

Business Plan Summary

Kingston

LVEC

LARGE VENUE
ENTERTAINMENT CENTRE

76 Parking Spaces
(Proposed)



Investment in a Kingston Large Venue Entertainment Centre (LVEC)

SCOPE OF THE LVEC BUSINESS PLAN

The scope of the draft business plan includes all the necessary elements required to build and operate a Sports and Entertainment Centre in Kingston.

The following elements are addressed within the scope of the business plan:

- The need for a sports and entertainment centre for Kingston and surrounding area
- The significance of a downtown location
- The estimated capital costs and projected operating cash flows of the LVEC
- Financing alternatives

DESCRIPTION OF THE LVEC

The proposed LVEC will be a signature sports and entertainment facility that will boast a strong civic function while delivering both economic and non-economic benefits — to the entire City of Kingston. The LVEC will be located on the Inner Harbour. It will have a distinctive design and appearance with first-class finishes both outside and inside the building.

The existing marina and park settings will be enhanced to create an ambiance in keeping with the importance of the site and adjacent neighbourhoods. Drawing on the history and natural attributes of the site and the Inner Harbour, the overall objective is to create a setting where the LVEC, marina and parklands combine to make this area “an exciting place to be” year round.

From a functional perspective, the LVEC will include all amenities required to host concerts, family shows, theatre, trade shows and community events, and to meet the needs of the people who will operate the building.



The LVEC project will become the new home of the Kingston Frontenacs and the Kingston and District Sports Hall of Fame. It will include the construction and outfitting of food and beverage concessions, meeting rooms, private suites, and a four-sided video replay system. A 300 seat restaurant, complete with window seating, is also included in the plan.

The LVEC that is proposed in this business plan will meet all standards and specifications required of a modern sports and entertainment facility today and for at least the next 50 years. It will have a positive impact on the citizens of Kingston and on the City's image as a whole. It will act as an economic engine and a catalyst for change.

THE NEED FOR THE LVEC

In the late 1940s and early 1950s, mid-sized cities across Canada built downtown community based sports and entertainment centres. Generally, these buildings ranged in size from 2,500 to 4,000 seats and led to the development of the Major Junior A Hockey Leagues. Over the years, Major Junior A Hockey has become an important component of a community's sense of pride and weekend entertainment. On a larger scale, Junior A Hockey has become the primary development arm for the NHL and Canada's national teams.

These municipal arenas enabled communities to host national and international calibre family-oriented concerts and shows in their home community. Being able to attend these events locally provided the opportunity for people to see shows that they otherwise might not have been able to enjoy.

Further, these buildings helped bring trade shows to the community and they hosted other important community events such as agricultural fairs, horticultural shows, and home shows. In short, these buildings helped enhance quality of life and made a significant, direct and indirect, economic contribution to the community.

Due to the normal life cycle of a building, particularly one with a predominantly damp environment, these important community assets are being replaced by new, state of the art facilities such as Toronto's Air Canada Centre and The Corel Centre in Ottawa. In fact, the scaled down size of the newer community venues often provide better seating and site lines and superior sound quality than the larger facilities.

Since 1996, in Ontario alone, new mid-sized sports and entertainment centres have been built in Barrie, Sarnia, Brampton, Mississauga, Guelph and London.

Oshawa and Sault Ste. Marie are scheduled to begin construction in 2005, and new facilities in Windsor and Toronto — for the St. Michael's Majors of the Ontario Hockey League — are in the planning stages.



Kingston does not have an appropriate venue for large concerts and events.

Today's concert goers demand good value for their money. They expect proper site lines, proper amenities, and good acoustics. Concert and event promoters and the performers they represent expect to perform in modern facilities with proper back-of-house design, storage, state-of-the-art sound, appropriate ceiling heights and power hook-ups.

Kingston does not have an adequate facility to host significant trade shows and exhibitions.

