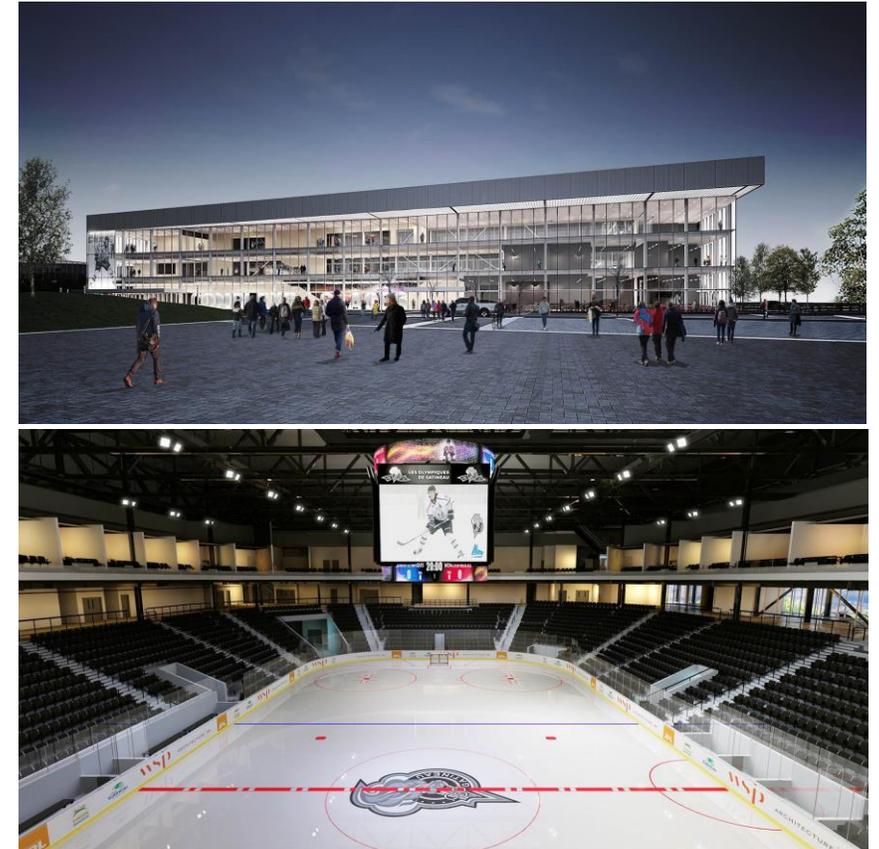
# Precedent Projects (32 of 38)

## Centre Slush Puppie (Gatineau, QC)

### *Project Description and Initial Financing Model (continued)*

- Originally anticipated to cost \$78.5 million, the project was to be financed with:
  - \$36.5 million from the Ville de Gatineau;
  - \$26.0 million from the Province of Quebec; and
  - \$16.0 million from VSMO.
- VSMO also agreed to invest \$350,000 annually to a life-cycle reserve fund for the SPC.
- In addition to its capital contribution, the Ville de Gatineau was responsible for building a parking garage and for undertaking improvements to the street network around the site (estimated to cost \$25 million).
- The partnership arrangement involved the Ville de Gatineau leasing the facility to VSMO for a term of 25 years (with two 10-year renewal options) and additionally required the Ville de Gatineau to rent approximately 7,700 hours of ice time per year at the SPC at approximately \$260 per hour (an annual cost of roughly \$2.1 million); the Ville de Gatineau would then offer this ice time to user groups at no cost. The Ville de Gatineau also agreed to close some stand-alone arena facilities.
- The SPC was developed on a vacant suburban site in Gatineau, approximately eight kilometres from the RGC.
- By September 2018, the cost of the SPC increased to \$80.4 million, with the project being paid for by the Ville de Gatineau (\$37.9 million), the Government of Quebec (\$26.5 million) and VSMO (\$16.0 million).

Centre Slush Puppie



Source: Ville de Gatineau, Vision Multisports Outaouais

# Precedent Projects (33 of 38)

## Centre Slush Puppie (Gatineau, QC)

### *Finalized Financial Arrangements*

- Due to the impact of COVID-19 (higher than anticipated construction tender results, higher professional fees and a temporary suspension of construction activities), the project budget increased to \$101.9 million and necessitated a revised financing structure.
- In August 2020, the Ville de Gatineau and VSMO agreed to an amended financing structure which involved the following:
  - Increased the length of the partnership arrangement to 45 years (from 25 years plus two 10-year renewal options);
  - Maintained the Ville de Gatineau's contribution at \$37.9 million;
  - Maintained the Province of Quebec's contribution at \$26.5 million;
  - Increased the Ville de Gatineau's cost of renting ice at the SPC to \$310 per hour (\$2.4 million annually) with annual adjustments of 1.9%;
  - Additionally increased the Ville de Gatineau's cost of renting ice at the BBRC to \$310 per hour;
  - VSMO increased their contribution to \$16.5 million by way of a loan from Desjardins; and
  - Investissement Québec made a \$21.0 million loan to VSMO.
- The SPC officially opened in August 2021.

