

12 reasons to rethink the KED and six councillors who need an ego-check .. from Sudbury.com July 9th 2021 .. An exhaustive comparison of the Kingsway Entertainment District and Project Now, and some pointed criticism of the six councillors most supportive of the project .. contributed by Ian Berdusco:

I want to bring attention to the action of six councillors – [whose wards combined represent less than half of the city's population and less than half of the turnout in the last election](#) – that have once again voted against assessing an opportunity to save \$40 million in taxpayers money. I want to remind these councillors that they have a fiduciary duty and are compelled under the [2001 Municipal Act to behave in the interest of the city's finances](#). I am of course talking about Ward 5 Coun. Robert Kirwan, Ward 6 Coun. René Lapierre, Ward 7 Coun. Mike Jakubo, Ward 8 Coun. Al Sizer, Ward 11 Coun. Bill Leduc, and Ward 12 Coun. Joscelyne Landry-Altmann, who recently voted again to stop a review into ProjectNow, which proposes saving the city \$40 million.

The aforementioned councillors represent [six of the 10 lowest income neighborhoods](#) in this city. One in five households in their wards are already [paying more than 30 per cent of their household income on housing](#). Councillors Kirwan, Lapierre, Jakubo, and Sizer have been on council since 2014.

Since 2014, [taxes have increased 34 per cent](#). Since Coun. Landry-Altmann joined in 2008, [taxes have increased by 71 per cent](#). These figures far outpace the rate of inflation and may not reflect increases in other municipal fees.

Now they've voted against an opportunity to save \$40 million. Are these the actions of councillors interested in protecting your bottom line?

If someone offered to put \$40 million in your pocket, would you not want to hear what they have to say? Coun. Kirwan is the most vocal supporter of the six remaining councillors that still support the Kingsway Entertainment District (KED). This gives us the best glimpse into the minds of the councillors who stubbornly vote against saving the taxpayers' money.

Coun. Kirwan has authored no less than 50 posts on his Valley East page about the Kingsway Entertainment District since the beginning of 2018. Not a single one of his 50 posts highlighted a risk or a downside with the KED. Is it possible Sudbury has stumbled upon the first investment of its kind free of downside and risks? To believe so would be ignorant at best and negligent at worst.

I promise this is an important detail regardless of where you think the arena should be built. We are trusting this council to guide our city through what will be one of the largest taxpayers funded investments in our history.

Assessing a large financial investment is an exercise in risk mitigation from start to finish. Risks will appear at every stage of the project, from evaluation, to selection and planning, to execution, commissioning, and eventual operation.

Failure to address risks can result in capital cost overruns, operating cost variances, schedule overruns, or a failure to meet the scope. How can we trust Coun. Kirwan to manage and mitigate the risks of this project if he cannot find the time to comment on a single downside or risk in three years? How can we trust the six councillors if they are averse to learning new information, and assessing how it impacts the investment? Can these six councillors critically question reports and assessments presented to them? If they are voting against saving \$40 million right now, will they double down when the price for the KED increases?

In light of this failure to identify a single risk in three years, I thought I would share with the six councillors some of the risks I've identified. Everything is properly sourced. I encourage the aforementioned councillors to take the time to review the supporting information and dispute – with evidence – any claims they do not agree with.

I also found a number of recent projects the city has approved or discussed approving so readers can understand just how far \$40 million in capital investments can go.

The risks and downsides, in no particular order, and by no means an exhaustive list:

1. There is a risk in Gateway's participation in the KED. At the evaluation stage, the closest you can come to a guarantee is a contract. If a contract is not in place, then there is some risk of Gateway not participating. How has that risk been measured? In 2017, the last full year of available financial statements, Gateway reported a [US \\$65 million loss](#) and over [US\\$1 billion in liabilities](#). Since then, Gateway's operating conditions have deteriorated as the pandemic has resulted in the closure of casinos. [S&P](#) and [Moody's](#) credit agencies have downgraded Gateway Casino's bond ratings to junk status, and highlighted risks to Gateway's ongoing business such as a material risk of default, being highly leveraged, and having a forecasted slow recovery post-pandemic. Gateway required a [\\$200 million loan from the Canadian government](#) to cover operating costs during the pandemic. These are signs of a financially challenged company. Of the 12 capital projects Gateway identified, the casino at the [KED was the second most expensive project](#) and likely had [the third lowest return on investment](#). When the time is right for Gateway to start investing in new casinos again, will they prioritize Sudbury's casino over other projects with better returns? This is not an effort to accuse Gateway of negotiating in bad faith. However, to the public's knowledge, the

only commitment Gateway has made to the KED comes in the form of a memorandum of understanding on the [cost-sharing agreement](#). The full details of the agreement have never been shared with the public.

