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DATE 15 July 1998

TO/DEST. Co-ordinator
Corporate Services and Economic Development Committee

FROM/EXP. Chief Administrative Officer
Executive Director, Economic Affairs

SUBJECT/OBJET **CONVENTION CENTRE FACILITIES**

DEPARTMENTAL RECOMMENDATIONS

That the Corporate Services and Economic Development Committee recommend Council:

- 1. That the Regional Municipality of Ottawa-Carleton endeavour to create new convention facilities in the context of a public/private partnership;**
- 2. That Council choose the site and the proponent with whom it intends to create the public/private partnership;**
- 3. That by choosing the site and the proponent that it is clearly understood that the Regional Municipality of Ottawa-Carleton and the proponent will proceed on the basis that Council will approve any financial plan, any business plan, and any final site plan and buildings plans;**
- 4. That all financial planning will require efforts to include the private sector and the Federal and Provincial governments and that the efforts to arrange a financial package do not explicitly or implicitly commit the Regional Municipality of Ottawa-Carleton to any financial contribution for convention facilities;**
- 5. That the site and the proponent be the Viking Rideau lands, adjacent to the Rideau Centre, as owned and/or controlled by the Viking Rideau Corporation.**

BACKGROUND

In 1995 the Region and Minto agreed to jointly fund a feasibility study addressing the need for additional convention and/or tradeshow space in Ottawa-Carleton. Following review of the final report, Regional Council on 13 November 1996 indicated its support in principle for the expansion of convention facilities, subject to substantial financial support from the senior levels of government.

Following direction from Regional Council, staff presented a report to CSEDC on 1 April 1997, recommending selection of the Viking Rideau land immediately east of the Rideau Centre, as the site for the expansion. Committee and Council did not choose a site, but instead directed staff to undertake further work on design, cost, economic viability, financing and benefits, associated with both sites under consideration. Council reiterated the need for senior government funding, and also indicated that private sector participation would be required.

On 17 June 1997, a report prepared by Coopers and Lybrand on the economic viability of the proposed expansion of convention facilities, was presented for information to CSEDC.

DISCUSSION

In reviewing previous reports on this subject, it is staff's interpretation that Corporate Services and Economic Development Committee, and Regional Council, have essentially adopted the following position:

- Recognition of the beneficial impacts of expansion, and the declining competitive position of Ottawa-Carleton due to under-sized facilities relative to other similar markets
- Concern over the financial implications in light of current funding pressures
- Requirement for private sector and senior government funding
- Concern over design issues

The need for expanded convention facilities is well recognized in the business community and is seen as vital infrastructure to maintain and improve the marketability of the Region as a tourist and convention destination.

The question, therefore, is not whether there is a need for the facility but whether the project can be financed and under which conditions. Council has indicated that it would not move ahead with this project until it could be shown that financing was in place or could be arranged by the individual proponents.

The two proponents, Viking Rideau Corporation and Minto Corporation have also expressed opinions on the project. They believe that the cost and time involved in preparing a financing package of this size and complexity, is a problem, because of the need for such investment with no firm commitment that the project will proceed. The proponents have also highlighted their considerable investment in the project to date.

Arranging a financing package prior to this stage of the process is difficult if not impossible. Potential public and private interest is contingent upon the project having demonstrated support from the Region, and resolution of certain critical issues that enable the project to be visualized and marketed as a viable project. The first step that must be made is to select a site, and therein lies the dilemma.

Council has stated that it will not select a site until it can be demonstrated that financing can be arranged, and the proponents and potential financial participants have stated that they cannot arrange financing unless a site and a proponent have been selected.

In reviewing the situation, staff is of the opinion that this exemplifies the interdependence that exists between public and private sector interests when both cater to broad, joint community needs. Hence, the need for a public/private partnership where it is recognized that both parties must work jointly to achieve their respective goals of economic viability and public good.

In a project of this type, it is doubtful that the private sector can create the necessary funding partnership without support from the Region in gaining interest and support from the Federal and Provincial governments. A number of servicing, site plan and design issues will also likely directly impact the Region and approvals will be necessary along the way to address and resolve these. The Region may also make regulatory and other decisions which would help the economics of the project.

