



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
DATE:	August 13, 2018
SUBJECT/REPORT NO:	Sports, Entertainment and Convention Venues Review (PED18168) (City Wide) (Outstanding Business List item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ryan McHugh (905) 546-2424 Ext. 2725
SUBMITTED BY:	Glen Norton Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That staff be directed to commission an independent third party study which is to be guided by the Council-Approved Vision set out in the Downtown Secondary Plan, Economic Development Action Plan, Cultural Plan and Hamilton Tourism Strategy, which conducts a needs, opportunities, and gap analysis assessing:
- (i) Hamilton's Sports, Entertainment and Convention Centre facility needs, given the City's size and position within the Southern Ontario marketplace;
 - (ii) Various ownership and operating models that have succeeded in comparable Municipalities, with a focus on the estimated economic impact and cultural impacts, including but not limited to, both indirect and direct financial benefits each model could potentially provide the City of Hamilton;
 - (iii) What role do the existing FirstOntario Centre, FirstOntario Concert Hall, The Studio and the Hamilton Convention Centre assets play in meeting Hamilton's Sports, Entertainment and Convention Centre needs moving forward;
 - (iv) Whether there is any added benefit in locating the City's entertainment assets in a clustered "precinct" that includes residential and commercial development and how suitable the City's existing entertainment asset sites are for the development of any such facility or facilities;

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- (v) Models of how to best maximize the contributions of private sector partner(s) with the required experience and know-how to execute on the City's preferred model;
 - (vi) How to best engage citizens and community stakeholders in a consultation process;
 - (vii) The best process for procuring the development of such entertainment assets and criteria for assessing any unsolicited proposals the City may receive.
- (b) That consistent with Council direction, the consideration of the City's arena needs not be limited to the downtown core;
 - (c) That a contribution to an upset limit of \$200 K from the Tax Stabilization Reserve, Account No. 110046, be used to fund the analysis outlined in Recommendation (a) in Report PED18168;
 - (d) That staff be directed to report back to the General Issues Committee with the findings of the study outlined in Recommendation (a) in Report PED18168 by the end of Q1 2019.

EXECUTIVE SUMMARY

The FirstOntario Concert Hall (formerly Hamilton Place), the Hamilton Convention Centre, and the FirstOntario Centre (formerly Copps Coliseum), herein referred to as the "Entertainment Assets", were built in 1973, 1981 and 1985, respectively. Since their construction, these Entertainment Assets have been significant sources of community use and enjoyment and have attracted Canadian and international performances, major events, and millions of attendees to the City.

Although these venues continue to drive significant economic value to the City's restaurants, bars, retail shops, and hotels each year, the aging of these venues has created a substantial and increasing need for capital reinvestment. In addition to the growing capital backlog that will put increased pressure on the tax levy moving forward, fundamental industry shifts and the proliferation of new venues in the Ontario marketplace are making the economics of operating the facilities increasingly difficult.

On December 1, 2017, Council approved the Motion attached as Appendix "A" to Report PED18168 which directed staff to investigate the opportunities for the redevelopment of the FirstOntario Centre, the Hamilton Convention Centre, and the FirstOntario Concert Hall. Item (c) of the attached Motion provided the following direction:

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That staff be directed to seek input from community stakeholders, industry experts, and comparator municipalities and report back to the General Issues Committee.

Based on this direction, City staff has been having discussions with various stakeholders within the community and has reviewed various unsolicited proposals put forward by potential private sector partners. Staff has also completed analysis of the utilization of the existing Entertainment Assets and have identified the challenges the City's current operators face in an increasingly competitive market place. If approved, the recommendation outlined above would allow staff to engage an independent industry expert to complete a comprehensive study of the City's entertainment asset needs moving forward.

