

## Greater Sudbury Event Centre Project

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| Presented To:   | City Council                              |
| Meeting Date:   | July 9, 2024                              |
| Type:           | Managers' Reports                         |
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| Recommended by: | Chief Administrative Officer              |

## Report Summary

This report provides an update on the status of the Event Centre project and a recommendation to advance the project.

## Resolution

THAT the City of Greater Sudbury authorizes the award of a contract to KKR Advisors Ltd. on a single source basis, with an upset limit of \$200,000, to support event centre project development including assistance with potential locations for the Event Centre within the South District that will maximize adjacent economic development opportunities, negotiate facility use agreements using its unique market knowledge, and market solicitations required to procure a venue operator, all in a form satisfactory to the City Solicitor, as presented at the Council meeting on July 9, 2024.

## Relationship to the Strategic Plan, Health Impact Assessment and Climate Action Plans

This report responds to several elements of the 2019-2027 Strategic Plan including:

### Objective 2.0 Economic Capacity and Investment Readiness

- 2.1 Build Economic Development Initiatives to Support Existing Businesses, Attract New Businesses and Promote Entrepreneurship,
- 2.4 Revitalize Greater Sudbury's Downtown and Town Centres with Public Investments that Support Private Investment
- 2.8 Invest in Transformative Facilities, Spaces and Infrastructure that Support Economic Activity

### Objective 3.0 Climate Change

- 3.2 Develop and strengthen strategies and policies to mitigate and/or adapt to the impacts of climate change,
- 3.3 Build climate resiliency into existing programs

### Objective 5.0 Create a Healthier and More Vibrant Community

- 5.2 Invest in Infrastructure to Support Community Recreation with Focus on Quality of Life
- 5.6 Align Initiatives with the Goal of Community Vibrancy

## Financial Implications

If approved, the single source contract with KKR Advisors Ltd. will be funded from the Event Centre Project Capital Budget.

## Background

In 2016, Mr. Ron Bidulka was the Managing Director at a consulting firm that was successful through a competitive process to complete the Feasibility and Business Case Assessment for the Greater Sudbury Event Centre (Contract GSD16-223). This report was accepted by Council on March 7, 2017 (CC2017-62). At the same Council meeting Mr. Bidulka was authorized to evaluate and recommend a site to serve as a location for the new Event Centre, to complete a Request for Proposals for an Event Centre Operator, and to negotiate a “term sheet” of key lease terms with the Sudbury Wolves (CC2017-63 and CC2017-64). All of this work was successfully completed on time and on budget.

Mr. Bidulka is the Managing Partner with KKR Advisors Ltd. KKR Advisors’ 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 with OVG360 for TD Station; the City of Saint John’s 6,300 seat sports and entertainment venue).
- City of Brantford (successfully negotiated a term sheet and facility lease and license agreement with the Hamilton Bulldogs to relocate the team to the City of Brantford).
- a high profile Eastern Canadian sports complex / stadium (provided advisory support relating to their negotiations with a prospective professional sports team tenant, with a prospective food and beverage concessionaire, and on the development of a corporate / building sponsorship strategy).

Mr. Bidulka 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, Mr. Bidulka has advised on the development, financing, tenancy arrangements and operating arrangements of more than \$7.0 billion in new, planned and proposed sports, recreation and entertainment facilities, including:

- 23 Canadian Hockey League arenas (3 QMJHL, 16 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.
- 20+ municipal / community recreation facilities.

In addition, Mr. Bidulka has successfully advised on the development, sale, acquisition, valuation, financial assessment and structuring of more than \$45 billion in real property transactions and development projects. Mr. Bidulka’s expertise spans a range of development projects and facilities, including land, mixed-use projects, residential projects, land value capture opportunities, office, retail, hotels, and seniors’ residences.

## Site Assessment and Adjacent Economic Development Opportunities

It is recommended to retain KKR Advisors’ to undertake the Event Centre site assessment and explore adjacent economic development opportunities in the South District. KKR Advisors’ will use their unique market knowledge to identify potential locations for the Event Centre, considering both property dimensions

and potential adjacent economic development opportunities. This includes market soundings with local and other real estate developers and investors to discuss prospective economic development opportunities associated with the Event Centre.