*Centre Slush Puppie*



Source: Ville de Gatineau, Vision Multisports Outaouais

# Precedent Projects (34 of 38)

## Brantford & District Civic Centre (Brantford, ON)

### Background

- In February 2023, due to planned renovations to the FirstOntario Centre which rendered the building unavailable for a 2+ year period, the Ontario Hockey League's Hamilton Bulldogs (the "Team") announced they would be temporarily relocating to the Brantford & District Civic Centre (the "BCC") beginning in September 2023 for the start of the 2023-24 OHL season.
- The BCC is a 2,950-seat arena built in 1967.

### Financial Arrangements

- In order to accommodate OHL hockey, the BCC required an estimated \$7.0 million in renovations and improvements, including:
  - a new electronic scoreboard;
  - improvements to the BCC's lighting within the arena bowl / seating area;
  - improvements to the BCC's WIFI and sound system;
  - improvements to the BCC's concession areas and washrooms; and
  - improvements to dressing rooms and related areas needed for by an OHL Team (including home team and visiting team dressing rooms and hospitality areas).
- The cost of improving the BCC was estimated at approximately \$7.0 million.
- In March 2023, Brantford City Council approved a lease with the Hamilton Bulldogs, an arrangement which included the following features:
  - The lease is for three years, with three one-year renewal options (at the Team's discretion);

Brantford & District Civic Centre



Source: City of Brantford

# Precedent Projects (35 of 38)

## Brantford & District Civic Centre (Brantford, ON)

### Financial Arrangements (continued)

- While playing in Brantford, the Team would be called the “Brantford Bulldogs”;
- The Team would undertake and pay for all improvements to the BCC;
- The City of Brantford would provide a leasehold improvement allowance to the Team of \$3.0 million;
- The City of Brantford’s leasehold improvement allowance would be repayable by the Team if it does not exercise its options to extend the lease (100% would be repayable if the original three-year term is not extended; 66.7% would be repayable if the lease is not extended after the first one-year renewal; and, 33.3% would be repayable if the lease is not extended after the second one-year renewal), or if another OHL does not commence play in the BCC with 12 months of the Team leaving;
- The Team is given the right to sell (at its cost) and retain all revenue from concessions, advertising and sponsorships;
- The Team pays rent of \$1.00 per ticket sold;
- The Team additionally pays rent for office and retail space;
- The City of Brantford pays the cost of ice preparation (including two Zamboni drivers) and pre- and post-event clean up; and
- The Team will provide, at its cost, all other personnel and services required for OHL game day operations (including security, EMS, ticket takers, ushers, game entertainment, in-game shovel crews, concession staff, etc.).

Brantford & District Civic Centre



Source: City of Brantford

# Precedent Projects (36 of 38)

## Key Takeaways

### Project Scope

- ***The over-riding goal of each Precedent Project was to leverage publicly-owned lands and / or facilities to achieve broader public policy objectives***
  - The NCC was interested in “...leveraging public lands to enhance the attractiveness of the National Capital by attracting a new public anchor use(s) and bringing lively civic life back to this historic capital district”.
  - The City of Ottawa was interested in securing the revitalization Lansdowne Park and its facilities following the discovery of material defects in the site’s stadium facility.
  - The City of Orillia leveraged a 9.75-acre site to achieve some of the goals and objectives of its *Downtown Tomorrow Plan*.
  - The City of Hamilton sought to create a downtown entertainment precinct by leveraging three entertainment assets.
  - The City of Guelph sought to leverage a publicly-owned site to advance the economic development of its downtown.
  - The City of North Vancouver sought to leverage a publicly-owned site to support the financing of a major community recreation centre replacement.

- The Ville de Gatineau leveraged an existing arrangement with a non-profit sports facility partner to realize the development of a new Events Centre (and additional ice pads) to replace its existing facility.
- The City of Brantford reached an arrangement with a hockey team tenant wherein the City would realize the partial revitalization of its existing 3,000-seat arena.