Kingston does not have a large trade show/exhibition facility. These activities need proper cabling for setting up booths and displays, other electrical amenities such as internet access, meeting rooms, and food and beverage facilities.

Kingston's strategic location, between Ottawa, Montreal, Toronto and Syracuse, coupled with an appropriate venue, has the potential for attracting large trade show events.

Kingston is competing with other communities for prosperity and quality of life.

Kingston is competing, on a daily basis with other communities, to maintain and attract a skilled workforce, new business and to maintain a high quality of life for its residents.

Several of Kingston's municipal competitors in Ontario pride themselves on successful sports and entertainment facilities. These communities enjoy the economic benefits that an LVEC provides and they proudly showcase and promote their facilities to the world.

Kingston is at risk of losing its Ontario Hockey League (OHL) franchise.

Without a modern sports and entertainment facility, Kingston risks losing its OHL franchise. The Ontario Hockey League does not look favourably at franchises playing out of buildings with less than 4,000 seats. Without a modern facility, the quality of the hockey team suffers because the best coaches, management and prospective players do not view the Kingston Frontenacs as a team of choice. Finally, the team suffers from low attendance numbers because hockey fans expect a modern facility with appropriate amenities. Low attendance numbers result in annual financial losses for the owners of the team.



THE BENEFITS OF A DOWNTOWN LVEC

In addition to meeting Kingston’s sports and entertainment needs, locating the LVEC downtown will provide significant two-way benefits. The LVEC will add to the vibrancy of the downtown and the already vibrant downtown will be important to the success of the LVEC.

The Importance of a Downtown Location

Locating the LVEC in the downtown is critical because it offers the greatest economic return for the community and it enhances the financial viability of the LVEC. The development of new sports and entertainment facilities, built in downtown areas, can help revitalize the city core.

The 2005 “Economic Impact of the Proposed Oshawa Sports and Entertainment Facility” prepared by Hemson Consultants indicates that, “In the past 10 to 15 years, the construction of sports and entertainment facilities, especially in downtown areas, has been a trend. Their popularity has arisen in part due to evidence that these new developments can be successful catalysts for attracting interest and new investment.”

During the planning stages, the City of London had heated debate regarding the location of their new centre. The City confirms that their John Labatt Centre (JLC), which recently opened downtown, has brought new "energy" and a “bustling” atmosphere to the core. According to a city official, the John Labatt Centre is bringing people to the downtown that haven’t been downtown for years and on event nights, restaurant and pub sales are up by 50%.

The construction of the LVEC on The Inner Harbour will be a catalyst for the further development of the Inner Harbour and the development of the four and one-half city blocks known as the North Block. Commercial activity will be enhanced as a result of this development.

The health of the downtown core inspires civic pride and is a source of prosperity — for the entire city. Sustaining the vibrancy of the downtown requires a continued effort to provide “added attractors”.

Increased Tourism

A sports and entertainment centre is regarded as an “added attractor” in helping increase tourism. This is particularly true in cases where a significant component of the tourism industry involves visitors who are friends or family of local residents. A recent Downtown Kingston! BIA Market Analysis survey indicates that when local residents have family and friends visiting, they bring them downtown.

Table 1 on Page 5 reflects the importance of tourism to the Kingston economy.



Table 1: Tourism in Canadian Cities — A Statistical Outlook for Kingston

	2001	% of Total	2002	% of Total	2003	% of Total
Total Person visits	1,955,000		3,109,000		2,242,000	
Total Canadian visits	1,495,000	76.47%	2,587,000	83.20%	1,791,000	79.80%
Total US visits	351,000	17.95%	411,000	13.20%	377,000	16.80%
Total Overseas visits	109,000	5.58%	111,000	3.50%	74,000	3.20%
Day trips (40 km+)	850,000	43.40%	1,624,000	52.20%	1,022,000	45.56%
Overnight visits	1,105,000	56.50%	1,484,000	47.80%	1,221,000	54.44%
Total spending \$'s	209,000,000		308,135,000		231,385,000	
By Cdn visitors	141,163,000	67.50%	221,578,000	71.20%	161,101,000	69.62%
By US visitors	47,339,000	22.60%	63,906,000	20.70%	54,032,000	23.35%
By Overseas visitors	20,763,000	10.00%	22,651,000	7.35%	16,252,000	7.03%

