



**CITY OF HAMILTON**  
**CITY MANAGER'S OFFICE**  
Administration  
and  
**COMMUNITY AND EMERGENCY SERVICES DEPARTMENT**  
Recreation Division

<b>TO:</b>	Chair and Members Emergency & Community Services Committee
<b>COMMITTEE DATE:</b>	January 22, 2018
<b>SUBJECT/REPORT NO:</b>	Gateway Arena Purchase (CM18004/CES18008) (Ward 10) (Outstanding Business List Item)
<b>WARD(S) AFFECTED:</b>	Ward 10
<b>PREPARED BY:</b>	Steve Sevor (905) 546-2424 ext. 4645 Chris Herstek (905) 546-2424 ext. 4689 John Hertel (905) 546-2424 ext. 2739
<b>SUBMITTED BY:</b>	John Hertel Director, Strategic Partnerships & Communications City Manager's Office  Chris Herstek Director, Recreation Division Community and Emergency Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That staff be directed to decline the offer to purchase the Gateway Ice Centre; and,
- (b) That Report CM18004/CES18008 be considered complete and removed from the Emergency & Community Services Committee Outstanding Business List.

**EXECUTIVE SUMMARY**

Ownership of the Gateway Ice Centre approached the City of Hamilton in the fall of 2016 to consider the purchase of the centre located on 610 South Service Road in Stoney Creek. At the September 26, 2016 meeting of the Emergency & Community Services Committee, staff was directed to explore the feasibility of the purchase of the Gateway Arena (with the addition of the fourth pad) and report back to committee prior to the end of January 2017. The motion was revisited at the January 23, 2017 meeting of the Emergency & Community Services Committee as more information was required from

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the proponents. It remained on the Outstanding Business List until staff were able to receive and analyse information.

Staff in various divisions have reviewed the request. They concluded that there is excess capacity in the current City of Hamilton arena inventory sufficient to accommodate the programming requirements of the community, and that the existing arenas in the area can continue to operate adequately for 7-10 years with maintenance levels of capital investment. The proposed purchase model also assumes the decommissioning of two existing area arenas, however, if the City wishes to achieve operational savings by closing some of its existing arenas, it could be done within the current inventory of arenas and without purchasing the Gateway Ice Centre.

***Alternatives for Consideration – See Page 7***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: There are no financial implications related to the recommendation associated with Report CM18004/CES18008.

Staffing: There are no staffing implications related to the recommendation associated with Report CM18004/CES18008.

Legal: There are no legal implications associated with the recommendation associated with Report CM18004/CES18008.

**HISTORICAL BACKGROUND**

The Gateway Ice Centre opened its door in the fall of 2013 with 3 arena surfaces holding a capacity of 3,000 spectators and 14 change rooms. It also includes a state of the art 8,000-square-foot fitness centre, an on-site restaurant overlooking the main rink, and an in house sports store. It is a privately operated rink that accommodates Senior “A” Level hockey, minor sport programming, adult hockey and various events. It was also the home to the 2014 Esso Cup.

In 2016, the operators of the Gateway Ice Centre requested City staff consider the purchase of the centre from the current ownership group. A formal motion was presented at the September 26, 2016 meeting of the Emergency & Community Services Committee. Upon direction from Council, City staff in Revenue Generation Division, Real Estate Division, Recreation Division and Public Works Division assembled to explore the feasibility of the purchase and conducted a site visit guided by the owners on November 8, 2016.

Recreation staff examined the programming demand of existing facilities at this time. In addition to programming analysis, Recreation staff also consulted with the primary sport users for this community, Stoney Creek Girls Association and the Stoney Creek Minor Hockey Association. The groups have lauded the idea of the City of Hamilton purchasing

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the Gateway Ice Centre as they claim it would provide their organization with a closer identity to Stoney Creek.