Identifying various operating, ownership and funding models that could be feasible given the City's objectives and financial constraints would be a primary focus of this study. In addition to identifying what sports, entertainment, and convention centre facilities would be "right-sized" and "right-designed" for the Hamilton market, this study would investigate the benefits of locating any future development(s) in a "precinct" or "cluster." This study would also provide staff guidance on how best to procure any such development and criteria for assessing any unsolicited proposals the City may receive.

The consultant(s) selection and the supervision of their work will be overseen by a cross departmental committee consisting of Economic Development, Tourism and Culture, Planning, Finance, and Public Works (Facilities) Staff. If approved, the recommendations outlined above would equip staff with the information required to provide Council with a fulsome plan on how to best move forward. This recommendation would include a detailed project plan outlining an overview of the proposed process, timing and any funding that may be required.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

FINANCIAL: That a contribution to an upset limit of \$200 K from the Tax Stabilization Reserve, Account No. 110046, be used to fund to the independent third party outlined in Recommendation (a) in Report PED18168.

STAFFING: N/A

LEGAL: N/A

HISTORICAL BACKGROUND

After 30 plus years of serving as the marquee sports, entertainment and convention venues in the community, the City of Hamilton's FirstOntario Centre (1985), FirstOntario

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Concert Hall (1973) and Hamilton Convention Centre (1981), are starting to show their age and reduced functionality (e.g. sub-optimal size, limited amenities).

In 2013, Council approved Report CM11013(e) that provides the following Direction:

- (a) That an agreement for the management of Copps Coliseum and Hamilton Place substantially in the form of the Management Agreement between the City of Hamilton and Global Spectrum Facility Management L.P. (attached as Appendix “A” to Report CM11013(e)) be approved; and,
- (b) That an agreement for the management of the Hamilton Convention Centre substantially in the form of the Facility Operating Management Agreement between the City of Hamilton and The Hospitality Centre Corporation and Mercanti Banquet & Convention Centre Ltd. (attached as Appendix “B” to Report CM11013(e)), be approved.

Since this transition away from HECFI’s operations, both Spectra and the Carmen’s Group have had considerable success given the limitations of the aging facilities they operate. In addition to providing the City combined savings of approximately \$5 M since transitioning away from HECFI’s operation in 2013, both Spectra and Carmen’s Group have been exceptional stewards of the facilities and have been actively involved in the local community.

In late 2016, the City hired Golden Horseshoe Enterprises Inc. for a fee of \$50 K, to raise \$240 K in private sector funding that was used to cover the cost of a report by BBB Architects (BBB) and its subsidiary group, Stadium Consultants International (SCI), attached as Appendix “A” to Report CM17008. The scope of this Report included a comprehensive assessment of the state of the FirstOntario Centre facility and outlined two renovation options that could be implemented if the City wished to modernize the aging asset:

- Option 1: Consists of a partial-upgrade to the existing facility with the remodelling of critical areas with an estimated cost of \$68 M. This option would significantly extend the life of the existing facility, adding amenities such as new boxes and concessions to the lower bowl.
- Option 2: Consists of a complete transformation of the FirstOntario Centre into an NHL quality professional sports and entertainment facility with an estimated cost of \$252 M.

Staff advised Council that they viewed the BBB study as a valuable tool in assessing the condition of the FirstOntario Centre and providing insight into the scope of work, time frames and cost that would be required to modernize the building into a first class

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facility. However, based on the cost of the proposed renovations and the uncertainty of whether Hamilton could attract a tenant that could fully utilize a modern 18,000 seat arena, staff recommended that the City not move forward with either renovation option at that time. Nonetheless, the study serves a valuable planning tool that gives the City an understanding of the investment required to become “NHL ready” should an opportunity arise in the future.