Memorandums of understanding are [not legally binding](#) and in no way force Gateway to participate or to meet deadlines. There is a real risk that Gateway's cannot participate or will have to delay their participation due to their financial position. [Nearly 40 per cent of the tax value](#) outlined by PricewaterhouseCoopers (PwC) comes from the casino. Their departure from the project will impact the benefits claimed in the PwC report and may impact the hotel investment as well. A delay may have an impact on the benefit due to the time value of money.

2. A 2017 traffic study shows a 55- to 65-minute traffic delay to leave the KED after a sporting event. [The report](#) states it will take 55 to 65 minutes to clear traffic from the immediate site westbound from the KED after a sporting event. For residents of the Valley, this could mean as much as 90 minutes to return home after an event. The report recommends no design changes to improve outbound traffic times from the KED as it would overwhelm traffic elsewhere in the city. [An independent peer review](#) of the traffic study did not dispute these results.
3. The cost figures presented by the PwC report are low detail and have excluded certain capital costs associated with the KED. The costs assembled for the KED [are average per seat costs](#) based on recently built arenas in Canada. This is a low-detail estimate, compared to a high-detail estimate that would include information such as scheduling and quotes for materials among other things. It is best practice to include a [high contingency cost in a low detail estimate](#). This was not done in the PwC report. [Site preparation costs were also excluded](#). The report does not clarify if the road works, intersection improvements, stormwater management, the festival square, bus loop, stairs, trails, and overflow parking are included in this cost. There is a capital cost increase coming beyond the figures presented in the PwC report. What happens in that scenario?
4. A downtown location can leverage existing infrastructure. There are seven major roads that lead to and from downtown. It has access to an existing transit hub served by [15 public transit routes](#). It has bicycle lanes approaching from the north, south, east, and west. There are pedestrian accesses in the underpass, the Nelson Street bridge, and the stairs from uptown among others. In contrast, the KED will need new roads, new water treatment, and a bus loop to be built. The problem will impact both the Sudbury capital and operating budgets – firstly by taking capital away that could be spent elsewhere and secondly by having to double the ongoing operating costs on duplicated infrastructure for the next 50+ years.
5. Of the city's residents, 68 per cent will see an increase in their commute times to the arena, to the tune of a weighted average of [16 minutes of extra](#)

[commuting time](#). This is because the event centre is moving east of the weighted population centre. This number does not include the increases in commute times outlined in the Traffic Study Report.

6. The KED does not align with any reasonable environmental policy. The building itself will almost certainly be built to a high standard of environmentally conscious design. It is unlikely that relocating an event centre seven kilometers east of the population centre, away from public transit hubs, and increasing the commute time of visitors, is congruent with any sound environmental policy. The current scope of the KED adds more than [800,000 kilograms of carbon dioxide](#) into the atmosphere every year. This figure excludes any carbon dioxide generation during the construction or operation of the facility. The construction industry accounts for [38 per cent of carbon dioxide emissions globally](#). For a 50-year facility life, this is 40 million kilograms of extra carbon dioxide. Furthermore, the KED falls into the [Ramsey Lake watershed assessment](#) area, and as part of the scope it is examining land use practices in the Ramsey Lake watershed. The study still has future phases to complete. If councillors believe this project aligns with a reasonable environmental policy, then I call on them to urgently evaluate if Sudbury's environmental policies properly address the environmental challenges of the 21st century.
7. One aspect of the stated economic benefit is jobs, with 1,000 of the jobs in the PwC report coming from the film studio. [This is 63 per cent of the new jobs within the PwC report](#). The largest film studio in Canada, Pinewood Studios, is located in the [Toronto area and employs 350 people](#). Does it seem reasonable that this new film studio will employ three times more people than Canada's largest film studio? Did any of the six councillors question if this job claim may have been too optimistic, and did they think about what that could mean to the conclusions of the PwC report? In the original announcement, [it made it clear the film studio was separate from the KED](#). Should it influence the PwC conclusions? If the film studio's benefit is overstated in the PwC report, what else is?
8. The downtown arena presented in the PwC report is an expanded scope of the Project Now proposal, and claims otherwise are misleading. The downtown arena in the PwC report assumed a [5.6 per cent increase in building size, a 41.7 per cent increase in new floor space, a 75.9 per cent increase in renovated floor area, and a 95.4 per cent increase in sitework](#) when contrasted to the Project Now proposal. All of that inflates the costs of the downtown project presented in the PwC report. This does not reflect the Project Now proposal and claims that it does are misleading.
9. There is a limited analysis of opportunity costs. This may include costs such as decreased tax revenue from the downtown core or from the Sudbury Downs facility. This would also be losses of potential tax revenue as part of a

downtown revitalization. Multiple comparable cases were highlighted in the PwC report.

