

World Trade Center Greater Sudbury

For Information Only

Staff Report – January 25, 2020

The purpose of this report is to provide information about an unsolicited development proposal presented to the corporation that seeks municipal financial support. The proponents will attend the February 11, 2020 Finance & Administration Committee to deliver a presentation about their proposal.

BACKGROUND

At their regular meeting of January 15, 2019 Council approved Resolution CC2019-04, directing staff “to explore the potential to attract private sector participation into the Junction projects” including “residential, hotel and commercial development that complements and supports” the functional programming and mandate of the Junction projects.

Economic Development staff were first invited to a meeting with the WTCGS proponents in early August 2019 for a confidential presentation on the initial concept. This presentation was distinct from any ongoing staff efforts related to the Council direction to seek private developments for the Junction projects.

Following this initial presentation, staff met with the WTCGS to discuss potential collaboration with the Junction West project, comprised of the Convention & Performance Centre. World Trade Centers are often co-located with convention facilities in other communities to leverage the amenities and services provided by these types of spaces.

In December 2019 in discussion with staff, the WTCGS representatives confirmed their interest in bringing information forward publicly to Council as part of an unsolicited business proposal. Staff prepared this report to facilitate the Finance and Administration Committee’s review.

The *World Trade Center Greater Sudbury Executive Summary* has been prepared by the local organization for Council’s information and is attached to this report.

PROJECT SUMMARY

The proposal anticipates the development of a purpose-built facility called “World Trade Center Greater Sudbury”. It would be located in downtown Sudbury. As described in the proposal, the facility is envisioned as “the premier location to connect Greater Sudbury to the world” which “will foster a vibrant community of like-minded companies, entrepreneurs, support services, government and non-governmental agencies” in a building with distinctive architectural design and compelling street presence, immediately recognizable as a landmark. The facility tenants and partner agencies and organizations share a common purpose: “to build prosperity through international commerce”.

Proposed as an iconic building for the downtown core, the facility would not encompass a convention centre but envisions collaboration with the Junction West project of the City, potentially incorporating a hotel and a parking structure, with the goal of maximizing conference facilities within the community. As noted in the proposal, “in order to diversify its revenue streams, the World Trade Center Greater Sudbury will offer a number of strategic services common to World Trade Center locations” such as:

- Trade Missions – Inbound & Outbound
- Trade Services
- World Showcase Product Launch Area
- Retail Space

- Office Space – Anchor tenants, hotel offices
- Consul Corps office
- Meeting rooms
- Sky Bar Atrium – World Trade Centre Club
- Corporate Apartments
- Seminars & Educational Sessions
- Sponsorship & Memberships
- Advertising Opportunities

The World Trade Centre Greater Sudbury would be structured as a not-for-profit organization managed by a Board of Directors. Support would also be provided by formalized Advisory Committees to ensure timely access to industry and business intelligence. The WTCGS also intends to reinvest any profits generated by the facility into the sectors it supports in the form of funding to help with business expansion and job creation.

The services would be offered through paid membership granting access to services such as trade missions, outbound selling missions, business center services and access to “the World Trade Center Club”, described as “a comfortable meeting place for business people” for facility tenants or external companies who pay for access.

The initial WTCGS concept includes a request to the City for capital funding of \$10 million requested in annual installments of \$1 million over 10 years.

THE WORLD TRADE CENTERS ASSOCIATION ORGANIZATION

The World Trade Centers Association (WTCA) works to connect World Trade Center organizations and their members globally to support opportunities for international trade and investment. Each member Center is considered an independent organization that works to foster economic growth at the local level and in collaboration with other WTCA members world-wide with a “globally integrated network” representing approximately 750,000 businesses and individuals.

According to the WTCA Membership Overview, “its mission is to support the establishment and successful operation of individual World Trade Centers as part of a worldwide alliance which enhances world trade and development, leading to economic growth and stability”. Benefits of membership in the WTCA described in the Overview include training, consultation, networking, reciprocal and in-kind services, policy discussion and engagement and participation in global programs. The World Trade Center Greater Sudbury also notes the following statistics (also included in the Executive Summary, attached):

...cities with integrated World Trade Center networks draw Foreign Direct Investment per capita at twice the rate of their countries and export goods at 1.55 times the rate of their national average. Communities with an established World Trade Center location also boast a higher workforce participation level of 1.5 percent the national level.