### Land Assembly Approach

- ***The common land assembly approach was to leverage a pre-identified site to achieve broader public policy goals***
  - Each of the NCC, the City of Orillia, the City of Guelph and the City of North Vancouver leveraged specific sites, taking each through a public process to identify a range of acceptable uses prior to offering these sites to prospective developers.
  - While the City of Hamilton sought to leverage its three entertainment assets, the City additionally contributed three land assets to effect an equitable arrangement with its selected private partner (identified through negotiations with its selected private partner).
  - Larger sites (as in the case of the NCC and the City of North Vancouver) and sites premised on future land assembly (as in

# Precedent Projects (37 of 38)

## Key Takeaways

### Land Assembly Approach (continued)

the case of the City of Guelph) have greater complexity and therefore risk:

- while the cancellation of the NCC's original process was due to issues with its selected private partner, the NCC pivoted and offered smaller parcels in a phased approach in its reboot process of seeking development proposals for the LeBreton Flats site;
- While offering the entirety of the HJNL's site, the City of North Vancouver was only able to closed on one portion of the site, necessitating it implement a second process to lease / sell the remaining HJNL's;
- The City of Guelph abandoned its intention of assembling additional properties due to timing and cost issues, necessitating a site redesign pivot; and
- The Ville de Gatineau utilized a vacant suburban site to accommodate a larger complex (the replacement of their existing arena plus three additional ice pads).

### Financial Arrangements

- **Financial arrangements involved the sale / long-term leasing of land at market values. Incentives were also provided to (a) alter development economics to make the project commercially attractive / economically viable, and / or (b) allow a developer to match city expectations with development and operating risk(s) it was assuming**
  - Land transactions at market value were pursued in Ottawa (with the NCC at LeBreton Flats), Orillia, Guelph and North Vancouver.
  - Land transfers at market value were pursued in Hamilton (with the value of the properties included in the deal equating to the level of financial risk taken on by the private partner).
  - Financial incentives (TIF / TIG) were additionally offered in Ottawa (Lansdowne Park) and Hamilton.
  - The Ville de Gatineau offered a long-term lease of the facility (for a nominal amount) and agreed to purchase ice time at the facility plus another facility managed by their not-for-profit partner, in order to secure financing for the project.
  - The City of Brantford offered nominal lease terms to their hockey team tenant in order to secure the team's investment to upgrade the arena.

# Precedent Projects (38 of 38)

## Key Takeaways

### Financial Arrangements (continued)

- Costs associated with readying a site for development, including site remediation, relocating existing uses / tenants, building parking and / or making road improvements, were directly (in the case of Ottawa, Guelph, North Vancouver and Gatineau) or indirectly (in the case of LeBreton Flats where the cost of site remediation was deducted from the market value paid for the land) assumed by the public sector.
- The City of Ottawa (Lansdowne Park) and City of Hamilton reviewed and evaluated unsolicited proposals; the City of Ottawa had a policy it followed to deal with and evaluate unsolicited proposals while the City of Hamilton established a process to obtain more detailed proposals).

### Procurement Approach

- ***Two-stage procurement processes (involving Requests for Qualifications and Requests for Proposals) were preferred***
  - Each of the NCC, the City of Orillia and the City of Guelph implemented two-stage procurement approaches to solicit the interest of private developers and development proposals.
  - The City of North Vancouver implemented a single-stage approach involving a Request for Development Proposals (a process which included requesting details of the proponent's financial capacity and source of funding for acquiring the development lands).

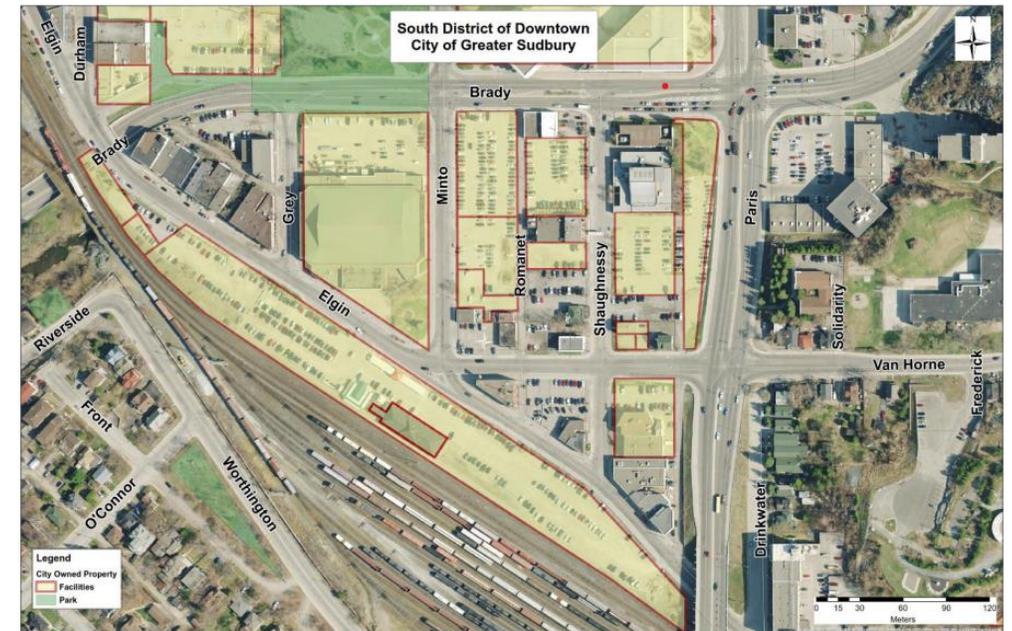
# Market Sounding Results (1 of 7)