On December 1, 2017, Council approved the Motion attached as Appendix “A” to Report PED18168 providing the following direction:

- (a) That staff be directed to investigate the opportunities for the redevelopment of the FirstOntario Centre, the Hamilton Convention Centre, and the FirstOntario Concert Hall, with the investigation to include, but not be limited to, an examination of:
 - (i) developers’ interest in creating a sports and entertainment precinct; and,
 - (ii) potential for the precinct to include an arena, a convention centre, a concert hall, condominiums and retail.
- (b) That the potential transfer of ownership of the FirstOntario Centre, the Hamilton Convention Centre, and the FirstOntario Concert Hall properties, as the City’s financial contribution towards a future development, be considered;
- (c) That staff be directed to seek input from community stakeholders, industry experts, and comparator Municipalities and report back to the General Issues Committee with recommendations regarding the scope of work and the process to move forward;
- (d) That staff be directed to conduct the appropriate due diligence in the event that staff receives an unsolicited proposal outlining a development proposal for any or all of the properties in question: the FirstOntario Centre, the Hamilton Convention Centre and the FirstOntario Concert Hall that secure private investment funds;
- (e) That any discussion regarding the location of a new arena not be limited to the Hamilton downtown core; and,
- (f) That an open, transparent and highly publicized process, aimed at engaging citizens across the City for their input, be implemented.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

Economic Development, Planning and Economic Development Department;
Tourism and Culture; Planning and Economic Development Department;
Strategic Partnerships and Communications, City Manager’s Office;
Finance and Administration, Procurement, Corporate Services; and,
Facilities Management and Capital Projects, Public Works Department.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Under the existing Management Agreement between the City of Hamilton and Spectra (formerly Global Spectrum), the operating and capital costs associated with the FirstOntario Centre and the FirstOntario Concert Hall is allocated as follows:

Description	Spectra (Formerly Global Spectrum)
Capital vs. Operating Costs	The City is responsible for all Capital costs while Spectra is responsible for all Operating Costs.
Utilities	Any utility costs above the 2011 actual utility cost of \$1.2 M will be paid by Spectra.
Net Contribution from the City	The City will cover the first \$1.4 M in losses, and Spectra will cover the next \$500 K in losses. Additional losses will be covered by the City. If losses are less than \$1.4 M, Spectra will retain the first \$450 K as their management fee, and additional savings will be split between the City (70% to the City, 30% to Spectra).

The City of Hamilton has provided Spectra the following operating subsidies over the life of this Agreement:

Agreement Year	Subsidy of Operating Loss	Subsidy of Utility Cost	Total Net Operating Subsidy
2017	\$1,300,000	\$1,200,000	\$ 2,500,000
2016	\$1,400,000	\$1,200,000	\$ 2,600,000
2015	\$1,400,000	\$1,200,000	\$ 2,600,000
2014	\$1,400,000	\$1,200,000	\$ 2,600,000
2013*	\$1,166,667	\$1,000,000	\$ 2,166,667
Total	\$6,766,667	\$5,800,000	\$12,466,667

*From March 2013 until December 31, 2013

Despite providing Spectra operating subsidies of \$12,466,667 since the commencement of the Agreement, the City has still realized over \$2 M in operating savings based on 2013 baseline projections. The City also benefited from a one-time \$500 K payment for capital improvement upon execution of the Agreement. During the life of the

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Agreement, the City has made capital expenditures totalling \$7,053,341 in the FirstOntario Centre and Hamilton Place as follows:

FirstOntario Centre

Agreement Year	Capital Expenditures	Description
2017	\$500,000	Roof replacement (partial section), partial security system installation, removal of planter system, visual barriers on York Street;
2016	\$740,000	Roof replacement (partial section), acrylic safety glass for rink, elevator compliance, overhead door replacement, domestic water pump replacement;
2015	\$ 56,000	Roof repair, escalator and elevator compliance, Vertical Transportation Study;
2014	\$ 448,000	Roof replacement (section), exterior door replacement; and,
2013	\$2,336,000	Refrigeration plant replacement, washroom renovation.
Total	\$4,080,000	

