

City of Hamilton Entertainment Venues Review Final Report

15 August 2019





Appendix "A" to Report PED18168(b)
Page 2 of 130

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- 4 - <https://www.soundcheckentertainment.ca/kenny-chesney-in-hamilton/>
- 5 - <https://stadiumjourney.com/stadiums/firstontario-centre-s1196>



Table of Contents

- 1. Introduction.....4
 - 1.1 About the Entertainment Venues Review 4
 - 1.2 Project Goals 5
 - 1.3 Structure of Final Report 5
- 2. Current State Assessment6
 - 2.1 Facilities Summary 6
 - 2.2 Current Facility Utilization..... 8
 - 2.3 Current Financial Operating Assessment 13
 - 2.4 Capital Investment Requirements 16
 - 2.5 Baseline Economic Impact Analysis 19
- 3. Stakeholder Consultation.....26
 - 3.1 Stakeholder Engagement Observations 26
 - 3.2 Public Engagement Surveying 29
- 4. Market Overview31
 - 4.1 Hamilton Economic Outlook 31
 - 4.2 Entertainment Venue Competitive Landscape 33
 - 4.3 Entertainment Precinct Examples of Leading Practice 38
- 5. Needs Assessment42
- 6. Entertainment Venue Options Analysis.....46
 - 6.1 Status Quo Option 46
 - 6.2 Arena Renovation Option 47
 - 6.3 Entertainment Venue Renewal Option 50
- 7. Funding Model Assessment56
 - 7.1 Sports and Entertainment Venue Case Studies: New Construction 56
 - 7.2 Convention Centre Case Studies: New Construction..... 58
 - 7.3 Municipal Contribution Offsets..... 59
 - 7.4 Local Economic Impact Analysis 61
 - 7.5 Follow-On Investment & Other Considerations..... 64
 - 7.6 Commonwealth Games Opportunity 67
- 8. Final Recommendation(s).....68
- Appendix A.....
- Appendix B.....
- Appendix C.....
- Appendix D.....
- Appendix E.....
- Appendix F.....



1. Introduction

1.1 About the Entertainment Venues Review

The City of Hamilton (the "City") owns a portfolio of Sports, Entertainment and Convention Venues, which include the FirstOntario Concert Hall, the Hamilton Convention Centre, and the FirstOntario Centre. Collectively, these facilities are referred to as the City's "Entertainment Venues."

As the Art Gallery of Hamilton is not under the direct control of the City, the facility is not considered one of the City's Entertainment Venues. However, as it is situated on City-owned land, it is a stakeholder in any discussion of potential adaptive reuse and redevelopment of adjacent Entertainment Venues.

The Entertainment Venues have served as the primary sports, entertainment and convention venues in Hamilton, providing a significant source of community use and enjoyment. Over the years this has included Canadian and international performances, major award shows, and sporting events which have acted as a catalyst to millions of attendees coming to the City. It is additionally acknowledged that these Entertainment Venues drive economic value to the City's restaurants, bars, retailers, and hotels.

After more than 30 years in operation, however, each facility is characterized by physical challenges that significantly limit its ability to serve today's market. (e.g. sub-optimal size, limited amenities, technical deficiencies) Additionally, the age of the facilities continues to create substantial, increasing levels of capital reinvestment and on-going municipal subsidy requirements.

To better position the City to respond to this challenge, Ernst & Young Orenda Corporate Finance Inc. ("EY" or "we") was engaged in June 2019 to undertake an Entertainment Venues Review.

With a primary objective of eliminating the City's annual subsidization of the Entertainment Venues, the overarching framework for this project is to provide Hamilton's City Council with an option analysis that assess various models to either:

- ▶ Incentivise the private sector to undertake the redevelopment and operation of any and/or all of the City's Entertainment Assets; or,
- ▶ Strategically invest or divest in any and/or all of the City's Entertainment Assets.

When assessing the viability of these options, priority is to be given to options which best:

- ▶ Maximize spin-off private investment in the downtown core; and,
- ▶ Those which best position the City to meet the objectives outlined in the Council approved, Economic Development Action Plan, Cultural Plan and Hamilton Tourism Strategy.



1.2 Project Goals

Guided by the Council-approved vision set out in the Downtown Secondary Plan, Economic Development Action Plan, Cultural Plan and Hamilton Tourism Strategy, the following goals were identified for the successful completion of this Entertainment Venue Review:

- ▶ Assess Hamilton’s Sports, Entertainment and Convention Centre facility needs, given the City’s size and position within the Southern Ontario marketplace.
- ▶ Consider the role that the existing FirstOntario Centre, FirstOntario Concert Hall, the Hamilton Convention Centre assets play in meeting Hamilton’s Sports, Entertainment and Convention Centre needs moving forward.
- ▶ Identify whether there is any added benefit in locating the City’s entertainment assets in a clustered, downtown 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.
- ▶ Evaluate various models of ownership and/or divestment of entertainment facilities 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 to Hamilton.
- ▶ Assess deal structure models which will enable the City to opportunistically partner with and maximize contributions of private sector market participant(s) with the required experience and know-how to execute on the City’s preferred model.
- ▶ Determining optimal transaction processes that will enable the city to act in an appropriately commercial manner while contemplating the redevelopment of the Entertainment Venues criteria for assessing any unsolicited proposals the City may receive.
- ▶ Identify options to best engage citizens and community stakeholders in a future consultation process on any proposed opportunity.