Source: Statistics Canada

ECONOMIC BENEFITS OF CONSTRUCTING THE LVEC

The LVEC will have a positive impact on the local economy. To provide an indication of the potential economic impact two separate calculations were used to estimate the impact of a downtown LVEC on the regional economy:

- Economic Multiplier Calculation
- Tourism Receipts Calculation

Economic Multiplier

Annual ticket sales are in the \$7.0M range with a further \$2.0M being spent on food and beverage sales, novelties, pro shop, etc. within the facility. These estimates do not include increased sales during the summer due to the marina and other activities on the site.

Depending on the study that is referenced, economic multipliers for sports and entertainment facilities can range from 1 to 5. The economic multiplier varies depending on the characteristics of the community and the activity being measured.



Table 2 presents an economic multiplier of 1, 3, and 5.

Table 2: Economic Multiplier

Total Revenue Base	Economic Multiplier	Annual Impact on Economy (\$M)
9.0M	1.0	9.0
9.0M	3.0	27.0
9.0M	5.0	45.0

Under the economic multiplier model, the annual impact on the economy is estimated to be between \$9.0M and \$45.0M.

Included in the economic multiplier is the impact from increased tourism expenditures.

Tourism Receipts

The annual attendance for events at the LVEC will be approximately 300,000 of which at least 10% are likely to be tourists (30,000) who attend the events as a reason for coming to Kingston.

If on a per capita basis the 30,000 visitors spend approximately \$271 (as estimated for the 2003 Limestone City Blues Festival) for their total visit to Kingston, the increased revenues from tourism will be \$8.1M.

Using the “Economic Impact of Tourism in Ontario by Census Division, 2002” data for Frontenac County, the increase in tourism receipts would be multiplied by a factor of 1.9 to give the regional economic impact. The regional economic impact of tourism would be \$15.4M.

This would suggest that, using an economic multiplier approach, the annual total impact on the regional economy will be in the range of \$20M.

In addition to economic spin-offs as a result of operating the LVEC, there are also economic impacts to consider at the time of construction.

Construction Impact

The Toronto Construction Association estimates that 20 person years of employment is created for each million dollars of construction cost for industrial, commercial and institutional projects. In addition, The Canadian Construction Association estimates that for every \$1M spent on vertical construction (buildings), 15 new jobs are created.



Table 3 summarizes the estimated impact from the construction of the LVEC:

Table 3: Construction Impact on Kingston Economy

Activity	Impact
Construction Work	600 person years
New Permanent Full Time Jobs Created Post Construction	450 jobs

Enhancement of the Financial Viability of the LVEC

The overall long-term success of the LVEC will be determined by the frequency and quality of programming within the facility and the number of attendees at events. To achieve the economic and community benefits, a downtown location is critical to ensure the viability of the LVEC.

Downtown is Active

Kingston has a spectacular waterfront, historical buildings and great restaurants. Queen's University, St. Lawrence College and The Royal Military College help to increase the activity level in the downtown. Kingston has Downtown Kingston! Business Improvement Area Board of Management (BIA) which plays a critical role to ensure the downtown is vibrant. The existing downtown amenities coupled with the annual BIA sponsored events such as the Limestone City Blues Festival and the Buskers Rendezvous; make Kingston the place to be during the summer. These events are just two examples of attractions that helped entice more than 2 million visitors to come to Kingston in 2003. The success of the recent Feb Fest celebration indicates that if Kingston offered more winter events and shows, it could attract residents and visitors downtown during the non-traditional tourist season as well.

Proximity of Hotels, Restaurants and Other Entertainment

Clustering the LVEC with the existing 800,000 sq. ft. of downtown restaurants, nightclubs, hotels and theatre activity will lead to substantial synergies.