Given this reality, it is felt that the best course of action at this time is to endeavour to create new convention facilities in the context of a public/private partnership. In this spirit, and in order to break the impasse described earlier, it is also felt that Council should choose now, a site and proponent with whom it intends to create the public/private partnership. This will not only allow a formal dialogue to be established between the Region and one of the proponents but it will also provide that proponent with the encouragement it requires to commit resources to reviewing financing options and initiating various planning activities around convention facilities on its site in consultation with the Region.

Having defined the framework within which this project could proceed, staff then turned their attention to the selection of a site and of a proponent.

The submissions made by the two proponents in 1997 included detail on site design and financial aspects, in accordance with the original guidelines prepared by the Convention Centre Steering Committee. Clarification on a number of details was requested and addressed by the proponents. While there were still outstanding issues related primarily to details of the design, the committee at that time concluded that both sites were capable of supporting a viable facility and that the design issues were resolvable with additional effort.

Staff has reviewed the material and concurs with the conclusion of the Steering Committee. Furthermore, it would be premature to allocate any additional resources on design elements until there is a much clearer definition of what is being built and where it will be located. For this

reason, staff does not believe that it would be prudent nor advisable to consider design issues in the site selection process but recommends that Council, through its partnership with the successful proponent, retains its ability to approve any final site and buildings plans.

This basic rationale also applies to any attempt in costing the proposals, in trying to identify funding sources, or in trying to determine their economic viability. Clearly, these issues are critical elements, but as they are unlikely to be substantially different between the two proposals, again, are premature at this stage of the process. Council should, however, have the ability to approve any financial plan and business plan developed as part of its partnership so that it can be satisfied that its concerns have been addressed and its interest protected.

The two proponents which have submitted proposals for expanded convention facilities are Minto Developments Inc., and Viking Rideau Corporation.

Minto is a family-owned, Ottawa-based, fully-integrated real estate development company, with broad experience in both commercial and residential development, including acquisition, planning and servicing of land. The company also designs, constructs and markets large and diverse developments, and as part of the Minto Group of Companies, manages a portfolio of residential and commercial properties comprising about 22 million square feet. The company, active in Ottawa since 1955, has expanded to Toronto and south-east Florida.

Viking Rideau Corporation is responsible for the operation of the Rideau Centre and brings the resources of its three shareholders to the project: the Herman Family Trust, with extensive ownership of residential and parking facilities in Toronto, Winnipeg, Saskatoon and Regina; Cadillac Fairview Corporation Limited, one of the largest owners, managers and developers of commercial (office and retail) real estate in North America, with over 49 million square feet either owned or managed; and Joseph J. Barnicke and Gordon S. Peck, shareholders of J.J. Barnicke Limited, a full service real estate brokerage company with 17 offices across Canada.

Staff agrees that both proponents:

- Recognize the need to design and construct a convention centre that will enhance the economic growth of the Region;
- Are reputable and respected companies with a history of successful and profitable ventures;
- Have assembled teams with appropriate professional qualifications to undertake a project of this nature;
- Have the credibility and business acumen to attract potential investors to support the financing.

Given the above, the Region would welcome the opportunity to associate itself with either proponent to move this exciting project forward.

With respect to site selection, staff believes that the information submitted to date is sufficient to establish a clear preference in terms of a site for expanded convention facilities, and that any

additional detail that could be collected as part of additional work would not change this conclusion.

EVALUATION

The purpose of the evaluation should be to determine which site has the potential to allow construction of the most *marketable* and *functional* facility. These basic considerations will ensure that the facility will best meet the needs of the tourism and convention industry and will be able to be operated in the most effective and efficient manner possible. The result will be to maximize the attraction of conventions to Ottawa-Carleton.

A number of criteria that might otherwise be used were not considered, as staff concluded that there was no substantial differences between the two sites. Such criteria include:

- Cost - neither site has any unique feature which would significantly affect the cost of construction
- Servicing - water and sewer servicing is essentially the same
- Transportation - truck, vehicular and transit access is similar

Staff believes the sites can be distinguished on the basis of six criteria:

1. Land Assembly/Ownership

Viking Rideau has acquired outright all 4.7 acres required for the construction of the convention facility on their proposed site and the site is available for development immediately. Minto owns outright 1.5 of the 5.8 acres proposed, with the remaining land split between the Region, and Public Works and Government Services Canada (PWGSC) with the Department of National Defence (DND) as their tenant.