1.3 Structure of Final Report

Section of Report	Outcome(s)
Current State Assessment	Conduct a comprehensive data-driven analysis to assess current facility utilization, event programming, financial operating environment and capital investment requirements.
Needs Analysis	Communicate qualitative observations on the Entertainment Venues from consultation with managers, tenants, investors, real estate developers, as well as the general public.
Market Overview	Inform recommendations for size and location of entertainment venues in Hamilton through an assessment of the competitive marketplace, and local real estate development trends.
Entertainment Venue Options Analysis	Identify and evaluate a series of potential options for the City to achieve the primary goal of on-going subsidy reduction.
Funding Model Review	Assess deal structuring and municipal land value contribution to inform recommended go-forward approach for Hamilton.
Final Recommendations	Present final recommendation(s) which include an implementation plan that considers timing, how to approach the market, and how to respond to unsolicited partnership requests.



2. Current State Assessment

2.1 Facilities Summary

FirstOntario Centre


Built in 1985, the FirstOntario Centre is a 17,400-seat multi-use sports and entertainment venue originally designed with the capacity to encourage an NHL franchise expansion to Hamilton. With flexible seating capacity, the facility may accommodate up to 19,000 seats for major concert events. In its current configuration, the FirstOntario Centre includes 9,000 Lower Bowl and 8,400 Upper Bowl seats, in addition to 12 premium boxes situated around the upper perimeter of the Lower Bowl. The facility has one (1) main concourse entrance and Food & Beverage ("F&B") offering which together serve both the Upper and Lower Bowls. The facility can also accommodate up to 117,000 sf of exhibit space. Based on information provided to EY, the deferred maintenance for capital repairs on items which have reached or exceeded their reasonable service life is estimated at over \$34 million.

The facility is currently home to the Hamilton Bulldogs Ontario Hockey League ("OHL") franchise and the Hamilton Honey Badgers Canadian Elite Basketball League ("CEBL") franchise. It is currently managed by Spectra Venue Management ("Spectra"), in partnership with Live Nation.

The FirstOntario Centre is situated at the corner of Bay Street North and York Boulevard in downtown Hamilton, with adjacent land uses identified in Figure 1 below. Its main point of access is Bay Street North, with no direct connection to adjacent developments or public spaces such as Jackson Square.

Figure 1 - FirstOntario Centre Adjacent Land Uses¹



- | | | |
|--|---|--|
| A Federal Government Office Tower | F Philpott Memorial Church (Vacant Site) |  Jackson Square Terrace |
| B Standard Life Centre Office Tower | G Philpott Memorial Church | |
| C Sheraton Hotel | H Salvation Army Men's Shelter | |
| D Jackson Square Mall | I Retail Strip Mall | |
| E Hamilton Public Library/Farmer's Market | J Low-rise Commercial Building | |

¹ Developed with Geographic Information System ("GIS") and EY research.



FirstOntario Concert Hall

First opened in 1973, the FirstOntario Concert Hall is a multi-use music, performing arts and events venue which is comprised of two (2) spaces; the Great Hall, with a capacity of 2,193 seats and the Studio, with a capacity of 350 seats. The spaces share an entry concourse with F&B offering and may often be used together with the Studio supporting larger events in the Great Hall. Noted for its strong acoustic qualities, the Great Hall has delivered a wide range of musical and theatrical performances while the Studio acts as a setting for more intimate, local concerts, other live performances and film production. The facility is home to the Hamilton Philharmonic Orchestra.


The FirstOntario Concert Hall is situated adjacent to Main Street West across from City Hall, with adjacent land uses as outlined in Figure 2 below. It's main point of entry is the below-grade Summers Lane entryway, which connects to a municipal parking garage. While the entrance provides some animation to the street front corner, there is limited connectivity to the adjacent Commonwealth Square.

Hamilton Convention Centre

First opened in 1981, the Hamilton Convention Centre was one of Ontario's original purpose-built convention facilities with several competing venues built shortly thereafter. Spread across three (3) levels, it offers a total rentable area of approximately 54,000 sf which, comprised of 20,000 sf of exhibit/conference space, 20,000 sf of ballroom space and 14,000 sf of meeting and break-out rooms. The facility benefits from a direct overpass connection to the Hamilton Sheraton Hotel. The Hamilton Convention Centre is situated adjacent to the FirstOntario Concert Hall, with the building's northern brick facade fronting along King Street West, with adjacent land uses outlined in Figure 2 below.

Figure 2 - FirstOntario Concert Hall / Hamilton Convention Centre Adjacent Land Uses²



- | | | |
|----------------------------------|----------------------------------|---|
| A Sheraton Hotel | D Heritage Courthouse |  Commonwealth Square |
| B Art Gallery of Hamilton | E Government Office Tower | |
| C City Hall | F Jackson Square Mall | |

² Developed with GIS and EY research.



2.2 Current Facility Utilization

To establish a baseline level of demand for the City's Entertainment Venues, different approaches may be employed for the arena and conference facilities. An analysis of the 2018 event breakdown and average per-seat event attendance will be considered relative to historical performance for arena venues. Conference facility utilization is typically conducted by considering utilization relative to industry benchmarks, coupled with an assessment of the key event segments driving facility revenues.

