

SJSEL Public and Private Sector Options

The primary objective of the SJSEL Review was to conduct a review of operating and ownership models for the SJSEL facilities (Mile One and the Convention Centre). KPMG provided a comparison of five potential models for the Board to consider. Key highlights of their conclusions are noted below. For the full commentary, go to stjohns.ca.

	Status Quo	Third Party Management	Third Party Management Hybrid	Long Term Lease	Sale
EXISTING REALITIES	Requires continued financial support from City.	Likely to require continued financial support from City.	Likely to require continued financial support from City.	Facilities, built for specific purposes, are not broadly adaptable for alternate uses.	Informal offers made; Mile One likely requires capital upgrades.
DESIRED OUTCOME	Requires continued financial support from City.	Operation of one or both facilities contracted; City has greater financial certainty.	Sales/ marketing of one or both facilities contracted; City has greater financial certainty.	Long-term lease of one or both facilities removing operating/ capital commitments.	Sale (potential restrictions) of one or both facilities removing operating/ capital commitments.
BENEFITS	City owns facilities; City mandates Board to achieve specific objectives.	City owns facilities; Limits financial risk; Limits the use of the facility; adds qualified skilled sets	City owns facilities; Limits financial risk; Limits the use of the facility; adds qualified skilled sets	City owns facilities; Transitional reduction of financial support; income stream.	Sale (potential restrictions) of one or both facilities removing operating/ capital commitments.
CHALLENGES	Financial challenges remain; capital costs remain; operations in public eye.	Certain operating costs are systemic; local market is geographically isolated; third-party mgr will require capital commitment; City still in public eye.	City retains operating costs; local market is geographically isolated; third-party mgr will require capital commitment; City still in public eye.	Reduced control over use; loss of civic pride; unlikely sig. rental in initial years; successor rights; demands for concessions.	No control over use; loss of civic pride; unlikely to get sig. proceeds to book value; successor rights; environmental issues; demands for concessions.
	<i>"This option is the most typical model employed by Canadian municipalities for governance and operation of convention center and area facilities. This model reflects the significant public-sector investment made in facilities.</i>	<i>"The third-party management model has been adopted by many, but by no means most, Canadian municipalities. As a municipally-controlled model, great rigor is required in defining a clear mandate and business plan for the facilities..."</i> <i>"...While third-party managers can bring a broad base of experience and deep industry specialization, the incremental bottom-line impact should be sufficiently greater than the resulting management fee to justify the additional efforts and risk borne by the City under this model."</i>	<i>"Limited comparables exist for this option. To date, we are not aware of any municipally-owned medium or large-capacity arena or primary convention centre facility having been sold (or leased long-term) in Canada.</i> <i>The former World Trade and Convention Centre (Halifax, NS) was sold to developer Armco Capital in 2016... (however) at the time of the sale, construction of the new facility was near completion."</i>		