The preliminary analysis was briefly discussed at the January 23, 2017 meeting of the Emergency & Community Services Committee; however, since more information from the owners was required, committee permitted staff to continue to gather information to support a recommendation.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

There are no policy or legislative implications associated with the recommendations of Report CM18004/CES18008.

## **RELEVANT CONSULTATION**

Internal consultations were conducted with the following areas:

Planning and Economic Development: Real Estate Division  
Public Works: Energy, Fleet & Facilities Management  
City Manager's Office: Strategic Partnerships and Revenue Generation  
General Manager – Finance & Corporate Services Department  
Councillors – Wards 6, 9, 10

Staff from the above areas worked collaboratively to gather and analyse the information presented in the report. All staff that have contributed to this report support the recommendation not to purchase the facility. The above noted Ward councillors also support the recommendation based on staff analysis.

Recreation staff have also consulted with Stoney Creek Girls' Hockey Association (SCGHA) and with Stoney Creek Minor Hockey Association. Both organizations currently purchase ice time at the Gateway Arena. The SCGHA have negotiated with the current ownership group for additional amenities at the facility. The cost of renting ice at Gateway Centre is significantly higher than the subsidized rate that both organizations receive at City owned facilities. The expectation from the user groups is that the City would honour the subsidized rate at Gateway if the facility was purchased. Each organization has openly supported the notion of purchasing the Gateway Arena and would like to consolidate all of their hours to one location.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

### **Real Estate Considerations**

The land on which the arena sits is valued between \$3-\$4M, which means that the actual building itself is being sold to the City for approximately \$23M. In comparison, Harry Howell Arena cost the City over \$21M to construct and the single rink addition to the Morgan Firestone arena was just over \$10M.

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The owner of the arena is offering to build a fourth pad and sell the complex to the City of Hamilton for \$27M. This price includes all four rinks, the property (5.78 acres) including all required parking per City by Laws, two state of the art laser guided Olympia ice re-surfacers and all associated building systems and equipment.

Purchasing Gateway Ice Centre also involves the operation of the non-ice surfaces including an 8,000-square-foot fitness centre, an on-site restaurant, and an in-house sports store. The offer to purchase presented to the City includes all existing contracts for all leased areas which will be extended for a minimum of 5 years. The non-ice amenities do not represent an area for which there exists an operational service gap. Rather the operation of a commercial fitness centre, licenced restaurant and sport shop are areas in which staff do not have operational expertise.

#### Financial Valuation

The ownership of Gateway Ice Centre approached the City with an offer to build a fourth ice pad and sell their complex to the City of Hamilton for a price of \$27,000,000. The terms of this proposed sale would include four ice pads, the property (5.78 acres) including all required parking per City by Laws, two state of the art laser guided Olympia ice re-surfacers and all associated building systems and equipment (estimated cost to outfit a four-pad arena with all the furniture, fixtures and equipment is well over \$500,000). The offer also includes the existing contracts for all leased areas, i.e. Don Cherry's Restaurant and Five Star fitness. Staff was advised that these contracts would be extended for a minimum of 5 years.

According to the property owner, the land on which the arena sits is valued at between \$3,000,000 and \$4,000,000, which would therefore estimate the value of the actual facility itself at approximately \$23,000,000. The ownership of Gateway Ice Centre feels that this valuation compares favourably to the \$18,820,000 it cost the City to construct the Flamborough Twin Pad which opened in 2012 and the \$10,334,000 it cost to add an additional pad to Morgan Firestone Arena which opened in 2011. Based on this valuation method, the City would be acquiring four pads at a cost of \$5,750,000 per pad (net of the cost of the land) versus the approximately \$10,000,000 per pad associated with the City's two most recent arena construction projects.

The proposed business model is dependent on the construction of a fourth ice pad. According to MPAC's 2016 Current Value Assessment (CVA) the value of the property is estimated to be \$13,962,000. This MPAC figure includes the value associated with the land and the building which currently houses the existing three pads and the commercial space outlined above. To establish a property's assessed value, MPAC analyses sales of comparable properties in the area. This method is used by most assessment jurisdictions in North America and uses variables such as location, lot dimensions, living area, age of the property, adjusted for any major renovations or additions; and quality of construction.