FirstOntario Centre

Using data provided to EY by Spectra, in Table 1 below we have presented a summary breakdown of the events and revenue for 2018. From this data, the following major observations were identified:

- ▶ With a capacity of 17,400, in 2018 the average per-event facility utilization rate was 28% where 13 of the 98 events held required the use of the Upper Bowl seating.
- ▶ With the Hamilton Bulldogs and Hamilton Honey Badgers as the facility's lead tenants, total attendance at their events in 2018 represented approximately one-third of the total attendance with per-event attendance of 3,429. On average, non-sporting events draw a per-event average attendance of 6,377 in 2018, which is 85% larger than the facility's anchor tenant.
- ▶ From an income perspective, cultural programming such as major concerts, Disney on Ice, and Cirque du Soleil are the major drivers of Direct Event Income at the facility, with 87% of the total income. Major concerts and Disney on Ice alone contribute 67% of the Direct Event Income.
- ▶ From our discussions with industry stakeholders, we understand that a pre-negotiated agreement with the Hamilton Bulldogs provides the organization with greater revenue-share and control of ticket sales relative to other comparable markets. As such, the current facility manager budgets for an annual operating loss for Regular Season Hockey Event Income.³

Table 1 - FirstOntario Centre 2018 Event Breakdown

2018 FirstOntario Event Attendance & Income by Type						
Event Type	Count	Attendance	Income	Avg. Attendance	Avg. Income ⁴	
Regular Season Hockey	34	102,394	-\$97,105	3,012	-\$0.95	
Major Concerts	9	97,228	\$1,279,183	10,803	\$13.16	
Disney on Ice & Marvel	16	78,351	\$549,065	4,897	\$7.01	
Hockey Playoffs	12	55,110	\$15,056	4,593	\$0.27	
Cirque Du Soleil	7	29,710	\$195,069	4,244	\$6.57	
Religious	4	27,000	\$44,517	6,750	\$1.65	
Monster Jam	2	21,762	\$118,610	10,881	\$5.45	
Minor Concerts	4	21,601	\$114,518	5,400	\$5.30	
Stars on ice	1	14,745	\$131,459	14,745	\$8.92	
Special Events	2	14,635	\$244,307	7,318	\$16.69	
Community Events	2	12,000	\$35,484	6,000	\$2.96	
Consumer Shows	2	6,660	-\$14,990	3,330	-\$2.25	
Misc. Sports	2	4,240	\$73,449	2,120	\$17.32	
Globetrotters	1	3,671	\$45,160	3,671	\$12.30	
2018 Total / Avg.	98	489,107	\$2,733,782	4,991	\$5.59	

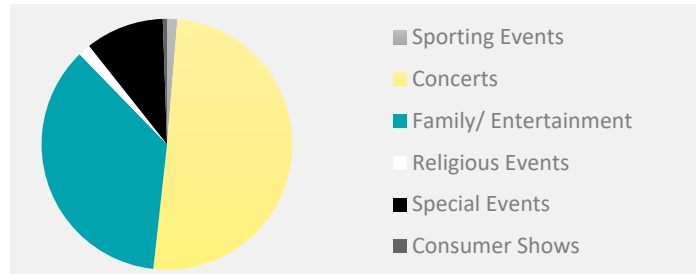
³ Other non-operating income (e.g. naming rights) depend greatly on the facility's aggregate attendance level.

⁴ Includes Direct Event Income and F&B Operating Income, Facility Fees, and Ancillary Income for Spectra.



Figure 3 - 2018 FirstOntario Centre Event Income Composition

To further demonstrate the 2018 Direct Event Income composition at FirstOntario Centre, segmented data has been presented in Figure 3 where it is evident that Concerts, Family/Entertainment and Special Event segments driving nearly all of the Direct Event Income.



In terms of how the 2018 event schedule compared to previous years' performance, EY has considered the historical event breakdown from 2013 to 2018 in Table 2. Based on our assessment, we feel this data provides the evidence to suggest that recurring market demand for a wide variety of programming in the Hamilton market exists, with cultural segments of event programming seeing the largest growth.

Table 2 - FirstOntario Centre Historical Event Breakdown (2013 - 2018)

FirstOntario Centre Historical Event Breakdown (2013 - 2018)						
Event Classification	2013	2014	2015	2016	2017	2018
Sporting Events	32	40	42	41	41	49
Family/Entertainment	12	23	20	18	19	26
Concerts - Full House	5	5	3	9	6	9
Concerts - Half House	5	7	6	5	3	4
Religious Events	2	1	0	0	0	4
Special Events	3	3	4	1	1	4
Consumer Shows	0	0	0	0	2	2
Total Events	59	79	75	74	72	98

From our assessment of this historical data, the following major observations have been identified that may be further referenced throughout this Entertainment Venues Review, including:

- ▶ The utilization of the FirstOntario Centre is naturally impacted in any given year by the performance of the Hamilton Bulldogs. Should they advance to the playoffs, the average per-seat attendance at their games increases dramatically and additional games are held. As a lead tenant, the Hamilton Bulldogs represent a stable attendee base driving overall attendance at the facility which can create cross-promotional and advertising opportunities.
- ▶ Since Spectra assumed management of FirstOntario Centre in 2013, there has been a considerable, recurring increase in both the number of events and average non-sporting per-event attendance, particularly in for Concerts and Family/Entertainment event segments.
- ▶ Acknowledging that 2013 was a turnover year in the management of the FirstOntario Centre, EY further considered data for the 2008 - 2010 period, where an average annual event count of 85 occurred.
 - Despite these somewhat higher total event counts from 2008 - 2010, it is worth noting that the average per-event attendance for Concert Events was 7,305 during this period, which is 25% less than the 2018 average of 9,140. The total number of Concert Events also decreased by nearly 50% over the 2008-2010 period.



- ▶ The decline in half-house concerts over the 2013 - 2018 period we understand may result in part from current management’s approach to balancing the promotion of the Great Hall as a desirable alternative to holding smaller-sized shows at the FirstOntario Centre, potentially opening up the schedule for larger, more profitable events.
- ▶ Acknowledging the record performance in 2018 and the ability of current management to outperform both its own historical performance and the historical performance of the previous facility manager, we feel the 2018 event schedule provides a valuable indication of expected market demand level for the Hamilton market in the current facility.

While the market demand for higher-order entertainment programming in Hamilton would appear to be growing, given the low utilization levels of the FirstOntario Centre we believe that a misalignment exists between market demand and the facility’s large capacity. Natural market growth, in our view, is unlikely to create sufficient demand to ensure on-going commercial viability.