The proximity of a venue to amenities and activities for participants is one factor that is considered by selection committees when they are selecting a venue for provincial, national and international events such as sports and trade shows.

A downtown location, within walking distance to a supply of hotels, restaurants, and other entertainment is considered superior to any other location.



The Benefits of Dispersed Parking

The “Economic Impact of the Proposed Oshawa Sports and Entertainment Facility” prepared in February 2005 by Hemson Consulting Ltd. states that “...one of the greatest negative impacts of sports facilities, is the sea of parking that is often associated with them. Critics of stadiums built within urban areas have found that the economic impacts of the stadium have been negligible when they were separated from the downtown area by vast parking areas.” This fact holds true whether a large parking lot is in an urban or a suburban setting.

The Hemson Report also talks about the importance of parking decisions to potential economic spin-offs. “To some, the lack of parking at a facility is perceived as a negative. However, experience elsewhere suggests the opposite, since the provision of parking around a facility tends to isolate it from its neighbourhood and decreases the likelihood that attendees will remain in the area after the event. Parking offsite forces patrons to walk through a downtown area and this creates potential customers for local businesses.”

Dispersed parking reduces the cost of the LVEC. From a capital cost perspective, constructing the LVEC in the suburbs and/or along the 401 would have the added cost of constructing a large parking lot. Further, a site outside the urban area which is not currently serviced with municipal infrastructure such as water, sewer, streets and sidewalks would add a significant amount to the overall construction costs.

While the Memorial Centre is not in close enough proximity to the downtown to generate substantial economic spin-off advantages, it has for 54 years been an excellent example of how well dispersed parking can work. Notwithstanding the fact that there are no large parking lots nearby and as a result, most cars are parked on residential streets, over the years there have been relatively few documented traffic and parking complaints.

Available parking supply inclusive of on-site parking, downtown and spill-over area parking within a 10 minute walking distance of the LVEC site and the potential park-and-ride service is approximately 5,330 parking stalls.

With the exception of a few BIA sponsored events in the summer, virtually all of the LVEC events will be during the fall and winter months. During these months, the downtown traffic is approximately one-third of the traffic in the summer months. In addition, most events in this type of venue occur in the evening when most downtown offices are closed, and parking is more readily available in City and privately owned lots.



THE INNER HARBOUR SITE

The Mayor's LVEC Task Force analyzed four downtown site alternatives and The Inner Harbour stood out when compared to other alternatives for the following reasons:

- The proximity of the site to the downtown core.
- The ability to create a signature building in a marina and park setting overlooking the vistas of Fort Henry and Royal Military College.
- The ability to help the City extend the continuous public waterfront pathway and extend the City's useable shoreline to provide further public access to the waterfront. These are objectives in the Official Plan, the Cycling and Pathways Study and the KEAF Inner Harbour Report.
- The ability to act as a catalyst for further development in the inner harbour.
- The ability to act as an anchor for more quality development of downtown residential and business development between Princess Street and the Inner Harbour.
- The opportunity to fully develop the adjacent parklands.

The Inner Harbour site was endorsed by Council as the preferred site, subject to feasibility.

SIZE OF THE LVEC

The LVEC will encompass 180,000 square feet. It will have 5,000 seats in the arena bowl with the ability to expand to 6,800 seats (through the use of retractable seating in one end of the building) for concerts and shows. The ice pad will be a single pad of National Hockey League (NHL) size, 200 feet by 85 feet.

The LVEC Business Plan assumes the 5,000 seats are provided in the bowl, using the configuration identified in the Table 4 on Page 10.



Table 4: Seat Configuration for Arena Events

Seating	Number
Regular Seats	4,070
Club Seats	400
Standing Room	200
Private Suites 1	280
Party Suites 2	50
Total Seats	5,000

Source: Configuration of Similar Facilities in Ontario

- Notes: 1) 28 private suites with 10 seats each
 2) Two Party Suites with 25 seats each

To accommodate future population growth, the building will be constructed with the ability to expand, in the future, to 6,000 seats in the arena bowl and 7,800 seats for concerts.