## 2019 RSM Market Findings Report

### Background

- In 2019, the City retained RSM Canada (“RSM”) to identify and assess, through a “market sounding” process, potential private sector interest and participation in various City-owned properties located within the area bounded by Paris Street, Brady Street East and Elgin Street, including the land and VIA rail train station abutting the CP rail line (the “South District”). RSM issued their updated report (*City of Greater Sudbury: South District – Market Findings Report*) in September 2019.
- The objective of RSM’s market engagement was to compile feedback on the development of the City-owned South District properties, and in particular to:
  - Identify potential market interest in the South District (and specifically in the Greater Sudbury Convention and Performance Centre (“GSCPC”));
  - Compile feedback on the development of the South District;
  - Identify specific opportunities and / or risk areas based on market feedback;
  - Identify potential mitigations to these risks and mutual opportunities for both the City and developers; and
  - Inform next steps for the development of the South District including subsequent procurement processes.

### City-owned Property in the South District



Source: City of Greater Sudbury

# Market Sounding Results (2 of 7)

## 2019 RSM Market Findings Report

### Key Findings

- Among the key findings from RSM's Market Sounding were the following:
  - There was strong and significant interest in the South District from local developers.
  - The proposed Junction Projects were seen as being able to invigorate the downtown due to their potential to increase foot traffic (Market Sounding participants perceived that there was limited foot traffic in the downtown after the close of business on weeknights and on weekends).
  - Market Sounding participants from outside Sudbury acknowledged the potential of the GSCPC, the Library Art Gallery ("LAG"), and the City's commitment to downtown Sudbury, as being able to positively impact the downtown and the South District.
  - While acknowledging the foregoing, Market Sounding participants from outside Sudbury did not demonstrate interest in the City-owned properties. This was concluded by RSM to be due to a range of factors including their focus on other regions, their lack of local knowledge, and land development opportunities in other jurisdictions.
- Sudbury-based Market Sounding participants expressed interest in the South District as a whole, as well as in individual properties. It was noted that looking at the South District holistically and taking a phased approach to development would result in a more measured development process, providing more certainty to the overall project and creating greater interest from the private sector.
- It was also noted that undertaking the development of individual properties separately may not have the same concurrent, coordinated and comprehensive impact to the downtown; such an approach may not also create the same level of market interest because of the smaller size of the land development opportunity associated with individual sites.
- The Van Horne Fire Station site, Shaughnessy Street East Parking Lot and CP Parking Lot were mentioned most often as properties of interest.
- Types of development most frequently mentioned were institutional, a multi-storey parking structure, residential, hotel, commercial (office) and assisting living / social housing.
- Cost of construction was cited as an issue / risk impacting development.

# Market Sounding Results (3 of 7)

## 2019 RSM Market Findings Report

### *Key Findings (continued)*

- Local developers preferred to purchase and develop property independently (rather than in partnership with the City); non-local developers preferred a closer partnership with the City to reduce some of the risk.
- Municipal incentives were identified as critical to development within the South District, particularly given the Sudbury market's higher construction costs and less favourable market metrics (vacancy rates, rental rates, values and absorption rates) compared to other markets.
- A collaborative approach between the City and its selected developer was identified as being critical to ensuring a successful development.
- Concerns were raised regarding the availability of environmental and geotechnical information for each of the properties in the South District. Where individual sites have / are likely to have a higher probability of contamination and / or developability issues, specific incentives should be provided by the City.
- The availability of parking was identified as a significant challenge, particularly given that the existing use of some of the city-owned properties in the South District is surface parking.
- Market Sounding respondents expressed the need for clarity on any future procurement process, including Council's commitment to the process, in order to provide certainty regarding the future development of any individual site in the South District.
- RSM identified a four-stage procurement process to seek development proposals from private sector developers / investors, comprised of:
  - Stage 1: re-engaging with developers to gather further market input;
  - Stage 2: Request for Qualifications process to identify a short list of "qualified" teams which would allow the City time to work with potential partners and maximize the market opportunity for each site within the South District;
  - Stage 3: Request for Proposals process to solicit specific development proposals, inclusive of development concept designs and transaction terms; and
  - Stage 4: Contract stage to negotiate and finalize business and financial terms and legal arrangements.