Based on the growth in demand for the highest revenue-generating segments of programming, we do however believe that sufficient market demand does exist to support a “right-sized” facility over the long-term.

FirstOntario Concert Hall

Using data provided by Spectra, in Table 3 and Table 4 we have tabulated the 2018 event and revenue breakdowns for the Great Hall and Studio spaces, which include summary observations.

Table 3 - FirstOntario Concert Hall 2018 Event Breakdown (Great Hall)

Great Hall 2018 Event Breakdown					
Event	Events	Attendance	Revenue	Avg. Attendance	Avg. Income
Concerts	23	32,592	\$313,994	1,417	\$9.63
Graduations	21	27,093	\$99,494	1,290	\$3.67
Mix Family Shows	14	21,600	\$261,627	1,543	\$12.11
HPO Symphony	10	15,395	\$88,970	1,540	\$5.78
Performing Arts	11	13,344	\$109,513	1,213	\$8.21
Dance recitals	10	10,385	\$85,099	1,039	\$8.19
Comedy	6	10,054	\$107,293	1,676	\$10.67
Broadway	6	9,339	\$39,095	1,557	\$4.19
Dance Competitions	4	3,862	\$102,888	966	\$26.64
Religious	2	3,278	\$13,227	1,639	\$4.04
Misc. Other	4	1,910	\$21,432	478	\$11.22
Total Events	111	148,852	\$1,242,632	1,341	\$8.35

- ▶ In 2018, the variety of programming offering in the Great Hall is demonstrated by the facility’s event composition; Performing Arts (24%), Concerts (21%), Graduations (19%), and Family Shows/Entertainment (18%) all had similar proportions of total events in 2018.
- ▶ In addition to the number of events across categories, viable demand is demonstrated across segments through comparable average per-event utilization. Performing Arts (67%), Concerts (67%), Family/Entertainment (75%) and Graduations (61%) all have reasonably strong average per-event facility utilization rates.



- ▶ With a capacity of 2,193, the facility had an average per-event utilization rate of 61%, with 38 selling over 75% of seats. The facility’s lead tenant had an average per-event facility utilization of 70%, with many of their performances being sold out at capacity.
- ▶ The Direct Event Income for the Great Hall is largely split among four (4) segments of programming, including Family Show/Entertainment (30%), Concerts (25%), Performing Arts (19%) and Dance-Related Rentals (15%).

Table 4 - FirstOntario Concert Hall 2018 Event Breakdown (Studio)

The Studio 2018 Event Breakdown					
Event	Events	Attendance	Revenue	Avg. Attendance	Avg. Income
Theatre & Concerts	23	5,298	44,568	230	\$8.41
Misc. Other	14	1,793	13,725	128	\$7.65
Performing Arts	3	251	1,902	84	\$7.58
Total Events	40	7,342	60,195	184	\$8.20

- ▶ With a capacity of 350, the average per-event utilization of the Studio space was 52%, with concerts routinely performing above the 75% event utilization marker.
- ▶ As performing arts performances will often include specialized stage design, the actual capacity for individual events can differ and may skew the overall per-event utilization.
- ▶ It is also acknowledged that the Studio space often may be considered a valuable marketing tool for events in the Great Hall. For example, staging areas for graduations or awards ceremonies and more intimate pre and post-show performances may take place but may not be recorded as a ticketed event for the Studio.

In terms of how the 2018 utilization compares to the historical performance, further data from Spectra identified in Table 5 provides event segmented data from 2013 to 2018 for both the Great Hall and Studio.

Table 5 - 2014-2018 FirstOntario Concert Hall Historical Event Breakdown

2014-2018 FirstOntario Concert Hall Historical Event Breakdown (Great Hall & Studio)					
Event Classification	2014	2015	2016	2017	2018
Concerts	41	40	41	43	46
Graduation	17	17	21	20	21
Family Show/Entertainment	28	18	15	18	26
Performing Arts	19	14	14	16	20
Dance-Related	15	13	13	12	14
Misc. Other	13	8	9	14	17
Religious	3	3	1	1	2
Total Events	136	113	114	124	146

- ▶ Based on this data, we can see that over the 5-year period, 2018 recorded the highest overall number events at the FirstOntario Concert Hall. With some fluctuation, since 2013 there would appear to an overall general upward trajectory in the utilization of the FirstOntario Concert Hall.

- ▶ From 2014, volumes of Concerts, Graduations, Family Shows/Entertainment and Performing Arts have all contributed somewhat equally to the growth in the overall facility utilization, providing evidence of broad market demand from a variety of programming offered.

Based on the per-event attendance levels at the FirstOntario Concert Hall, we would consider the facility to be "right-sized" for this market. As both the number of events and per-event utilization demonstrate historical growth across a variety of event segment types, demand fundamentals exist to augment the facility's future on-going commercial viability.

Hamilton Convention Centre

Comparing utilization rates across convention centres can often be challenging as the approach used can vary across facilities. However, industry-wide data typically identifies a benchmark of 60% utilization as representing near-capacity given the seasonality of events and move-in/move-out days.

The current operator of the Hamilton Convention Centre, Carmen's Group, tracks utilization based upon the number of days per year in which the facility holds events. Using this methodology, the Hamilton Conference Centre has experienced average utilization of 57% for 2017 and 2018. Using this methodology, the current utilization would appear to be nearing full capacity.

While acknowledging the frequency of events being in line with industry-wide benchmark utilization, under this methodology we would note that it is challenging to understand the total amount and type of space being rented, driving the convention centre's overall business. We were unable to assess key drivers of revenue-generation with no segmented financial data available. Carmen's Group additionally provided EY with a historical breakdown of events by segment from 2014 - 2015, which is provided in the table below.