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The ownership of the Gateway Ice Centre has proposed that the acquisition of this property could become self-financing by:

- 1) Allocating up to \$6,500,000 from the Development Charges Reserves towards the purchase price and debt financing the remaining \$20,500,000, or increasing the debt financing over a longer period of time if less than \$6,500,000 is available.
- 2) Closing down two of the City's underutilized arenas and using the operational savings to finance the debt required to fund this purchase.

Given the existing budgetary pressures and the other competing priorities, staff advise that allocating \$6,500,000 from the Development Charges Reserve to help fund this purchase would not be the most prudent use of these funds at this point in time. In addition, given the current underutilization of a number of the City's existing arenas, if the City wished to achieve operational savings by closing some of our existing arenas, this could be achieved without purchasing Gateway Arena. Given the fact that the City's Recreation Division has advised that there is currently no operational need for an additional four pads within the City of Hamilton's arena portfolio, staff would not recommend moving forward to acquire this property.

#### Programming Needs

Regardless of ownership, Gateway Arena currently satisfies the arena need in the Lower Stoney Creek recreation district, as outlined in the 2008 Indoor Study (Report ECS07068(b)) and 2016 Indoor Study Update (Report ECS07068(d)). Both reports did not identify arena investment as a priority for the Lower Stoney Creek recreation district, however did suggest that the City explore opportunities for partnering with private arenas in the Stoney Creek area.

Recreation staff assessed the ice availability, as seen in Appendix A to Report CM18004/CES18008, for the three City operated arenas in Stoney Creek (Saltfleet Arena, Stoney Creek Arena, and Valley Park Arena) and determined that there are still a number of unsold hours available to user groups in these three arenas. In addition, staff also analyzed city wide ice availability and reported that there are 94 hours a week of prime time ice that have not been sold and are available to all ice organizations.

There continues to be a significant decline in the participation levels in hockey throughout Hamilton due to interest and cost. In Hamilton, the five year trends shows a consistent decline in registration rates in all but one organization dedicated to the provision of minor youth boys hockey. Registration rates for the four minor girls hockey associations has grown; however, only represents 25.7% of the makeup of hockey in our City.

There have been attempts by various associations in Hamilton to develop strategies to increase participation rates and to identify barriers associated with hockey. Despite

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numerous meetings and discourse there is currently no unified plan by the hockey community to improve the status of hockey which would ultimately impact programming rates.

Hockey participant rates will undoubtedly be impacted by cross-ice hockey which calls for rinks to be divided into thirds and for teams to play across the ice rather than the full length. In January 2017, Hockey Canada mandated that for the 2017/2018 season, cross-ice hockey will be implemented at the initiation level for athletes under the age of seven. By the 2019/2020 season, the mandate will expand to athletes under the age of nine. Physical resources, athletic skill level and volunteer resources have been discussed as potential barriers that may impact participation levels.

As it relates to summer ice, the demand is currently being met by the diversion of programming to the Mohawk 4Ice Centre. The City's agreement with Hamilton Arena Partners stipulates that any operating surplus is distributed to the City of Hamilton (70%) and Hamilton Arena Partners (HAP) (30%). The operating surplus figures from 2016 amounted to \$451. The purchase of Gateway Arena would create an environment that may further erode the potential for any surplus as there would be a greater surplus of summer ice. Staff analysis of HAP finances for the summer of 2017 reveal a surplus of summer ice at Mohawk 4Ice Centre itself.

#### Demographic Information

Through analysis, Recreation staff have been able to isolate the demographic make-up of the Lower Stoney Creek recreation district which surrounds Gateway Ice Centre and also encapsulates Saltfleet and Stoney Creek Arenas.