# Market Sounding Results (4 of 7)

## 2023 Market Sounding Update

### **Background**

- Since the time the RSM Report was issued in 2019, the Canadian economy incurred significant change, including suffering through a global health pandemic, an increase in “work from home”, higher inflation rates, higher costs of borrowing, higher construction costs, supply chain issues, etc. KKR Advisors undertook market soundings with a select group of Greater Sudbury-area developers to determine what conditions may have changed since 2019 and to gain further insights into how the City could approach a potential market solicitation to private developers to maximize the attractiveness of city-owned properties in the South District.
- In completing this market sounding update, KKR Advisors contacted 11 Sudbury-based entities (the “Market Sounding participants”, comprising real estate developers, investors, lenders and brokers), and obtained insights and commentary from ten of these entities (representing nine distinct firms / organizations).
- Areas of enquiry pursued by KKR Advisors included:
  - Circumstances which have changed since 2019 which could impact private development in the South District;
  - Uses which private developers would be most likely to pursue;
  - Steps needed to be taken by the City prior to taking properties to market; and

- Strategic approaches to taking properties to market.

### **Key Observations**

#### **Changed Circumstances since 2019**

- Market Sounding participants acknowledged the negative impact which higher construction costs (including supply chain issues and labour availability) and higher interest rates are currently having on real estate development both in general and specifically in Greater Sudbury.
- Despite somewhat more favourable market metrics for residential (vacancy rates are lower and market rents have increased since 2019), the combination of higher development costs (one respondent noted costs are up 30% to 40% and labour is hard to secure) and interest rates (which have increased from less than 2.00% to more than 6.00%) has significantly impacted the economics (and profitability) of building residential.
- The impact of COVID-19 and the rise in work from home has negatively impacted office use, resulting in higher vacancy rates, lower rents and, as a result, eliminating the profitability of developing office.

# Market Sounding Results (5 of 7)

## 2023 Market Sounding Update

### Key Observations

#### Changed Circumstances since 2019 (continued)

- Market Sounding participants referenced parking and the availability of parking in the downtown as an issue which will additionally impact the economics of development in the South District (as the redevelopment of existing parking lots sites will require the replacement of lost parking and the creation of new spaces to accommodate the new use).

#### Development Opportunity(ies)

- Market Sounding participants cited the need for increased foot traffic in the downtown core to facilitate favourable conditions for new development. Market Sounding participants noted the ability of an Events Centre (or another public use facility like the GSCPC and LAG) in being able to generate such foot traffic.
- However, given the current economic and development environment, Market Sounding participants questioned which end use(s) a developer could exploit. It was also noted that no developer would build “on spec” without a solid business case which would be supportive of an equity investment from investors and allow the developer to obtain construction and take-out financing.

- Market Sounding participants did not see office as feasible for new development (given current costs of development, high vacancy rates and rents which are not supportive of new development).
- A hotel development was thought to have some merit but would require a firm commitment from the City to build public facilities (Events Centre, GSPC and / or LAG) in order to support an investment thesis for a hotel.
- Residential was generally considered a preferred use but would require financial and development incentives to overcome current development economics. Marketing Sounding participants cautioned, however, that the success of building residential will be dependent on the ability of residents to feel safe and secure in the downtown core.
- Market Sounding participants saw an Event Centre, GSCPC or LAG as a stand-alone municipal projects (versus a mixed-development that would incorporate public and private uses) which would not likely attract private sector investment (and hence would need to be undertaken and financed solely by the municipality).