Table 6 - Hamilton Convention Centre Historical Event Summary (2014 - 2017)

Hamilton Convention Centre Historical Event Summary (2014 - 2017)				
	2014	2015	2016	2017
Other ⁵	46	48	52	52
Galas	22	25	24	28
Conferences/Conventions	23	28	26	24
Meetings	25	28	26	21
Trade Shows	6	12	12	10
Weddings	6	10	10	8
Total Events	128	151	150	143

- ▶ In terms of the event composition, the proportion of traditional conference-style events held at the Hamilton Convention Centre (e.g. conferences, trade shows, meetings) has decreased to 38% in 2018 from a 3-year historical average of approximately 43%.
- ▶ The "Other" segment, which accounts for over 35% of all events, includes facility rental uses which are not typically representative of a conference centre business, such as school formals and dance competitions. It is further noted that this is the only event segment which has seen consistent, recurring growth at the Hamilton Conference Centre from 2014 - 2018.

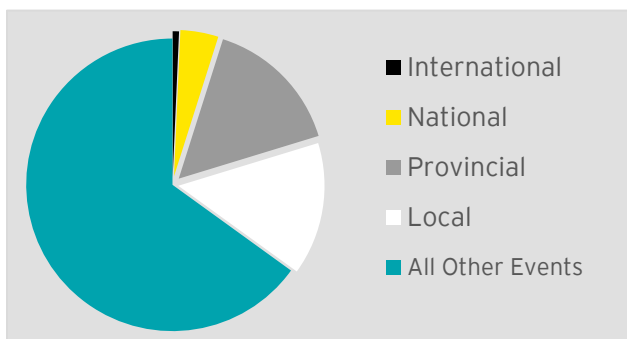
⁵ Includes dance competitions, school formals, exams, room rental, holiday parties, graduation, and special events.



The economic rationale for conference centre investment is driven by the associated economic, civic, and tourism benefits to the local economy. While later sections of the report will discuss the market viability and building design limitations which impact marketability of the existing facility, the historical analysis of events based on geographic origin would suggest these desired outcomes may not align to the current drivers of business today for the Hamilton Convention Centre.

EY reviewed the Carmen's Group 2018 annual report, which identified the specific 22 conferences, 8 trade shows, and 13 special events for the year. This segment of 43 events represents 30% of all events held, but is often considered the key driver of local economic impact and tourism spending, subject to area of geographic origin. Based on our assessment of the 43 events, we identified the following breakdown:

Figure 4 - Breakdown of 2018 Conference, Trade Show, and Special Events by Geographic Origin



With 30% of all events held at the facility representative of traditional conference business, only 20% are assumed to be driving local tourism and economic spending given geographic area of origin as a provincial, national, or international event. This would be proportionately lower than other more traditional conference centres who would see higher numbers of provincial, national, or international events.

In discussion with Tourism Hamilton, we were provided with additional data pertaining to lost traditional conference business which resulted from scheduling challenges with other more local events being held at the facility. Since 2016, the City has been unable to bid on 13 provincial/national conferences which would have booked over 6,600 room nights due to scheduling conflicts with local events.

The breakdown of events by geographic origin data at the Hamilton Convention Centre would not appear to be drawing significant international, national, or provincial business to support local economic impact generation. The marketing efforts to draw this type of business may be limited by scheduling conflicts with the facility's more local events business.

2.3 Current Financial Operating Assessment

The following section of the report summarizes the 2018 operating environment for each of the facilities, comparing the current operations to comparable facilities where data is available.

FirstOntario Centre & FirstOntario Concert Hall

Outlined below in Table 7 are the 2018 operating statements for the FirstOntario Centre and FirstOntario Concert Hall, which are collectively subject to a management agreement with Spectra. The following material terms of the agreement should be noted:

- ▶ The City is required to guarantee a minimum annual net loss of \$1.4 million to Spectra, which is split at 70% and 30% for the City and Spectra, respectively with any operational surplus credited. In addition, Spectra is provided with a base management fee of \$450,000.
- ▶ The City is also responsible for covering a utility subsidy equal to \$1.2 million per year, the 2011 cost of utilities. Spectra is responsible for any additional costs above this amount.
- ▶ The City is responsible for all capital costs while Spectra is responsible for all operating costs.



Table 7 - 2018 Spectra Operating Statements

Spectra 2018 Management Operating Statements			
	FOC	FOCH	Combined
Direct Event Income	\$738,627	\$651,088	\$1,389,715
Net Ticketing Revenue	\$779,075	\$276,971	\$1,056,046
Facility Fees	\$437,790	\$224,853	\$662,643
Suite Revenue	\$28,152	\$541	\$28,693
Ancillary Income	\$750,137	\$149,354	\$899,491
Total Event Income	\$2,733,781	\$1,302,807	\$4,036,588
Other Income	\$613,450	\$185,527	\$798,977
Total Income	\$3,347,231	\$1,488,334	\$4,835,565
Indirect Expenses	\$2,897,194	\$1,914,638	\$4,811,832
Net Operating Income (loss)	\$450,037	-\$426,304	\$23,733
Proportionate Management Fee	(\$401,538)	(\$48,462)	(\$450,000)
Proportionate Net Loss Subsidy	(\$261,196)	(\$31,524)	(\$292,720)
Proportionate Utility Subsidy	(\$1,070,769)	(\$129,231)	(\$1,200,000)
Net City Proceeds	(\$1,283,467)	(\$635,520)	(\$1,918,987)

For the 2018 operating year, the estimated total subsidy which the City will be contributing to the operation of these venues is approximately \$1.9 million, a \$680,000 decrease from the 4-year average subsidy of \$2.6 million. Solid operating results have contributed to this reduction, including an increase of 47 events across both venues, increased revenue from large shows (e.g. BTS) and an approximate \$200,000 indirect expense savings. In 2018, an operating profit of \$23,788 was recorded while a 2018 (\$807,726) operating loss was budgeted for.