In order to determine the feasibility of acquisition of the federal land required with the Minto proposal, staff approached PWGSC. While a willingness to consider the proposal was indicated, the federal government was unable to indicate with certainty that the national security issues caused by having such a facility so close to the DND Headquarters could be resolved. A series of studies, likely requiring six months or more, would be needed before this question could be answered.

The use of air rights over part of the Regional transportation network, as part of the Minto proposal, also complicates matters. While there are no indications that this could not be achieved, nevertheless, there are legal and community issues that would need to be addressed as part of a public consultation process. These issues normally take time to resolve and are constraints to making the proposed site immediately available for development.

Staff concluded that the outright ownership by Viking Rideau of their site, along with site readiness for development, is a significant advantage.

2. Planning Approvals

The proposed convention/hotel/parking complex use would conform to both the Regional and City of Ottawa Official Plans at both sites. Specific aspects of the proposals (e.g. massing, design and access) will have to be measured against the Official Plan policies at the more detailed design stage.

The current zoning for the Viking Rideau site includes: C2-c-tp (8.0), C2-c (5.0) and RO-x (5.0). The C2-c zones would permit the proposed uses. The RO-x (5.0) zone south of Daly Street would have to be rezoned to C2-c in keeping with the remainder of the site.

The current zoning for the Minto site includes RO-x-tp (7.0) on the Minto property and RO-x (5.0) on the DND property. This would not permit the proposed development. A comprehensive rezoning would be required to redesignate the site. Given the negotiations required for a previous rezoning of this site, it could be anticipated that there would be objections to the rezoning.

Given the above, the Viking Rideau site is in greater conformity with existing regulatory requirements and is anticipated to be more straight-forward with respect to securing approvals.

3. Relationship with Rideau Centre and Ottawa Congress Centre

The two proposals present different approaches to the extent to which the convention centre should be integrated with other existing and new uses. The Minto proposal notes that proximity to retail shopping can be positive for convention delegates; however, it warns that direct integration of retail or similar uses into a convention centre can be a distraction and suggests that this is negatively viewed by meeting planners. They note that their proposal is designed with the single purpose of serving the needs of convention delegates, with no other direct private business enhancement.

The Viking Rideau site, in contrast, would be fully integrated into the existing Rideau Centre/Ottawa Congress Centre complex, and could conceivably include some expansion of the retail space. Links between the existing and proposed convention facilities, however, could be isolated and need not pass through retail areas, similar to the existing arrangement. Viking Rideau does not believe the mix of uses in their proposal is a conflict, noting the successful “marriage” of current facilities.

Staff concluded, after consultation with local meeting planners, that distractions are not a significant issue with a multiuse convention centre such as that proposed. The Ottawa Congress Centre has no history of clients indicating that the current arrangement is unsatisfactory.

Staff also note that the existing Congress Centre is a valuable asset and that its role should be considered while establishing a concept for the expansion of convention facilities in Ottawa-Carleton. Integration into the existing overall complex could be expected to offer certain efficiencies and increased flexibility in the general operation of the facility. Further, as Viking

Rideau is the landowner of the current facility, their selection as the proponent for the expansion would increase the flexibility in considering other uses for the current Centre in the context of the best utilization of the whole site.

The overall conclusion was the higher potential for integration and/or flexibility associated with the Viking Rideau site was an advantage.

4. Access to Nearby Attractions

Convenient access to amenities, particularly hotels, is an important criteria in the selection of a venue by meeting planners. Assuming a 400 room on-site hotel is included in the project, there will be over 1800 hotel rooms within proximity of the convention centre, in accordance with the recommendation of KPMG. The walking time to the two sites from the four existing hotels is estimated to be about 50% less for the Viking Rideau site, compared to Minto. Further, a concept providing year round weather protected linkages across the downtown core has been developed. The Viking Rideau site provides a higher potential for integrating with these linkages, when they are developed.