10. This project has never had the mandate of the city's population and claims otherwise may be misleading. Supporters of the KED project tend to claim that the last election was a referendum on the KED. I will remind those councillors that of the eight mayoral candidates polled on their support of the KED, only two mayoral candidates supported the KED under the current scope. Three mayoral candidates were against the KED outright, and three mayoral candidates would possibly support the KED, as long as certain conditions were met, such as having the event centre entirely funded from private sources. [Only 28 per cent of the votes cast were in favor of a candidate who supported the KED under its current scope](#). Three wards only had candidates that ran in support of the KED. One ward only had candidates that ran in support of downtown. Two wards had acclaimed candidates. That means five wards had no representation of an alternative view. This ignores the fact that the only way to have a referendum on an issue is to hold a referendum. This is likely a contributing factor to why there have been LPAT appeals and a constant stream of bad press surrounding the KED for months. Blame for project delays should be equally shared with the council that is pursuing a controversial project without a mandate from their citizens.
11. A six-month delay will cost less than the proposed savings of Project Now. Delaying the KED project a further six months may add an additional [\\$3 million in costs](#), which is substantially less than the \$40 million proposed to be saved by Project Now. This would not have been an issue if the six councillors had voted in taxpayers interests last December.
12. The landfill needs to be acknowledged as a risk with mitigation strategies developed. This point is thrown out in jest by downtown supporters, but it's something that should be addressed in the evaluation stage. The KED site is [approximately 600 meters](#) southwest of the landfill. Wind in Sudbury blows south or southwest [33 per cent of the time](#). It appears to be difficult to model how smell propagates from landfills, but a cursory google search found [multiple instances of landfill complaints from landfills offset similar distances](#). In 2019, a CBC article highlighted smell complaints from the [Moonlight Inn Motel](#), 1,100 meter away. Sightlines are a risk, too. Using [distance to horizon calculations](#) (assumed 6.4 meters height), rooms on the second floor and above will be high enough to see the landfill. From the schematic on the KED, the northeast and northwest walls have sightlines to the landfill. Reputable hotel brands are image and visitor experience conscious – what high-end hotel brand will want their guests staring at a landfill during their visit?

Here is a list of projects recently completed or discussed in the city that can be used as examples of how far \$40 million in capital resources can go.

- Replacement of transit busses ([\\$7.8 million](#)).
- Building new transitional housing for at risk individuals ([\\$1.1 million](#)).
- Improvements to the Delki Dozzi paved track and Tom Davies square ([\\$1.2 million](#)).
- Investments in the replacement of fire and paramedic vehicles ([\\$3.4 million](#)).
- Investments in improvements to the Howard Armstrong recreational centre ([\\$2.3 million](#)).
- Investments in improving landfill waste and diversion sites ([\\$1.4 million](#)).
- Building a new therapeutic pool ([\\$5.2 million](#)).
- Investing in a pothole repair machine ([\\$0.4 million](#)).
- Improvements to the Whitson River trail ([\\$1.8 million](#)).
- After all of that, there would still be enough capital available to pay for almost half of a new twin pad arena in Valley East (\$15.4 million of [\\$36 million](#)).

Think about that for a second – \$40 million in savings could be going to address the challenges of many people in the city. It's financial resources that can address issues in transit, homelessness, roads, deteriorating municipal infrastructure, the environment, and replacing other old rinks in the city. How could a councilor vote against this? Are these six councillors behaving in everyone's best interests?

If these six councillors have an ounce of integrity left, they will leave their egos at the doorway and get back to work fairly and objectively assessing Project Now. To the other councillors who voted in the interests of the taxpayers – good work, thank you for keeping our interests in mind, and for taking care of the disadvantaged citizens and taxpayers outside of your wards when their representatives will not.

Please have a frank and honest conversation with your colleagues about their disappointing behavior. Keep them honest, fact check their claims, and watch out for their unfettered optimism bias in only seeing the good in the KED project. It's not a behaviour this city needs with such a large investment in front of us, regardless of the direction we go.

Ian Berdusco is a Sudbury resident and a concerned citizen.