For the previous 5-year period from 2013-2017, the City contributed a total operating subsidy of nearly \$12.5 million, or \$2.5 million per year. In Table 8, the impact to the City's operating subsidy on changes in the level of cultural programming may be seen.

Table 8 - FirstOntario Centre Event Breakdown & Net Subsidy Impact

Impact of Event Segment to City's Operating Subsidy						
	2013	2014	2015	2016	2017	2018
Sport	32	40	42	41	41	49
YoY		25%	5%	-2%	0%	20%
Cultural	27	39	33	33	31	49
YoY		44%	-15%	0%	-6%	58%
Subsidy	\$2,166,667	\$2,616,000	\$2,616,000	\$2,616,000	\$2,616,000	\$1,918,987

As per-ticket income for cultural programming are significantly greater than OHL sport events in Hamilton, Hamilton Bulldog's attendance levels are less impactful to reducing the City's net subsidy, creating the need for more cultural programming. This may be exacerbated in Hamilton with the City's current management agreement with Spectra and revenue-sharing agreement with the Hamilton Bulldogs.



To consider the relative financial performance of the FirstOntario Centre operations to comparable facilities, Budweiser Gardens, London ON and Scotiabank Place, Halifax NS were considered. As few direct comparable venues exist, considering these facilities are both situated in similar-sized markets, have a similar mix of sport and non-sport event programming, and neither of which house a national, professional-level sports franchise (e.g. NHL, NBA, MLB), they represent reasonable comparisons.

- ▶ Relative to FirstOntario Centre, both of the comparable venues' operating structure is highly differentiated by their higher "Other Income" which includes premium box sales, naming rights and other promotional and/or advertising revenue streams.
- ▶ Budweiser Gardens, which has a greater proportion of cultural events than Scotiabank Place, would collect great "Other Income" due to higher premium box and cross-promotional sales within this event segment.
- ▶ The outsized expenses relative to income at FirstOntario Centre, we feel, further demonstrates the mis-alignment between operating costs of the current facility given its capacity and the relative income potential of a facility with similar design attributes.

Table 9 - FirstOntario Centre Relative Financial Performance

FirstOntario Centre		\$/Seat	Budweiser Gardens		\$/Seat	Scotiabank Place		\$/Seat
Total Capacity	17,400		9,500			10,595		
Event Income	\$2,733,781	\$157	\$2,603,645		\$274	\$3,300,000		\$254
Other Income	\$613,450	\$35	\$3,718,498		\$391	\$3,600,000		\$277
Total Income	\$3,347,231	\$192	\$6,322,143		\$665	\$6,900,000		\$531
Expenses	\$4,560,527	\$262	\$6,319,745		\$665	\$6,896,982		\$531

While both Budweiser Gardens and Scotiabank Place would appear to operate on a nearly "net-even" basis, municipal revenues are collected from lease payments and/or facility fees.

In a hypothetical arena facility of 10,000, event income based on the current level of demand would be aligned on a per-seat basis to these comparable arena facilities. With additional revenue drivers such as enhanced F&B, premium box seating and promotional partnerships, a similar operating environment would likely be achieved as other commercially viable venues.

Despite the best efforts and recent successes of the current management, we would expect a net operational subsidy for the City to continue for the foreseeable future in the current facility.

Acknowledging the operating losses at the FirstOntario Concert Hall, the venue's per-event utilization and revenues are reasonably strong under a "right-sized" facility size of 10,000, an event income of \$273 based on demand today would be comparable to facilities identified.



Hamilton Convention Centre

Outlined in Table 10 are the Carmen’s Group 2018 and 2017 operating statements, which highlight the organization operates at net profit, while also providing the City with a \$165,000 annual utility subsidy.

Table 10 - 2018 Carmen’s Group Operating Statement

2018 Carmen’s Group Operating Statement		
	2018	2017
Sales	\$3,813,605	\$3,420,733
Other Income		\$125,000
Event Costs	\$1,392,407	\$1,416,862
Corporate Expenses	\$2,272,189	\$1,965,274
Net Earnings Before Income Tax	\$149,009	\$163,597

From an operational perspective, the 2018 and 2017 financial data illustrates the capacity of the Carmen’s Group to run a successful commercial operation in the existing Hamilton Conference Centre.

Given the on-going, annual reduction in the City subsidy from 2013 - 2016, and the net contribution to the City in 2017 and 2018 from a utility subsidy, we would assume that the agreement with Carmen’s Group in the existing facility will continue to provide a net operating benefit to the City for the foreseeable future.

As we explore more fully in Section 4, given the unique event breakdown at this facility, limitations would exist in any comparative analysis of financial performance to other conference facilities.

2.4 Capital Investment Requirements

While Sections 2.3 and 2.4 have focused on identifying the baseline, current utilization and financial operating environment for the three (3) entertainment venues, capital investment requirements are an additional critical point of consideration. As municipal assets ranging from 34 to 46 years old, the remaining economic life of these facilities is constrained by a series of mechanical, structural, and commercial considerations.

With a currently budgeted annual capital spend for all three (3) Entertainment Venues of \$800,000, funding levels are insufficient to support the renewal of key systems, requiring staff to manage these systems on run-to-fail basis. To estimate the baseline level of additional capital investment required to sustain the Entertainment Venues in their current form, EY employed the following methodology.