# Market Sounding Results (6 of 7)

## 2023 Market Sounding Update

### *Key Observations*

#### Steps Needed to be Taken by the City Prior to Taking Properties to Market

- In order to support potential private sector investment in city-owned properties in the South District, Market Sounding participants cited the need for the City to fully commit to building the Events Centre (whether a renovation to the SCA or a new building), GSCPC or LAG. It was felt that with the City providing 100% certainty that such a project would go forward, a developer / investor would prove more willing to consider a potential development in the South District (it was additionally noted that a developer would not build on spec in the hope that the EC / GSCPC / LAG could be built in the future).
- Market Sounding participants felt the City should identify what it wants to achieve through the development of city-owned lands in the South District. In this regard, it was felt that the City should undertake a planning study to identify acceptable uses, development densities, building heights, etc. As part of identifying “acceptable uses”, the City should consider evaluating the feasibility of such uses, including determining if, and how, such uses could be made financially viable.
- In addition, it was felt that the City should undertake development due diligence on individual sites to understand and quantify issues (and costs) which would impact the development of a site (including environment, geotechnical, site servicing and / or other constraints). Such information would then be provided to prospective purchasers / developers as part of the Request for Development Proposals process.
- Market Sounding participants felt incentives will be necessary to support development, including tax increment grants (“TIGs”), other financial incentives, and the City assuming the costs of addressing development constraints associated with a particular site (as the City of Guelph did on the Baker Street Redevelopment).
- Market Sounding participants felt the need to align such grants against the economics of development (for example, extending the period of time over which TIGs are provided, increasing the percentage of incremental taxes granted, etc.).
- Finally, Market Sounding participants felt the need for the City to create excitement and marketing “buzz” for the South District as

# Market Sounding Results (7 of 7)

## 2023 Market Sounding Update

### *Key Observations*

#### Steps Needed to be Taken by the City Prior to Taking Properties to Market (continued)

part of its commitment to construct the Event Centre / GSCPC / LAG and offer properties to private sector developers.

#### Strategic Approaches for Taking Properties to Market

- Market Sounding participants felt that the City should strategically prioritize individual parcels, offering firstly the site which it feels would provide a developer the greatest chance of development success. In so doing, it was acknowledged that the City may need to offer higher levels of incentives (in order to help offset development risk, including, for example, offering land at a low cost, assuming site remediation costs, ensuring that adequate in-ground services are available to the site, etc.).
- Market Sounding participants noted that in order to kick-start the redevelopment of the South District, the City may need to “entice” developers / investors to acquire a site (and develop that site), and that the City’s offering process should be both “simple and compelling” (Market Sounding participants felt the first project will have the greatest overall risk, and if / when success can be demonstrated, it could enhance the attractiveness of other sites / future site offerings).

- Market Sounding participants cautioned, however, that the City would need to fully commit to build the Events Centre / GSCPC / LAG prior to offering any site to the market for sale and development.
- The offering process should provide prospective purchasers / investors / developers with sufficient information in order for them to make an informed development and investment decision. In this regard, any offering process could provide detailed environmental, geotechnical, site servicing and related information describing the site.
- Marketing Sounding participants were mostly indifferent on the nature of the process used by the City (single RFP stage, multi-stage RFQ / RFP stage, etc.). Market Sounding participants noted that any process should be straight forward, clear, fair and transparent.

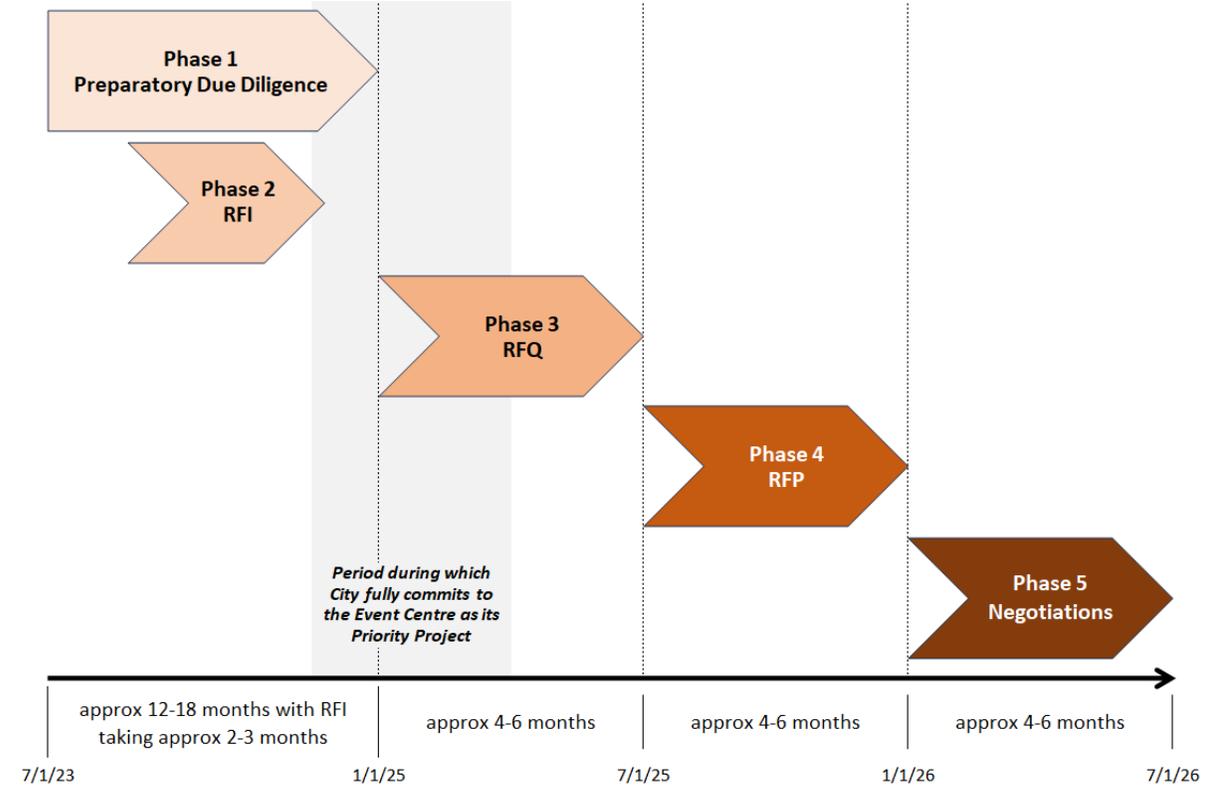
# Recommended Market Solicitation Strategy (1 of 4)

