



March 23, 2018

Ms. Catherine Matheson
General Manager, Community Development
City of Greater Sudbury
200 Brady Street
Sudbury, ON P3A 5P3

Dear Ms. Matheson:

Subject: New Greater Sudbury Event Centre – Site Evaluation

Further to your request, please find below an update to the site evaluation report prepared by PricewaterhouseCoopers Real Estate Inc. (“PwC”) in June 2017 (the “June 2017 Report”). Specifically, these comments serve to provide additional information and insight relating to the observations and conclusions contained in the June 2017 Report.

Site Evaluation Process

As you will recall, PwC was initially retained by the City of Greater Sudbury (the “City”) to prepare a *Feasibility and Business Case Assessment* of a proposed new events centre (the “February 2017 Report”). This report included a section detailing location criteria and identified a number of questions and considerations which are typically examined when determining where to construct an events centre. A sample site evaluation matrix was also forwarded. In the February 2017 Report, it was specifically noted that the weights included within the matrix to value individual criteria and sub-criteria were “indicative” (i.e., suggestive only) and that prior to embarking on any locational assessment, the City agree to the individual weights assigned to each criteria and sub-criteria.

At its meeting on April 12, the City of Greater Sudbury Council provided its recommendation as to the individual weighting that would be assigned to each criteria and sub-criteria, noting that all eight identified criteria would be used to evaluate possible locations. It further noted that:

- three criteria (cost, economic impact and parking) would be classified as being of “highest importance” (and therefore be assigned a higher overall weighting);
- three criteria (complimentary benefits, access and ease of development) would be classified as being “extremely important” (and therefore be assigned a lower overall weighting compared to the “highest importance” criteria); and
- two criteria (vision and city building) would be classified as being “important” (and therefore be assigned the lowest overall weighting).

A site evaluation team comprised of PwC, HDR|CEI Architecture and various City departments (economic development, planning, engineering and real estate) with input from other technical resources (including other city departments, and third part consultants who studied anticipated geotechnical and soil characteristics, foundation system constructability, traffic and road infrastructure requirements) was then formed to undertake the comparative evaluation of sites using each of the eight evaluation criteria. The evaluation team then worked to obtain information and data pertinent to the eight criteria.



Examples of the additional information and data used in the review included:

- site acquisition costs;
- costs associated with extending municipal services and hydro to each site;
- costs associated with road and traffic management improvements to facilitate access and egress to / from each site;
- costs associated with readying each site for development;
- costs associated with addressing any geotechnical issues associated with the development of a sports and entertainment centre on each site;
- parking costs; and
- site remediation costs.

This information was then used to evaluate sites and resulted in the final ranking and scoring outlined within the June 2017 Report:

- The Downtown Site ranked highest overall, placing first in six of eight categories (the exception of cost and parking where it ranked second and fourth respectively).
- The Kingsway Site ranked second overall, placing first in one category (cost), tied for first in one category (parking), second in four categories (economic impact, complimentary benefits, vision and city building), third in one category (access) and fourth in one category (ease of development).
- In terms of categories City of Greater Sudbury Council deemed “of highest importance”, the Kingsway Site placed first overall, followed by the Downtown Site.
- In terms of categories City of Greater Sudbury Council deemed “extremely important”, the Downtown Site placed first overall, followed by the Kingsway Site.
- In terms of categories City of Greater Sudbury Council deemed “of highest importance” and “extremely important”, the Downtown Site placed first overall, followed by the Kingsway Site.

In arriving at a recommended site, consideration was given to both the individual and relative ranking of each site against all eight site evaluation criteria.

“Preferred Locations” of Sports and Entertainment Facilities

Since 1990, there has been a growing trend towards new sports and entertainment facilities being developed within downtown cores. For example, in the 1990’s, of the 10 facilities built during that decade, three can be described as being located within their city’s downtown core (30%). This percentage increased in the 2000’s, where seven of 11 facilities were built within downtown cores (64%). In the 2010’s, three of four have been built within downtown cores (75%).

“Preferred locations” for sports and entertainment venues are those that maximize and support a municipality’s goals and objectives for developing the facility. In some instances, the public policy direction established by the municipality dictated that a downtown location was the only location considered for the venue (for example, as happened in Guelph, London, Oshawa and Kingston), whereas in other jurisdictions, land availability, cost and other factors including maximizing development impact potential influenced the location decision. In some jurisdictions, a detailed site identification and evaluation process was undertaken to select a preferred site (for example, Thunder Bay), whereas in others, a less formal process was undertaken.

It should be noted that a location within a downtown core will not guarantee higher levels of attendance, nor do teams with downtown arenas draw more fans (and in the same vein, suburban-based facilities do not consistently underperform those in downtown locations). For example:

- The Quebec Remparts of the Quebec Major Junior Hockey League (“QMJHL”) have led all Canadian Hockey League (“CHL”) teams in attendance since approximately 2006-07. Their home arenas, the Colisée Pepsi and more recently the Centre Vidéotron, are both located within a larger Exhibition and Trade Centre site (ExpoCité). The ExpoCité site is not considered a downtown location as it is located next to two major roadways (Autoroute Laurentienne and Boulevard Wilfrid-Hamel), is surrounded by parking, and is located approximately 4.5 to 5.5 kilometres from downtown Quebec City (distance to a branded “downtown hotel” and to Quebec City city hall).