FirstOntario Concert Hall

Agreement Year	Capital Expenditures	Description
2017	\$638,300	Curtains for theatre, lighting replacement (house, stage and controls), Concert Hall sound board replacement;
2016	\$ 94,768	Furniture order for Mezzanine, asbestos sampling and abatement Spec., Dance Floor - Adagio – Black 5’3” W x 101’L-Roll5;
2015	\$571,800	HP Vertical Movement/Passenger Guards/Orchestra, Lift guards/Freight Guards, elevator cylinder for passenger and staff elevators, carpet replacement in Foyer and Mezzanine, recommissioning of heating system, HP and HCC Asbestos Survey, and abatement;

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Agreement Year	Capital Expenditures	Description
2014	\$869,148	HP skylight caulking, HP and HCC doors and fire exits, HP Theatre New Audio system, HP TV, Sound Bar and TV bracket, HP roof drain, HP and HCC horizontal exits upgrades; and,
2013	\$799,325	Reskinning the exterior, Consulting-window, carpets and roof drains, HP and HCC horizontal exits, elevator cylinder replacement, concrete rehabilitation.
TOTAL	\$2,973,341	

Under the existing Management Agreement between the City of Hamilton and Carmen's Group the operating and capital costs associated with the Hamilton Convention Centre are allocated as follows:

Description	Carmen's Group
Capital vs. Operating Costs	The City is responsible for all Capital costs while Carmen's Group is responsible for all Operating Costs (less the annual subsidies indicated below)
Utilities	Carmen's Group is contractually committed to paying the City the following annual utility contribution: For the 2014 Operating Year: \$105,000 For the 2015 Operating Year: \$115,000 For the 2016 Operating Year: \$135,000 For the 2017 Operating Year: \$145,000 For the 2018 Operating Year: \$165,000

Description	Carmen's Group
Net Contribution from the City	The City is contractually committed to paying Carmen's Group a subsidy in the following amounts: For the 2014 Operating Year: \$344,454.00 For the 2015 Operating Year: \$250,000.00 For the 2016 Operating Year: \$200,000.00 For the 2017 Operating Year: \$125,000.00 For the 2018 Operating Year: \$0

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The City of Hamilton has provided Carmen’s Group the following operating subsidies over the life of this Agreement:

Agreement Year	Subsidy of Operating loss	Less Carmen’s Group Utility Contribution	Total Net Operating Subsidy/ (Contribution)
2017	\$ 125,000	(\$145,000)	(\$ 20,000)
2016	\$ 200,000	(\$135,000)	\$ 65,000
2015	\$ 250,000	(\$115,000)	\$135,000
2014	\$ 344,000	(\$105,000)	\$239,000
2013**	\$ 650,000	(\$105,000)	\$545,000
Total	\$1,569,000	(\$605,000)	\$964,000

During the life of the Agreement, the City has made capital expenditures totalling \$813,741 in the Hamilton Convention Centre broken out as follows:

Hamilton Convention Centre

Agreement Year	Capital Expenditures	Description
2017	\$167,983	Exterior door replacement, health and safety repairs, brick structural investigation (ongoing);
2016	\$185,789	Exterior door replacement, scissor lift, escalator and elevator repairs;
2015	\$271,908	Asbestos abatement, Chedoke Room ceiling renovation, LED lighting, Webster’s Lounge skylight, escalator and elevator repairs;
2014	\$177,809	Escalator repairs, kitchen floor tile replacement, natural gas ovens, exterior door replacement and roof evaluation;
2013	\$ 10,252	Select HVAC replacement and exterior door replacement.
Total	\$813,741	

ALTERNATIVES FOR CONSIDERATION

- (a) That staff not undertake the third party assessment and be directed to manage the lifecycle renewal of the City’s Entertainment Assets with the funds in the Council approved Capital Budget;

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- (b) That staff report back to the General Issues Committee if any critical unfunded capital needs arise, or if staff receives any unsolicited proposals in the future.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement & Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Culture and Diversity

Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A”–“Sports, Entertainment and Convention Venues Review” Motion

RM:dt