## Recommended Market Solicitation Strategy

### Recommended Strategy

- Based on the above review of eight Precedent Projects, including leading practices from the processes implemented by each public sector entity, the findings from RSM’s 2019 Market Findings Report and the key observations gleaned from KKR Advisors’ 2023 Market Sounding with nine Sudbury-based real estate developers, investors, brokers and lenders, the following Market Solicitation Strategy (“MSS”) is recommended.
- The recommended MSS builds on our prior market experiences with similar market solicitation “procurement” processes and our real estate development market experiences, and involves the following five components:
  1. South District Preparatory Due Diligence
  2. Request for Information (“RFI”)
  3. Request for Qualifications (“RFQ”)
  4. Request for Development Proposals (“RFP”)
  5. Contract Negotiations

### Recommended Market Solicitation Strategy



# Recommended Market Solicitation Strategy (2 of 4)

## Recommended Market Solicitation Strategy

### *Recommended Strategy*

#### Phase 1 - South District Preparatory Due Diligence

- The purpose of Phase 1 - South District Preparatory Due Diligence is for the City to undertake research and gather sufficient information to educate both the City and prospective site purchasers / investors / developers on the development potential of each site. It helps to:
  - define the range of uses which the City would deem acceptable for each site (a public process which could be undertaken in conjunction with the City's planned update to its Downtown Master Plan);
  - provide insights into the feasibility of such uses, including if, and how, such uses could be made financially viable;
  - outline broad parameters governing the potential reuse and development of each (including site coverages, development densities, building heights, etc.);
  - detail the nature of, cost and process to rectify any constraints to the development of each site, including environmental, geotechnical, site servicing, parking availability or other constraints to development; and
  - detail the nature of specific tax incentives that would be provided to support development, including the provision of enhanced incentives that may be required to kick start development.
- Concurrent with Phase 1, the City would formally engage with the broader development community, issuing a Request for Information to obtain specific market input and feedback on the development of individual properties in the South District (see below). The information received through the RFI would be used to supplement input received through a community consultation process.
- Following the completion of preparatory due diligence, the City would identify and prioritize sites which it would take to market (and the anticipated timing of when it would offer individual sites to the market). The City would also outline any additional process(es) required to rectify development constraints.
- Finally, the City would provide clarity and certainty regarding the development of an Event Centre (or GSCPC or LAG), with the City formally committing to developing this project (whether a new facility on a specific site or a renovation to the SCA) as the priority project of the City. As part of the latter step, the City should consider implementing a marketing plan to create interest in the overall project (the Event Centre / GSCPC / LAG and the individual development sites it will offer to the market).

# Recommended Market Solicitation Strategy (3 of 4)

## Recommended Market Solicitation Strategy

### *Recommended Strategy*

#### Phase 2 - Request for Information

- The purpose of Phase 2 - Request for Information (“RFI”) is for the City to formally engage with the broader development community and obtain specific market input and feedback on the development of individual properties in the South District. The RFI would additionally seek to identify potentially interested parties, confirm market interest in individual South District properties, and secure feedback on the potential redevelopment of these properties.
- The information received from the RFI would then be used to assist in prioritizing properties and allow the City to initiate a focused property redevelopment “procurement” process. Depending on the nature of information requested in the RFI, it could additionally provide insights into potentially required infrastructure projects (for inclusion into the City’s multi-year capital budget) to attract private sector investment.
- Specific areas which could be addressed in an RFI process may include:
  - Market opportunity assessment (ranking of sites);
  - Highest and best use of each site;
  - Conditions precedent influencing development (i.e., what needs to be done / occur to ensure that development occurs);
  - Factors that would inhibit development;
  - Assurances, commitments and pre-conditions needed to ensure development;
  - Market concerns and how these could be alleviated;
  - Specific factors that would negate development from occurring
  - Information requirements needed to prepare a bid to acquire a site;
  - Commitments from the City needed to make a potential bid process attractive; and
  - Development incentives.
- Phase 2 is viewed as a key step in the recommended MSS as it allows the City to engage with prospective developers (prior to requesting qualifications or development proposals) and conveys to the market a level of the commitment regarding the development of an Events Centre (or GSCPC / LAG) and a future solicitation of development proposals for sites in the South District.