FirstOntario Centre

Using the City information report dated 7 December 2018 and entitled “Capital Lifecycle Renewal - FirstOntario Centre Brine Lines and Ice Plant Safety”, a series of staff-recommend capital investment items have been identified in Table 11 as part of a 5-year budget outlook to 2024 and have been used to inform our analysis of baseline capital investment requirements for FirstOntario Centre, which have been reviewed by City capital planning staff.



Table 11 - FirstOntario Centre Baseline 5-Year Capital Budget

FirstOntario Centre 5-Year Capital Budget - Total Hard & Soft Cost Estimates						
	2019	2020	2021	2022	2023	2024
Brine Lines	\$730,000	\$6,570,000				
Roof		\$700,000	\$6,300,000			
Mechanical			\$1,500,000	\$6,750,000	\$6,750,000	
AODA					\$500,000	\$4,500,000
Annual Total	\$730,000	\$7,270,000	\$7,800,000	\$6,750,000	\$7,250,000	\$4,500,000
5-Year Total	\$34,300,000					

FirstOntario Concert Hall & Hamilton Convention Centre

Using the 2016 V2PM Facility Capital Planning Reports (“V2PM Report(s)”) provided to EY, order of magnitude investment requirements are presented based on a 5-year timeframe from 2016. These reports present three (3) investment options for each facility based upon progressive levels of criticality, with Priority 1 being the highest priority items. Priority 1 recommendations have been identified as “systems that have reached the end of their service life or beyond. In some cases, these items risk catastrophic failure for the entire facility.”⁶ In developing a current estimate of capital investment requirements, EY considered the Priority 1A investment option presented in the V2PM Reports, and calculated a Remaining Priority Capital Balance.

This calculation uses the Priority 1A 5-Year investment requirements identified in the V2PM report and subtracts the total capital investments made in these venues since 2016. Using this calculation, a 5-year allocation from 2019-2024 has been calculated. While we acknowledge that the variable nature of capital investment planning, this analysis is intended to act as a proxy that identified the investments which will be required to ensure the on-going operation of these Entertainment Venues.⁷ For detail on assumptions employed in developing the following Remaining Priority Capital Balance Calculations and 5-year 2019 budgets identified on the following page in Table 12, with further details in Appendix A.

It should also be noted that while outside of the scope of our analysis, additional capital requirements for the Commonwealth Square, Summer’s Lane, and Pedestrian Bridge connection to the Hamilton Convention Centre may also require consideration. The FirstOntario Concert Hall and Hamilton Convention Centre both have building egresses integrated into these three (3) structures.

⁶ V2PM, *Facility Capital Planning Reports, Section 1.2.2.2 - Priority Definitions*. (1 December 2016)



Table 12 - FirstOntario Concert Hall & Hamilton Convention Centre Estimated 2019 5-Year Priority Capital Budgets

FirstOntario Concert Hall							
Remaining Priority Capital Balance Calculation							
2016 V2PM Hard Cost Estimate							\$5,704,003
Soft Cost Assumption							\$1,996,401
Design/Scope Variability Contingency							<u>\$1,140,801</u>
2016 Total 5-Year Capital Requirement							\$8,841,205
2016 Total 5-Year Capital Requirement							\$8,841,205
2016-2019 Capital Spent							<u>\$875,708</u>
Remaining Balance (\$2016)							\$7,965,497
Remaining Balance (\$2019)							\$8,831,489
5-Year Capital Budget - Total Hard & Soft Costs							
	2019	2020	2021	2022	2023	2024	
Annual Estimate	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915
Hamilton Convention Centre							
Remaining Priority Capital Balance Calculation							
2016 V2PM Hard Cost Estimate							\$5,189,183
Soft Cost Assumption							\$1,816,214
Design/Scope Variability Contingency							<u>\$903,922</u>
2016 Total 5-Year Capital Requirement							\$7,909,319
2016 Total 5-Year Capital Requirement							\$6,102,287
2016-2019 Capital Spent							<u>\$2,299,882</u>
Remaining Balance (\$2016)							\$3,802,515
Remaining Balance (\$2019)							\$4,035,259
5-Year Capital Budget - Total Hard & Soft Costs							
	2019	2020	2021	2022	2023	2024	
Annual Estimate	\$672,543	\$672,543	\$672,543	\$672,543	\$672,543	\$672,543	\$672,543

Using the baseline capital budgets, aggregate summary costs has been provided for in Table 13.

Table 13 - Baseline Aggregate 2019 5-year Capital Budget Estimates

Aggregate 5-Year 2019 5-Year Capital Budget Estimates							
	2020	2021	2022	2023	2024	2025	
FOC	\$730,000	\$7,270,000	\$7,800,000	\$6,750,000	\$7,250,000	\$4,500,000	
FOCH	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	
HCC	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	
Annual Total	<u>\$3,238,482</u>	<u>\$9,778,482</u>	<u>\$10,308,482</u>	<u>\$9,258,482</u>	<u>\$9,758,482</u>	<u>\$7,008,482</u>	
Total Capital Requirement	\$49,350,894						



While contemplating various investment and/or divestment options for the City's Entertainment Venues, the total capital investment required to sustain the current assets in their current working order is a material consideration, estimated at nearly \$50 million over the medium-term. Once these capital investments are made, additional on-going lifecycle maintenance will be required. The City is currently under-investing based on the Canadian Infrastructure Report Card requirements.

The level of investment required to continue operating venues which may not necessarily align to their intended use and/or cannot operate in a financially sound manner may be balanced against the net, additional cost of a major renovation and/or relocation.