From an age perspective, the population has a higher density of seniors (60+) in comparison to the City of Hamilton as a whole and represents about 27% of the population in the area. Children aged 5 to 19 are underrepresented in this area in comparison to the rest of the City, making up about 15% of the population in the area. The average household income for this area is approximately \$89,110, slightly below the City average. 33.2% of the population in the area identify as immigrants, significantly higher than the City as a whole, and the top visible minority presence is of South Asian descent.

Based on some insight provided by Environics' PRIZM5 tool, with regards to sports specifically, this population generally "tend to be fans of professional tennis and basketball, and they enjoy participating in low-cost team sports like soccer and volleyball". A significantly higher portion of the population in the area compared to the City as a whole, participates in soccer. However, when compared to the City as a whole, less people are participating in ice hockey and baseball in this area.

#### Planning Information

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While the Gateway Arena is not located within the boundary of the Fruitland Winona Secondary Plan, the plan identifies existing and proposed neighbourhood parks, community parks and open space areas. The lands designated community park within the Fruitland Winona Secondary Plan will permit the future development of a variety of recreational uses, such as community/recreation centres, swimming pools, arenas, tennis courts, sports fields, etc. The proposed community park in the Fruitland Winona Secondary Plan is intended to house a recreation centre; however, a study identifying what recreational uses will be incorporated into the community centre has not been completed as of yet.

### Staffing Considerations

The Recreation Division, operates 19 separate arenas throughout the City; in the current operational budget envelop, the Recreation Division does not have the funding to operate this facility. The Gateway Centre is currently a private location, it has been suggested through the Council motion that the operating model mimic that of the Mohawk 4Ice Centre in that the asset remain with the City and the facility operations be conducted by a third party group. Should there be a future decision to decommission Stoney Creek Arena and Saltfleet Arena in order to purchase Gateway Arena, and if a third party operator were to be selected to operate Gateway Arena, it would result in staff layoffs.

### **ALTERNATIVES FOR CONSIDERATION**

While local user groups have intimated they would like the City to purchase Gateway Arena for additional prime time hours, the City has sufficient available hours in existing facilities. As there is no demonstrated programming need to purchase the facility, the recommended option is to not purchase the facility.

Notwithstanding the 119 hours of available prime time ice in various City arenas, the following presents an alternative for consideration.

#### Alternative Option: Rent ice from Gateway

In the event that the actual ice demand from user groups exceeds the available ice in various City arenas, the City could enter into an agreement to purchase rental ice from the owners of Gateway to satisfy the increased hours requested by user groups.

The City purchasing hours from Gateway would provide opportunities for the user groups to have ice in their own community without having to purchase the facility and assume the large operating expenditures associated with managing the facility. The City would be supporting the additional prime time programming requests of the groups without having to assume facility ownership. Should council provide staff direction to enter into an agreement to purchase rental ice, the following implications would apply.

**Financial:** In order to be able to fund the additional rental hours, staff would need to decommission at least one arena for this option to be viable. Local arenas

such Stoney Creek Arena or Saltfleet Arena could be considered for decommissioning as the operational savings of \$300,000 a year would be available to subsidize the ice rates at Gateway Arena. The demolition costs that would be incurred would also need to be factored into the overall costs of decommissioning.

**Staffing:** Closing a facility would have staffing impacts for the facility; however, staff would be redeployed to other facilities in the district. While closure of a Stoney Creek arena is ideal due to low programming, other City operated facilities that are more expensive operationally may be considered for closure. The exploration of closures to another City arena would become contentious. Additionally, closure of an arena would have an impact on the additional uses by City staff. Currently, Stoney Creek Arena is also used for storage of Public Works equipment and the loss of that space would have a negative impact on the City's available storage space

**Legal:** There are no legal implications associated the above noted alternative option.

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **Healthy and Safe Communities**

*Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.*

### **Built Environment and Infrastructure**

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## **APPENDICES AND SCHEDULES ATTACHED**

Appendix A to Report CM18004/CES18008 – Ice Availability & Allocation

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