Use of the World Trade Center designation and branding is emphasized in the WTCA membership package as a competitive advantage: “Through a rigorous application and approval process, regular Members obtain the right to use the marks to brand a facility in their respective geographic area. Use of the service marks is a valuable marketing advantage and links a Member with the worldwide network of WTCs.” (*Welcome to the WTCA Membership Overview*, included in Appendices.)

Access to WTCA branding and resources is granted through a license agreement and fee structure, which is subject to annual accreditation. There are 327 licensees in 89 countries across the globe; in Canada, these include Edmonton, Halifax, Montreal, Saskatoon, Toronto, Vancouver and Winnipeg.

THE WORLD TRADE CENTER GREATER SUDBURY PROPOSAL

As described in the business plan presented by the proponents, Greater Sudbury's WTC anticipates the creation of 20 full-time equivalent jobs, plus temporary employment related to the building's construction phase of 160 jobs. Initial projections put construction costs at between \$55 million and \$65 million.

However, in subsequent discussions with City staff, the WTCGS has expressed its interest in a collaborative approach, which is further noted in the attached proposal:

Through preliminary discussions with the City of Greater Sudbury, there is a mutual benefit to exploring a joint build where the World Trade Center Greater Sudbury could be co-located with the City of Greater Sudbury's proposed conference center as part of the Junction West. A collaborative build could result in a substantial reduction in the cost of the WTCGS through the design of shared space and site amenities.

The WTCGS proposal notes a potential revenue source for the municipality in the form of property taxes as a way to recover the cost of the capital contribution to the project, along with benefits from collaboration with the Junction West conference facilities:

The City's contribution could be recouped [through the collection of property taxes] as early as seven years following the opening of the site depending on the overall footprint of the structure. Those revenues could be utilized to sustain The Junction complex, reducing the burden on the average tax payer. The establishment of the WTCGS will also result in an increase in conference center booking as well as the ability to host exclusive events in the community.

As indicated on page 12 of the attached Executive Summary provided by the proponents, the project includes a request for a \$10 million contribution from the municipality. The World Trade Center Greater Sudbury proposal also confirms the organization's intention to pay property taxes, and has included this cost in its initial financial plans as estimated at between \$750,000 and \$1.5 million. The proposal notes that by projecting an annual property tax payment of one million dollars, the City could recover its initial contribution by 2033".

The timing and form of municipal support could take a variety of forms. For example, while it could be a direct financial contribution payable over several periods, it could also include a property donation or allowances that offset the project's direct costs. If Council wanted to pursue this proposal, staff anticipate any municipal contribution would be subject to confirmation that the project's remaining financing needs are secured.

The contribution of the City is also cited as an important indication of support required to secure funding from senior levels of government. Funding requests include \$10 million in provincial support

and \$20 million from the federal government, with \$15 million indicated as “generated revenue” (page 12, Executive Summary, attached).

PROPOSED BUSINESS MODEL

The World Trade Center Greater Sudbury proposes to serve local entrepreneurs and connect them with international businesses seeking trade, education and expertise in mining, technology and health sciences. These services would be provided on a fee-for-service basis to its members.

The proposal’s revenue projections include attracting major corporate sponsors and partners that have a national presence and are members in other Canadian World Trade Center locations. The project does not contemplate the direct construction and operation of a hotel; rather, the proponent proposes approaching hotels for investment. Close proximity to hotel facilities is an important component required for the success of the World Trade Center business model in most, if not all, locations.

The WTCGS anticipates offering a variety of trade services to members such as access to trade information, trade education, trade missions (inbound and outbound), market research, translation, networking events, marketing opportunities, paid advertising, tours/transportation, real estate services and co-working spaces.

A number of existing agencies and organizations, including the City of Greater Sudbury itself, offer related services to businesses. For instance, the City’s Economic Development division hosts a number of international delegations of businesses and government partners from around the world, partnering with local companies as well as provincial and federal agency partners and the Sudbury & Area Mining Supply & Services Association (SAMSSA) to host and connect these potential investors with Sudbury-area businesses and help them to access considerable expertise in the mining innovation sectors. There is no cost to the participating businesses, although these partners will occasionally make in-kind contributions to the familiarization tour as delegates are welcomed.