PUBLIC PRIVATE PARTNERSHIPS (P3's) AND PUBLIC SECTOR COMPARATOR (PSC)

The business plan explores using a P3 (joint venture between the public and private sector) and a Public Sector (City built and operated) approach to construct and operate the LVEC. Costs are estimated using both approaches. Both scenarios are then compared, using a Public Sector Comparator, to determine the best approach for both the construction and operation of the facility.

THE COST TO BUILD AND OPERATE THE LVEC ON THE INNER HARBOUR

Capital Cost

The Draft Business Plan provides financial scenarios, as explained above, in detail. These scenarios are represented in one chart in this summary document.

Table 5 on Page 11 illustrates the Capital Construction Costs required to build the LVEC



Table 5: Capital Costs — Construction of the LVEC (excluding land costs)

Item	Cost (in \$Millions)
Hard Costs:	
Structure	13.0
Finishing, Seating, & Signage	3.4
Mechanical & Electrical	6.1
External/Site Works	2.4
Site Management	1.5
Contingencies	3.0
Total Hard Costs:	29.4
Soft Costs:	
Professional Fees (including contingencies)	1.1
City Fees	
Permits	0.4
Impost Fees	0.7
Development Charges	0.6
Pre-Construction & Administration Costs	0.8
Total Soft Costs:	3.6
Furniture, Fixtures and Equipment (FF&E)	
Food and Beverage (e.g. restaurant and concession)	1.6
Operations (e.g. Zamboni, stages, arena floor, etc.)	1.5
Total FF&E	3.1
Facility Capital Cost (before optional equipment)	36.1
Optional equipment:	
Flygrid	0.6
Catwalk	0.6
Total Optional equipment	1.2
Total Capital Cost — Private Sector (excluding land costs)	37.3
*Total Risk Contingency — Public Sector	3.92
Total Capital Cost — Public Sector (excluding land costs)	41.22

* Risk contingency is explained in the Draft Business Plan in section 7.3 – Analysis of Capital Costs



The previous table shows that it would cost \$41.22 million for the City to construct the LVEC as compared to \$37.3 million using a P3 approach.

Operating Costs and Revenues for the LVEC

As previously stated, the overall long-term success of the LVEC will be determined by the frequency and quality of programming within the facility and the number of attendees at events.

Table 6 illustrates the projected City share of gross event revenue based on the type, number of events and average number of attendees.

Table 6: Projected City share of gross event revenue based on the type, number of events and average number of attendees

Events	# of Events	Average Attendance	Event Revenue \$
OHL Hockey			
Exhibition Games	3	2,000	4,000
Regular Season	34	4,000	143,000
Playoff Games	4	4,800	25,000
Other Hockey			
Events	2	3,000	5,000
Tournaments	9	600	9,000
Concerts			
Major	5	5,000	90,000
Minor	6	2,500	67,000
Family Shows	12	2,500	74,000
Other Events	22	3,000	56,000
Total	97		473,000

The Draft Business Plan provides financial scenarios using both a P3 and PSC approach to operating the LVEC. These scenarios are explained in detail in the Draft Business Plan. Both scenarios are summarized in Table 7 in this summary document.

Net operating cash flow is calculated by deducting the total operating expenses from the total operating revenues. Table 7 on Page 13 identifies the estimated Year 1 net operating cash flow for LVEC using both a private sector and public sector operator.