Team attendance is driven by a combination of factors, including local market size (2016 Census population of 531,900), as well as the competitiveness of the team, in addition to other factors. When considering the percentage of the local population attending games, the Quebec Remparts attract, on average, 2.1% of their local population to games, ranking it 41st out of all Canadian CHL teams (by comparison, the Sudbury Wolves rank 40th, one spot above the Remparts, at 2.2%).

- The London Knights of the Ontario Hockey League (“OHL”) have led the OHL in total attendance (second in the overall CHL) since moving into their downtown arena in 2002 (approximately 9,000 fans per game). With a local population (2016) of more than 383,800 people, the team attracts roughly 2.3% of this population to its home games, ranking it 39th out of all CHL teams (one spot above Sudbury).
- Of the 25 CHL teams which have moved into new venues since 1990, only one team with a downtown arena (Moose Jaw) ranks in the top five of teams with the highest local market penetration rate (the other four, each of whom play in non-downtown core facilities, are Acadie-Bathurst, Kootenay, Medicine Hat and Shawinigan). Of the top 10 teams, four teams have downtown areas (plus, in order, Victoria, Saint John and Sault Ste. Marie) while of the top 20, ten teams have downtown areas (plus, in order, Kamloops, Kelowna, St. Catharines, Guelph, Oshawa and Kingston).

Spin-off Development

In the February 2017 Report, it was noted in the section discussing spin-off development around arenas (page 74), that “...local economic conditions and supportive planning and development policies will be required” to maximize the possibility of spin-off development occurring. In addition, it is noted that the area around the facility should be “...large enough to house both the facility, and facilitate the attraction / preservation of a **critical mass** of commercial / retail / entertainment space (including restaurants / cafes, sports boutiques, fashion boutiques, music stores, specialty food shops, cinemas, plazas, etc.)”. The February 2017 Report further states that for greenfield sites, “...this amount of **critical mass** will sometimes need to be “created” and could take years to fully evolve, whereas in more urban locations, a critical mass of space is likely already present and city cores are able to realize positive spin-off benefits more quickly”. This latter point speaks specifically to instances where facilities are located independently of any planned concurrent development, in the hopes that future development will follow (for example, in Medicine Hat).



The foregoing comment regarding waiting for a critical mass of uses to occur contrasts with other higher profile arena / stadium developments which have recently occurred in Canada (the redevelopment of Lansdowne Park in Ottawa, the Ice District around Rogers Arena in Edmonton, and the proposed LeBreton Flats development in Ottawa). In each of these instances, the arena / stadium's proponents were also proponents in adjoining commercial and residential developments. Because these projects were (will be, in the case of LeBreton Flats) developed as part of a master plan which includes the construction of the commercial and residential uses, projects that were included to support the private financing of the arena / stadium (each in excess of \$200 million), facility proponents are creating that **critical mass** of residential / commercial / retail / entertainment space concurrently with the arena / stadium.

As noted in the June 2017 Report, a benefit of the Kingsway Site was that the Event Centre was being proposed as a part of a larger entertainment district which was to include a casino as well as various hospitality, retail and other entertainment uses. It was noted in the June 2017 Report that these ancillary developments, *if built and built concurrently with the Event Centre*, could provide that "critical mass" of uses that are generally required in order to support ancillary uses and enable the development to be economically viable 18 hours a day, seven days a week, 52 weeks a year.

Given that a degree of uncertainty existed about whether each of these uses would be developed, the Event Centre site evaluation team sought to clarify this point during the site evaluation process, and sought to obtain a degree of certainty that these projects would in fact be developed. To this end, it was proposed that if the various uses proposed for the Kingsway site had not commenced construction within a certain time period after the opening of the Event Centre, then the property owner would annually pay a financial penalty to the City until such time as when all projects had commenced construction. The final agreement called for the owner to use reasonable efforts to substantially effect the development of the property (failing which the City would be entitled to receive payment). While providing a higher degree of certainty (albeit still less than 100%) that the entire entertainment district would be developed, there was still, at the time the site evaluation process was being conducted, no guarantee that the entire Kingsway site will be developed.

We understand that since the issuance of the June 2017 Report, that development applications for the casino and hotel have been submitted to the City and that these applications are currently being considered by the City. Had such applications been submitted prior to finalizing the June 2017 Report, it is likely that the Kingsway Site would have scored higher in such categories as Economic Impact and Complimentary Development.

* * *

We trust the foregoing is sufficient for your purposes. Should you have any questions, please contact Ron Bidulka at 416-687-8138 or via email at ronald.p.bidulka@pwc.com.

Yours very truly,

A handwritten signature in black ink, appearing to read "Ron Bidulka", written over a white rectangular area.

Ronald Bidulka
Vice President
PricewaterhouseCoopers Real Estate Inc.