The Regional Business Centre, housed within Economic Development, provides access to market research and business training to local entrepreneurs at no cost. NORCAT and other organizations also offers a range of business services and training resources to entrepreneurs, often at low or no cost.

In the attached proposal, the WTCGS has noted these entities and confirms its intention to work cooperatively with them:

There is no need to duplicate the incubation, innovation and start up hubs already in existence through organizations such as NORCAT, the Regional Business Centre, Cambrian Innovates or the Forge at Laurentian University. The WTCGS’s mandate is to work with the aforementioned entities to help market, promote and raise awareness of products, processes and innovations developed locally to new clients located all across the world.

The concept is that the World Trade Center Greater Sudbury, like other World Trade Centers, will concentrate the city’s international business expertise and resources to create a “critical mass” required to attract global companies and fuel economic growth in the community, noting a much higher potential to attract international trade missions through the World Trade Center network.

In line with this concept, the WTCGS also emphasizes that the World Trade Center model has been successful in a number of other cities in Canada and abroad, and the growth of this network of Centers indicates the potential for success in Greater Sudbury, also providing a strong resource for learning and best practices that have worked elsewhere.

Further primary research would be required to establish the local market size and viability of a business plan that depends on paid membership and fee-for-service in order to reduce the risk associated with this type of business model for Greater Sudbury.

The WTCGS concept includes a number of members-only amenities and commercial components in a project that would rely on a number of public funders. While public funds have been used in similar ways in other projects – one example is Place des Arts, a publicly funded project which also includes retail and dining components – there may remain some concern regarding the use of public funds for private sector or exclusive-access entities that may compete with nearby private sector businesses. The differentiation between the role of public funds and private funds in the project needs further explanation.

The WTCGS would seek to place its clients in downtown Sudbury, close to important business amenities including municipal services, provincial and federal ministries, financial institutions, educational facilities including the Laurentian School of Architecture, cultural attractions, transportation options and one of the city's main commercial districts.

The WTCA Membership Overview states that a World Trade Center must be an "iconic" building in a central location with specific amenities, which may rule out adaptive reuse or renovation of older buildings. This may be worth exploring further depending on opportunity to collaborate and/or co-locate with the Junction project.

The World Trade Center branding and related resources could be of benefit to a Junction West conference facility by aligning it with a globally recognized brand and access to a worldwide network of businesses and government partners.

Nevertheless, it must be noted that a request for financial support presents significant challenges for Council given the number of projects already underway across the community as well as the general lack of financial resources available to the City.

CURRENT STATUS AND READINESS

To date, the World Trade Center Greater Sudbury organization has received 40 letters of support from a mix of private business and non-profit organizations.

The WTCGS group has also held several meetings with FedNor to discuss possible funding applications for federal contributions, and has shared details on the business proposal and related financial information.

The WTCGS submitted their original application to the World Trade Center Association on February 28, 2019 and received approval on April 1, 2019. This means that the WTCA has already approved Greater Sudbury as a viable site for its own World Trade Center.

The World Trade Center Greater Sudbury group first approached the City in August 2019 on a confidential basis. In discussions with City staff, the WTCGS has noted that as part of the licensing agreement with the World Trade Center Association (WTCA), there is an expectation with the WTCA for a timeline of 36 months between the initial plan for the project and the construction and opening of the facility itself.

The plan of the WTCGS is to start to build the capacity of the local organization during 2020, for instance with the rental of a storefront space downtown; the local proponent is able to access the benefits of the WTC network and resources before the building is completed.

FIT WITH PLANS

Relevance and relationship to Council's 2019-2027 City of Greater Sudbury Strategic Plan

Strategic Goal #2: Business Attraction, Development and Retention; Strategic Goal #4: Economic Capacity and Investment Readiness

- The WTCGS has potential to align with the stated goals of supporting business growth, attracting new investment and leveraging public sector assets and intergovernmental partnerships to generate new activity; it also helps to “build on opportunities resulting from our clustered network of health and education institutions”.

Relevance and relationship to Downtown Master Plan

- The preferred location for the WTCGS facility is in downtown Sudbury, assisting with revitalization of the downtown core and leveraging the amenities of the area, including accommodation, shopping, dining, entertainment and business opportunities.

CONCLUSION

This unsolicited proposal has features that align with Council's strategic goals. Staff have not undertaken any primary research or due diligence to assess the business plan included in the proposal. It reflects features that could complement Council's plan for a conference centre.