Table 7: Year 1 Net Operating Cash Flows — Private and Public Operator

	Year 1 \$
FACILITY REVENUES	
Ticket Surcharge	\$600,200
Event Revenues	473,502
Private Suites	416,000
Naming Rights	150,000
Club Seats	120,000
Food & Beverage	391,039
Ice Rentals	397,918
Novelty Revenues	29,802
Sponsorship & Advertising	250,000
Other Revenues	140,000
TOTAL REVENUES	\$2,968,462
FACILITY EXPENSES	
Salaries, Wages and Benefits	860,000
Utilities	350,000
Repairs and Maintenance	75,000
Other Materials, Supplies and Services	404,000
Management Fee	350,000
TOTAL EXPENSES	\$2,039,000
Net Cash Flows from Operations	929,462
Less Contribution to Capital Reserves	100,000
Net Cash Flow – Private Operator	\$829,462
Add: No Management Fee Paid	350,000
Less: PSC Risk Contingency	(284,448)
Net Cash Flow – Public Operator	\$895,014

Note: Year 1 cash flows are indicative of future years in the financial model, other than inflationary adjustments, increase to ticket surcharges, repairs and maintenance and contributions to capital reserves. Overall, this creates greater net positive cash flows to assist in financing the facility.

At first glance, the above comparison indicates that there is little difference in the financial results from a privately run facility when compared to a publicly run facility, however it would be inaccurate to draw this conclusion based on this information alone. To make an appropriate comparison, the terms of a potential agreement with the private sector



operator, including an operator’s possible willingness to invest in the capital costs of the LVEC must be assessed. Further, the City would need to determine the degree of confidence it has in its ability to operate the facility.

Therefore, a recommendation cannot be made to proceed with a private operator versus having the city operate the facility, until such time that proposals from private operators can be evaluated using a Request for Proposal (RFP) process.

HOW TO FINANCE THE LVEC

The Business Plan explores a variety of financing options for the LVEC and recommends an approach for financing the capital costs that does not rely on:

- proceeds from the sale, redevelopment and resulting tax incremental financing or net savings that may be realized as a result of repurposing the Memorial Centre;
- an increase in property taxes.

Financing Alternatives Considered and Recommended

Cash Flows from LVEC Operations

A positive cash flow is created without including potential earning from the marina, the park during the summer and other activities outside of the day-to-day operation.

Table 8 illustrates the 30 year cash flow, after a contribution to a capital repair reserve.

Table 8: Cash Flow after Contribution to a Capital Repair Reserve

	Average/Year in \$M				
Net Operating Income	Year1	Years 1-10	Years 11-20	Years 21-30	Average Over 30 Years
	\$0.8	\$0.9	\$1.1	\$1.6	\$1.2

The average annual cost of principal and interest payments to borrow \$1M at 6.5%, based on a 30 year amortization, is approximately \$75,000.

Over a 30 year period, using current long-term financing rates, the LVEC cash flow analysis shows that on average, a debt load of up to \$16M can be serviced. As part of securing the necessary debt financing, payment structuring can be established utilizing expected cash flows over the time-frame.



It should be noted that the life expectancy of the facility will be a minimum of 50 years. Positive cash flows beyond the recommended maximum term of financing (30 years) will become available. It is projected that this amount will be in excess of \$1.7M per year at that time.

The recommended approach to financing includes:

- \$16 million in debt financing that would be serviced by cash flows from the operation of the LVEC, over a maximum 30 year period.
- \$3 million of capital costs from Downtown Kingston! BIA and its membership, together with Kingston Accommodation Partners, as suggested in the Mayor's Task Force Report.
- \$2 million generated from fundraising, over a 3 year period.
- \$ 3 million from development charges.
- \$2 million from incremental revenues generated from the use of city owned parking facilities for event parking.
- \$8 million (as a minimum) in grants from other levels of government.
- \$3.3 million from the Municipal Capital Reserve Fund (MCRF).