If approved, KKR Advisors' will begin this work in July 2024. They will gather the background information and engage in discussions with developers prior to the award of the Detailed Design of the Event Centre to an Architectural Firm. The Architect will be on board to contribute to the ultimate layout of the development of the South District. KKR Advisors' will ensure that the proposed development layout maximizes the economic development potential of the adjacent land while considering the needs of the Event Centre. This approach has the benefit of advancing the development of the South District during the procurement process for the Architect.

The scope of work will also include:

- Prepare a desktop traffic study considering parking, existing traffic conditions, and access and egress from events.
- Prepare a desktop geotechnical review of all previous reports to identify any potential concerns for future economic opportunities (environmental, or poor soil). Recommendations could be made for additional geotechnical work to resolve unknowns to minimize the risk for potential developer.
- Prepare options related to associated uses / developments which could be targeted for surrounding properties as well as a potential process to advance these associated uses / development opportunities.
- Liaise with City Staff and prepare illustrative projections of potential development revenues (from land sales and development fees) and property taxes (both new and incremental) generated from properties located in the vicinity of the Event Centre.

### **Term Sheet and Request for Proposal for a Venue Operator**

The City and Mr. Bidulka previously negotiated Term Sheets with the Sudbury Wolves and the Sudbury Five with the aim of securing a new lease with the teams as part of the team's commitment to a new building. The Term Sheets outline the key terms of the lease agreement being the amount of rent the team will pay in the new building, how various revenue streams will be shared between the stakeholders, including, but not limited to, revenue from sources such as advertising, food and beverage. A detailed lease agreement follows the Term Sheets.

The Term Sheets are required before a Request for Proposals (RFP) can be issued for a Venue Operator. The Term Sheets will provide potential Venue Operators with an understanding of the financial arrangements with the Teams so proposals can be compared.

Following the successful negotiations of the Term sheet, it is proposed to issue an RFP for a Venue Operator. This will allow selection of a Venue Operator at an early enough stage in the process to provide input into the final design of the Event Centre. A Venue Operator RFP was previously issued for the Event Centre, with Mr. Bidulka responsible for preparing the documents and assisting with the evaluation process. This Venue Operator RFP will be updated for the new location, and site amenities, with a Venue Operator identified in December 2024. The negotiations of a final agreement with the Venue Operator will follow.

The rationale for retaining a third-party (private) operator was included as part of the 2017 Event Centre Feasibility and Business Case Assessment, and summarized as follows:

- **Gaining access to the entertainment and event promotion / agent industry.** Most municipalities that have constructed new facilities which offered a greater ability (compared to the building they replaced) to stage concerts and special events have private operators. Given the capital outlay which these municipalities made, a strategic decision was made to retain a private venue operator with the experience, insight, knowledge and access to the entertainment industry.
- **Revenue maximization.** In retaining private operators, it was felt that these private companies would be better able to negotiate more lucrative deals with promoters, sponsors, suite holders, club seat holders, other rights holders, food and beverage providers, and with the lead hockey tenant. In

addition, it was felt that a private entity would be able to drive higher revenues within the venue, including enhanced revenues through improved event ticket sales, higher concession sales, etc.

- **Management efficiencies and cost containment.** A private operator has a greater ability to implement strategies and protocols to streamline decision making (for example, in contract negotiation). In addition, experienced operator firms generally have business and information systems specifically designed for the facility operator industry and have a network of facilities that can benefit from such areas as bulk purchasing.
- **Marketing / branding.** Similar to the comments forwarded above relating to access to the entertainment / event industry, it was felt that private facility operators are able to more effectively brand and market a venue. In this manner, best practices and emerging trends gleaned from other venues managed by them are able to be quickly implemented (as opposed to potentially taking longer to reach municipal staff through their more informal information sharing networks).
- **Pre-opening services and support.** One of the key benefits provided by private facility operators would occur during the planning, designing, testing and commissioning of a new venue. Given that most municipal staff may never have been involved in such a process previously, the private operator firm would be able to draw upon their experiences from opening other facilities.