Access to area attractions will also contribute to the facility's marketability. Delegates could be expected to have interest in the following features in the vicinity of the two sites: Parliament Hill, the National Arts Centre, Rideau Street, Sparks Street, Rideau Canal, By Ward Market, Bytown Museum, Canadian Museum of Contemporary Photography, Major's Hill Park and National Gallery. These tend to be located to the north and are more accessible from the Viking Rideau site.

Staff conclude that the Viking Rideau site is favoured in terms of proximity to area hotels and other attractions, and vis-à-vis its potential to integrate with the proposed "linkages" network.

5. Architectural "Statement" and Landmark

Previously at Corporate Services and Economic Development Committee, there was discussion on the extent to which the two sites offer the potential to create a convention centre with a landmark status in Ottawa-Carleton. The two sites offer different opportunities in this respect. The Minto site is strategically situated as the first major site encountered travelling north on Nicholas from the Queensway. Combined with the requirement for vehicular traffic to pass directly underneath the facility, the Minto site offers a greater "first impact" potential due to its greater long-distance visibility and would be a dominant landmark on the downtown skyline.

In contrast, the Viking Rideau site will have a more localized contribution to the Rideau Street streetscape and By Ward Market, and could significantly contribute to the ongoing renewal of these areas. In terms of "presence", Viking Rideau is expected to be superior due to the higher degree of street-level activity in its vicinity, and its greater potential contribution to the vision of an interconnected tourism and convention district in the downtown/canal area.

The two facilities offer different types of architectural “statements” and the relative merit of each is a matter of judgement. In terms of affecting marketability as a convention site, staff doubt that either site would have any particular advantage, as there is no evidence that meeting planners consider this aspect. However, the Minto site’s potential for a more dramatic and distinctive facility would likely be an advantage in terms of landmark status and also marketability for potential sponsorship of the facility itself.

6. Urban Environment

The Viking Rideau site offers the potential to contribute to the further revitalization of Rideau Street, in the heart of the region’s tourism, convention and entertainment district. Development of the site would fill in the gap on the south side of Rideau Street east of the Rideau Centre that has broken up the continuous retail frontage (important to a mainstreet’s success). On axis with the Viking Rideau site, the William Street Mall would provide an opportunity for a direct link and views between the convention centre and the market area. With a focus on pedestrian oriented uses and activity at street level, such as retail shops, restaurants and galleries, development of the site represents an opportunity to knit together the local urban fabric and continue the renewal of Rideau Street.

Development of the Minto site would provide an opportunity to bridge the gap that presently exists between the University of Ottawa/Sandy Hill community and the Rideau Centre/Congress Centre area. The proposed convention centre would develop these lands with a use that is complementary to the latter, but less so to Sandy Hill and the university, potentially creating a somewhat harsher transition. The Minto site does provide an opportunity for shared meeting space and hotel/residence rooms with the University of Ottawa.

Staff considered the effects of Minto’s proposal spanning the major intersection of Nicholas and Waller, with high truck volumes and street-level pedestrian activity. While the representation in the submission opens up the approaches on all sides to the greatest degree possible, issues of noise, vehicle emissions, visibility, and lighting levels, were noted as potentially affecting traffic safety and the environment for pedestrians.

The conclusion was that there was greater potential to contribute to the urban environment through the development of the Viking Rideau site.

EVALUATION CONCLUSION

The Convention Centre Steering Committee, through its previous work, had recommended that the Viking Rideau site be the preferred site for the convention facilities. Staff has reviewed this work and through an analysis of the attributes of each proposed site, as detailed above, concur with the previous recommendations and support the Viking Rideau site as the clearly superior site for the location of expanded convention facilities.

PUBLIC CONSULTATION

No additional public consultation has been undertaken following the work done by the Steering Committee. Staff is of the opinion that either site will require some level of zoning approval to utilize the site for convention facilities and that the rezoning process will provide a forum for public consultation.

Informal discussions with the business community confirm the need and support for convention facilities and the timeliness of selecting a site and a proponent now to reactivate this project.

FINANCIAL IMPLICATIONS

There are no financial implications to the Region related to the approval of this report other than requirements of due diligence in assessing proposals from the proponent and reviewing and approving plans as per the recommendations contained earlier in this report.

Approved by

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