Further, the financing plan suggests:

- Evaluating Leadership in Environment and Energy Design (LEED) standards or other conservation standards as part of the LVEC design and that grant funding through the Federation of Canadian Municipalities (FCM) and other sources related to greening initiatives be explored.
- Funding the added cost of acquiring land and site related expenditures from the Municipal Capital Reserve Fund.
- Securing a long-term agreement with the Kingston Frontenacs to satisfy the financial requirements for their share of facility usage.
- Ensuring any proceeds resulting from the sale of the Memorial Centre and/or its lands, or any part thereof are allocated to the Municipal Capital Reserve Fund.
- Ensuring the annual net operating and capital savings in taxpayer subsidization, resulting from the sale, repurposing or decommissioning of the Memorial Centre are allocated to the Municipal Capital Reserve Fund.

The financing approach is summarized, incorporating pay-as-you-go (PAYG) and debt financing in recommendation 5 in the following section.



NEXT STEPS

Subject to Council approval of the Business Plan, Recommendation 6 in the following section identifies a path of critical events that must be met to ensure the LVEC is opened by October 2007.

Summary of Recommendations

These draft recommendations will form the basis for final staff recommendations that will be presented to the LVEC Steering Committee at their meeting in April 2005. At that time, the Steering Committee will deliberate the staff recommendations and present their recommendations to Council for consideration in May 2005.

Recommendation 1 — Approval of Business Plan

- That the Business Plan be received and approved in principle as the basis for the construction of a new sports and entertainment centre at a downtown site.

Recommendation 2 — Location of LVEC

- The Inner Harbour site has been identified as the preferred site by the Mayor's Task Force, and Council has directed that the feasibility of this site be explored. As the site is financially feasible, it is acceptable as the site to build the proposed LVEC, pending the results of the Parking & Traffic study.
- City staff initiate negotiations with the private land owners at the Inner Harbour site.

Recommendation 3 — Construction of the LVEC

- To initiate a Request for Qualifications (RFQ) to invite design-build teams with experience in the construction of sports and entertainment centres to submit their credentials for the purpose of creating a short-list of qualified teams to construct the LVEC.
- To initiate a Request for Proposal (RFP) to the short-listed design-build teams for the purpose of selecting a team to build the LVEC using a design-build (P3) approach with a Gross Maximum Price.



Recommendation 4 — Management of the LVEC

- To initiate a Request for Qualifications (RFQ) to invite private sector operators with the experience in the operation of sports and entertainment centres to submit their credentials for the purpose of creating a short-list of qualified firms to operate the LVEC.
- To initiate a Request for Proposal (RFP) to the short-listed operators to select a preferred private sector proponent for the purposes of evaluating their response relative to the Public Sector Comparator (the municipality's cost and ability to operate the LVEC.)

Recommendation 5 – Financing & Other

- That the LVEC project financing including the flygrid expenditure of \$600,000 and the catwalk expenditure of \$600,000 be approved in principle, incorporating pay-as-you-go (PAYG) and debt financing as follows:-

Financing Alternative	PAYG (2005 – 2008) \$M	Debt \$M	Total \$M
Cash Flows from LVEC Operations		16.0	16.0
Downtown Kingston	0.5	2.5	3.0
Private Donations	2.0		2.0
Development Charges	3.0		3.0
Parking Incremental Revenues		2.0	2.0
Federal and Provincial Govt. Grants	8.0		8.0
Municipal Capital Reserve Fund (MCRF)	3.3		3.3
Total Financing	16.8	20.5	37.3

- That Leadership in Environment and Energy Design (LEED) standards or other conservation standards be evaluated as part of the LVEC design and that grant funding through the Federation of Canadian Municipalities and other sources related to greening initiatives be explored.
- That the cost of acquiring land and site related expenditures for the purposes of constructing the LVEC be financed from the Municipal Capital Reserve Fund.
- That a long-term agreement be entered into with the Kingston Frontenacs to secure acceptable terms and conditions to satisfy the financial requirements for their share of facility usage.
- That in accordance with policy, any proceeds resulting from the sale of the Memorial Centre and/or its lands, or any part thereof be allocated to the Municipal Capital Reserve Fund.