## Next Steps

1. Engage KKR Advisor's to undertake the Event Centre site assessment and explore adjacent economic development opportunities in the South District. (July 2024 – January 2025)
2. Develop, issue, evaluate and award the Greater Sudbury Event Centre Architectural Services RFP and award lead firm. (June 2024 – September 2024)
3. Engage KKR Advisor's to assist with negotiating Term Sheets with the Sudbury Wolves and the Sudbury Five with the aim of securing a new lease with the teams as part of the team's commitment to a new building. (July 2024 – August 2024)

Following the successful negotiation of the Term Sheets, develop, issue, and evaluate Request for Proposal for Venue Operator. (July 2024 – November 2024).

Refer to Appendix A Arena Event Centre Schedule for a Gantt chart of the ongoing concurrent activities.

## Conclusion

The City has committed and invested in the redevelopment of the Downtown South District. This redevelopment requires a business approach to maximize the economic development of the adjacent lands while considering the needs of the Event Centre. KKR Advisors' has the unique market knowledge and background to undertake this work, while advancing other Event Centre initiatives during the procurement of the Architect.

The Purchasing Bylaw allows the single sourcing of assignments where there is a business case made to establish that the purchase is in the best interest of the City (exemption clause *TCAQ Article 9.14/CFTA Article 513: 1. (c) for additional deliveries by the original supplier of goods or services not included in the initial procurement, if a change in the supplier for such additional good or service (ii) would cause significant inconvenience or substantial duplication of costs for the procuring entity*). KKR Advisors' has previously successfully completed the same or similar assignments for the City on time and on budget. The upset limit for the work proposed is \$200,000.

## Resources Cited

1. City Council April 16<sup>th</sup>, 2024: ([City Council Meeting - April 16, 2024 \(escribemeetings.com\)](#))
  - a. Event Centre Renewal and New Build Review ([Event Centre Renewal and New Build Review \(escribemeetings.com\)](#))
  - b. Appendix A: A2S Final Report - SCA Structural Condition Assessment ([repXX \(escribemeetings.com\)](#))
  - c. Appendix B: SCA Renewal and New Build Review Report ([filestream.ashx \(escribemeetings.com\)](#))
  - d. Appendix C: KKR Advisors' Final Report ([PowerPoint Presentation \(escribemeetings.com\)](#))
  
2. City Council September 26<sup>th</sup>, 2023: ([City Council Meeting - September 26, 2023 \(escribemeetings.com\)](#)), [Greater Sudbury Event Centre Update and Future Direction \(escribemeetings.com\)](#)
  - a. Appendix A: [Sudbury Community Arena Condition Update and Event Centre Options \(escribemeetings.com\)](#)
  - b. Appendix B: Supporting Information ( [filestream.ashx \(escribemeetings.com\)](#))
  - c. Appendix C: 2022-06-10 Avenir Centre Economic Impact Summary ([pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=51028](#))
  
3. City Council July 11<sup>th</sup>, 2023: [City Council Meeting - July 11, 2023 \(escribemeetings.com\)](#)
  - a. [Sudbury Community Arena Condition Update and Event Centre Options \(escribemeetings.com\)](#));
  - b. [Appendix A Updated Detailed Assessment of Sudbury Community Arena.docx \(escribemeetings.com\)](#)
  
4. [City Council August 9<sup>th</sup>, 2022: Greater Sudbury Event Centre Project Update \(escribemeetings.com\)](#)
  
5. City Council March 7<sup>th</sup>, 2017: ([City Council Meeting - March 07, 2017 \(escribemeetings.com\)](#))
  - a. Full Report ([filestream.ashx \(escribemeetings.com\)](#))
  - b. Staff Report ([filestream.ashx \(escribemeetings.com\)](#))
  - c. Appendix A Sudbury Events Centre Feb 21\_2027 ([filestream.ashx \(escribemeetings.com\)](#))