

Downtown District Event Centre and Convention Centre - Potential Private Partner

ISSUE

As the City of Saskatoon (City) embarks on moving towards the design and development of the anchor facilities for a Downtown Event and Entertainment District, the City retained the services of an Owner's Representative. The scope of work included a review of the existing SaskTel Centre and TCU Place management and governance structures as well as a scan of proven solutions used in other cities and provides advice with respect to a recommended governance structure for Saskatoon's future facilities.

What governance model should the City pursue for the new facilities and, in particular, should a private partner be considered?

BACKGROUND

At its November 19, 2018 meeting, City Council considered a report entitled Considerations for TCU Place and SaskTel Centre Project and resolved, in part:

- “1. That the Administration be directed to include a future Arena/convention centre when planning the future of Saskatoon's Downtown;
2. That the focus of the planning work include consideration of an entertainment district, not just an arena and/or convention facility.”

The Administration has been working on various aspects of the Downtown Event and Entertainment District since 2018. In May 2022, the Administration retained the services of an Owner's Representative, Hunden Strategic Partners (HSP), to provide advice in relation to preliminary decision-making and governance including a potential public-private partnership along with a long-term operations contract for one or both of the anchor facilities within the proposed Downtown Event and Entertainment District.

CURRENT STATUS

The Owner's Representative reviewed the original market study and findings of each facility that was commissioned by the SaskTel Centre and TCU Place Boards and presented to City Council in 2018. They reviewed current governance models at SaskTel Centre and TCU Place, the financial records of each facility, current facility layouts, and proposed new facility building programs. They also interviewed individuals from the Boards, facility management, and the partners and promoters of each facility. This provided the Owner's Representative a clear understanding of the governance structure, current operations, and financial status of each facility.

Various case studies of other event centres and convention centres across Canada were reviewed. Trends and best practices at other similar existing facilities were also

reviewed, specifically in relation to how other jurisdictions are managing and operating similar facilities across Canada and any indications of changes to these practices.

The Owner's Representative's report is attached in Appendix 1 for reference. While the Administration supports the conclusions of this report, it does not necessarily support every statement made therein.

DISCUSSION/ANALYSIS

The City has historically utilized a Direct Authority/Local Government Corporation (LGC) in the form of Civic Boards to manage SaskTel Centre and TCU Place.

Recently, the SaskTel Centre has entered into a management agreement with the facility's primary tenant to manage the facility with the Civic Board still intact.

The Owner's Representative identified three main management and operations models employed by similar facilities in North America where the city/county owns the facility. These models include:

- 1) Direct City/County Oversight, where a facility is fully managed and operated by the city or county;
- 2) Direct Authority/LGC, where the facility is managed and operated by the authority; and
- 3) Contracted Private Management, where the facility is managed and operated by a private third-party management company.

OPTIONS

The following options and additional information are described in more detail in Appendix 1, as such the following is a brief summary;

Option 1 - Operate the Facilities Under City Management

This option would entail full management and operations by the City. Neither SaskTel Centre nor TCU Place currently operate under this management/operational model. This management model would require additional planning, day-to-day operations, and budgeting input by City Council and the Administration.

Option 2 - Operate Both Facilities Under One Direct Authority/LGC

This option would entail management under a Direct Authority/LGC. Both SaskTel Centre and TCU Place currently operate under this model.

Option 3 - Operate Facilities Under Private Management with a Direct Negotiation Process

This option would entail management under third-party private management negotiated with a single entity private partner. SaskTel Centre has recently entered into a contract where there is shared/coordinated management between the Direct Authority/LGC and a third-party management company (Saskatoon Entertainment Group) for the facility.

Option 4 - Operate Facilities Under Private Management with a Competitive Procurement Process

This option would entail management under third-party private management negotiated with the highest scoring proponent from a competitive process. Should the procurement process not result in a potential partnership arrangement of suitable benefit to the City, the Administration would report back to City Council seeking direction on whether to pursue a different option.

RECOMMENDATION

That Option 4 - Operate Facilities Under Private Management with a Competitive Procurement Process, be approved.

RATIONALE

Based on the analysis, the Owner's Representative recommends that the City proceed with Option 4, a Request for Qualifications (RFQ) followed by a formal Request for Proposal (RFP) for a private partner. The Administration fully supports this option as well.

This approach will enable the City to:

- Negotiate a management agreement at a level playing field after receiving competitive bids from all qualified and interested parties;
- Optimize and streamline governance structures of both facilities; and
- Obtain the most favourable agreements for the City that will also elevate the new venues.

The Owner's Representative also recommends singular management of both facilities by a provider with broad experience in both venue management and the convention industry to increase operational efficiency, enhance bookings and attendance, increase revenues, and generate new benefits for the city. Under this approach, the Owner's Representative also recommends a single oversight Board that will represent City ownership of both facilities.

It is important to note many cities/counties that own event centres are moving towards private contracted management. It is nearly unheard of for a facility to move from private management back to public, and every year additional cities move to private management.

The interview process the Owner's Representative performed showed there are a minimum of three potential private partners with significant interest in exploring a partnership with the City on this project. As such, an Expression of Interest is not necessary and the City can proceed directly to an RFQ to pre-qualify a short-list of potential proponents, followed by an RFP, if it intends to secure a private partner.

Further, as a new facility, there is no relationship with the current anchor tenants. The City could create a competitive process and explore all partner options available in an effort to negotiate an agreement that is in the best interest of the City.

Should City Council approve the recommendation, the Administration will proceed with procurement of an Owner's Representative to assist the Administration in preparing an RFQ and RFP, leading to negotiation of a long-term public-private partnership agreement for the development and operation of the new event centre and new or expanded convention centre. A Fairness Advisor will also be engaged to monitor the procurement process. The goal of this process will be to obtain the highest overall value for Saskatoon that will maximize seat sales, revenues, and animation of the facilities, which will in turn create spinoff benefits to the surrounding Downtown Event and Entertainment District, the Downtown, and across Saskatoon. The recommended guiding principles and expectations utilized in a future RFP for a private partner will be a decision of City Council prior to issuance of the RFP.

FINANCIAL IMPLICATIONS

Securing a private partner to contribute capital funding towards the development of the new event centre and new or expanded convention centre will reduce the overall funding required to be secured from other sources. Contracted private management by the partner would also involve annual financial implications, such as revenue sharing, management fees, guaranteed revenue levels, and incentives for high performance that are expected to form part of the contract negotiations with the preferred proponent following the RFP.

OTHER IMPLICATIONS

Additional decisions on the governance relationship between the City and a potential private partner will need to be finalized as this RFP progresses. The timing for these decisions is expected to be during negotiations with the preferred proponent following the RFP stage. For example, if the preferred proponent's proposal for private management of one of the facilities is not of sufficient benefit to the City, this component could potentially be negotiated out of the agreement and that facility would feasibly remain under a similar operating model to what is currently employed, or a separate private management procurement considered.

There are no communications, Triple Bottom Line, policy, privacy, or CPTED implications or considerations emerging from this report. These will be considered in other future reports as required.

NEXT STEPS

If the recommendation is approved, the Administration will proceed with retaining an Owner's Representative to assist with development of the procurement documents for the private partner. The Administration will report back with the proposed schedule for this procurement of the private partner once this work is completed.

APPENDICES

1. SaskTel Centre and TCU Place Management Analysis

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Report Approval

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