- **That annual net operating and capital savings in taxpayer subsidization, resulting from the sale, repurposing or decommissioning of the Memorial Centre be allocated to the Municipal Capital Reserve Fund.**

Recommendation 6 – Critical Path:

- **That the critical dates for Committee & Council approvals as outlined below be approved in principle to meet the construction start in May 2006:**

April 2005	OPA and Rezoning Applications filed.
April 2005	Information Session with City Council and LVEC Steering Committee on Parking & Traffic Study. Session is open to the public.
April 2005	LVEC Steering Committee meeting to discuss Business Plan and prepare recommendations to Council
April 2005	Non-Statutory Public Information meeting on Official Plan Amendment (OPA) and Rezoning Application
May 2005	LVEC Steering Committee recommendations regarding Business Plan presented to City Council
May 2005	Statutory Public Meeting on OPA and Rezoning Application under the Planning Act
June 2005	OPA and Rezoning Application on Planning Committee agenda.
June 2005	Tenants secured - Memorandum of Agreement finalized with the Kingston Frontenacs and the Kingston District Sports Hall of Fame
July 2005	Planning Committee recommendations to City Council Note: If Rezoning and OPA is referred to the Ontario Municipal Board (OMB), it could delay the final decision for up to least 6 months
August 2005	Issue Request for Proposals (RFP) to identify potential operators
September 2005	Private land purchasing agreements finalized
September 2005	Determine management model and select operator
October 2005	Issue Request for Proposals (RFP) for qualified Design-Build team
March 2006	Select Design-Build Proponent
March 2006	Complete project financing
May 2006	Construction begins
Sept./Oct. 2007	LVEC Opens



CONCLUSION

The Business Plan concludes that the construction and operation of the LVEC on the Inner Harbour is a financially viable project.



YOUR NOTES



LVEC Project Director Don Gedge has Key Credentials

Don Gedge began working for the City of Kingston in October 2004. From Thornhill Ontario, Mr. Gedge is a graduate of Kingston's Royal Military College and holds a Masters of Economics degree from the University of Ottawa. He is a Certified Management Accountant (CMA), an expert on corporate governance having secured his ICD-D accreditation. He has worked for many years as both as a CEO and CFO in the financial services industry.

Gedge brings 30 years experience as a senior executive and is recognized as a sports and entertainment and facility specialist. He is a professional negotiator of multi-party agreements and has significant experience in developing, financing, designing and operating sports and entertainment facilities all over North America.

A co-founder of Lauridon Sports Management, Mr. Gedge has been intimately involved with all aspects of event and recreation facility development, including developing business plans and project financing. He is known as a leader in negotiating private public partnerships or P3's.

Over the past two years, Mr. Gedge has consulted primarily to municipalities. Significant projects Gedge has been involved with include:

Williamsport PA, advisor to a private investment group on the P3 development of a 6,000 seat sports and entertainment centre.

City of Oshawa ON, consulted on the development of a Public Sector Comparator as a basis for analyzing Public Private Sector Proposals (P3). Performed value for money analysis of the proposal for the preferred P3 proponent of a new 6,000 seat sports and entertainment centre.

Township of Woolwich ON, consulted on the construction of a multi-purpose recreation centre, including two arena pads, an aquatic centre, a fitness club, a seniors centre, and multi-use space.

Toronto ON, The Ice Gardens at York University designed, constructed and had ownership in a six arena complex.

Sarnia ON, Sarnia Sports and Entertainment Centre, constructed, had ownership in and operated a 4,200-seat, \$18.5-million project.

London ON, John Labatt Centre, business plan development and participated on design team for the 9,000-seat, \$46.2-million civic centre in downtown London.

Vaughan ON, The Sports Village, designed, constructed and had ownership in facility with four NHL sized ice pads that opened in 2000.

Elmira NY, First Arena, developed business plan, raised financing from 3 levels of government, formed joint venture for ownership, involved in design and negotiated design build contract of 4,000 seat sports and entertainment centre.



DON GEDGE, Project Director,
Large Venue Entertainment Centre