#### Phase 3 - Request for Qualifications

- The purpose of Phase 3 - Request for Qualifications (“RFQ”) is to identify a short list of qualified developers interested in purchasing the City’s interest in a specific site located in the South District.

# Recommended Market Solicitation Strategy (4 of 4)

## Recommended Market Solicitation Strategy

### *Recommended Strategy*

#### Phase 3 - Request for Qualifications (continued)

- Specific information which would be requested may include:
  - Financial capacity of the developer / development team;
  - Profile and history of the developer / development team;
  - Key personnel;
  - Understanding and approach; and
  - Comparable / reference developments.

#### Phase 4 - Request for Development Proposals

- The purpose of Phase 4 - Request for Development Proposals (“RFP”) is for the City to formally solicit development proposals and offers to purchase a specific development site from development consortia short listed from the Phase 3 - RFQ process.
- The RFP would include City-defined terms and conditions associated with the purchase of the property (for example, an obligation by the proponent to commence development of the site within a defined time period), detail obligations of the City (for example, to complete defined city-works, to provide defined development incentives, etc.) and could also include granting the selected purchaser an exclusive option to acquire additional property(ies) if certain pre-defined development milestones are achieved.

- Specific information that would be requested from proponents within the RFP could include:
  - Development concept(s);
  - Transaction terms, including price; and
  - Conditions precedent, including purchase / development agreement terms, conditions and expectations of the City from the developer.

#### Phase 5 - Contract Negotiations

- Phase 5 - Contract Negotiations would commence immediately following the selection and approval of the preferred / selected respondent from the Phase 4 - RFP stage and would culminate in the signing of a definitive agreement of Purchase and Sale.

# General Assumptions and Limiting Conditions

1. The use of any projected information (“Projections”) made in conjunction with this Report may not be appropriate for use outside of their intended purpose. The Projections, if included, will not reflect actual development, economic, and / or financial / fiscal results. The inclusion of scenarios produced in conjunction with this analysis may contain hypotheses and assumptions which are based on a set of conditions or anticipated courses of action that may not be 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 in this Report. In addition, other unanticipated events and circumstances may occur which could influence future development conditions, private sector interest in such development conditions and / or the operations and costs of a new or renovated Events Centre in the City of Greater Sudbury. Therefore, actual results will vary from any Projections set out therein. 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 which may materially alter the actual development and operating results. KKR Advisors Ltd. does not warrant that actual results achieved from prospective private sector development and / or the operations and financial performance of a new or renovated Events Centre will be the same, in whole or in part, as those shown in any 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. Information furnished by others upon which all or portions of this report are based, including, among others, the City of Greater Sudbury, the National Capital Commission, the City of Ottawa, the City of Orillia, the City of Hamilton, the City of Guelph, the City of North Vancouver, the Ville de Gatineau and the City of Brantford is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
3. Our report and work product cannot be included, or referred to, in any prospectus, securities and exchange commission filing or other public investment document.
4. The intended use of this report is to provide background and strategic advice to the City of Greater Sudbury re a potential future market solicitation from private sector developers for a proposed Sports and Entertainment Centre in Downtown Sudbury.
5. This document does not purport to provide legal advice and it should not be interpreted as providing legal advice. The reader is encouraged to seek independent legal advice.
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 to support uses upon which this report is based.
7. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances.
8. Full compliance with all applicable federal, provincial and local zoning, use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.
9. 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 date of this report.
10. Any financial structures contained or referred to within this report is predicated on the market conditions prevailing as of the date of this report.
11. 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.
12. 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.
13. No soil analysis or geological studies were ordered or made in conjunction with this report, nor was an investigation made of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions.
14. We have not been engaged nor are we 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,

# General Assumptions and Limiting Conditions

industrial wastes, etc. may affect the value and future use of a property and the viability of using the property for its intended purpose. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field if further information is desired.

15. Neither KKR Advisors Ltd. 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.
16. 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 KKR Advisors Ltd. 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 KKR Advisors Ltd.



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