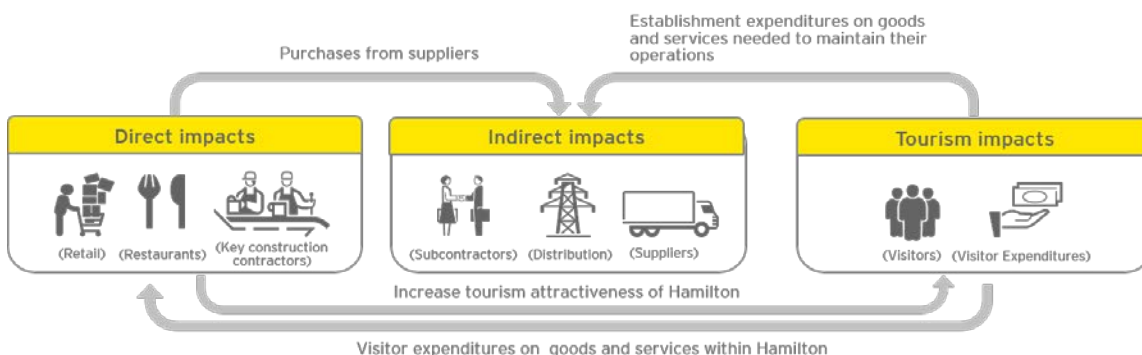
It should also be noted that these estimates exclude any additional capital investment which may be required to the Commonwealth Square and Summer's Lane parking garage

2.5 Baseline Economic Impact Analysis

To derive the potential economic impacts associated with the Hamilton Convention Centre, the FirstOntario Centre and the FirstOntario Concert Hall (collectively the "Entertainment Assets"), EY carried out a comprehensive economic impact assessment ("EIA") using national accounts data from Statistics Canada, operational and capital expenditure data from key stakeholders, estimated tourism expenditures and combined it with our own proprietary economic modeling tools and techniques. Specifically, these impacts are captured through two distinct channels, which includes both direct and indirect impacts. More intuitively, we define each of these impacts as follows:

- ▶ **Direct impacts** include the "incremental" economic impacts supported directly by the capital, operational, and tourism expenditures associated with the Hamilton Convention Centre, the FirstOntario Centre and the FirstOntario Concert Hall. These impacts represent "value-added" contributions to the economy and include, for example, the monies spent on renovations for the three facilities or wages paid to employees. In terms of tourism impacts, direct impacts would be measured by the output, value-added, wages and jobs created as a result of visitor expenditures on goods and services such as hotels, restaurants, bars, etc.
- ▶ **Indirect impacts** include the economic impacts from business activities supporting the operations of the Hamilton Convention Centre, FirstOntario Centre and the FirstOntario Concert Hall, as well as establishments in which visitors spend their money. The indirect impacts include, among other things, the impacts from suppliers' spending when purchasing goods and services from other suppliers in the area. For the three facilities, this could include expenditures by general contractors on goods and services such as lumber, equipment and labour. For tourism, this would include the money restaurants spend on suppliers for their goods, such as food wholesalers, etc.

Figure 5 - Illustrative Example of Direct & Indirect Economic Impact Interconnectedness





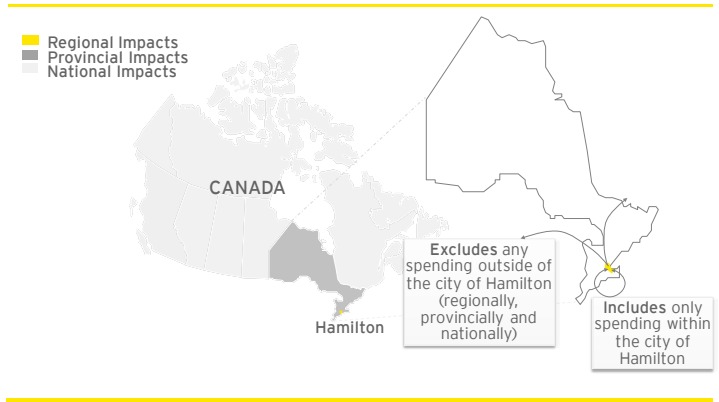
The Model

To calculate the economic impacts, EY employed the use of a static I-O model. This method was selected due to its flexibility in providing a reliable, cost efficient way to assess the regional impacts associated with the three entities within the City of Hamilton. For tourism related impacts, a slight adjustment to the model was made, which is discussed in further detail in Appendix B.

Specifically, the model translates direct impacts into indirect impacts, which collectively define the total economic impacts generated by the three facilities within the City of Hamilton. These impacts are measured in term of the following economic indicators:

- ▶ **Gross Output:** The total economic activity of new goods and services because of activities occurring within a particular area (i.e., City of Hamilton). This is a broader measure of the economy in comparison to GDP;
- ▶ **Gross Domestic Product ("GDP"):** GDP, or local value added, is a measure of the value of all final goods and services produced in a specific region;
- ▶ **Wages or labour income:** A component of the local value-added that measures total employee compensation and proprietor income; and
- ▶ **Full-time equivalent employment ("FTEs"):** This refers to the total number of employee jobs that are converted to full-time equivalence based on the average full-time hours worked.

Figure 6 - Example of Regional Economic Impacts



To ensure that the most reliable estimates are provided, provincial multipliers supplied by Statistics Canada have been adjusted to the regional level using a methodology first proposed by Flegg et al. (1995). For a description of this methodology, please refer to Appendix B.

Capital and Operational Expenditure Descriptions

A brief description of the operational expenditures ("OPEX") and capital expenditures ("CAPEX") associated with Hamilton's entertainment assets are described below. In working with key stakeholders, EY was able to obtain and derive approximate CAPEX and OPEX for years 2018 through 2024. These approximations formed the basis of our analysis in assessing the current state of the Entertainment Assets.

Operational Expenditures

Data on general OPEX from key stakeholders was collected. OPEX refer to the day-to-day maintenance and administrative costs associated with running a business and include line items such as professional fees, wages & salaries and travel expenses, etc.



Specifically, OPEX can be categorized into the following manner:

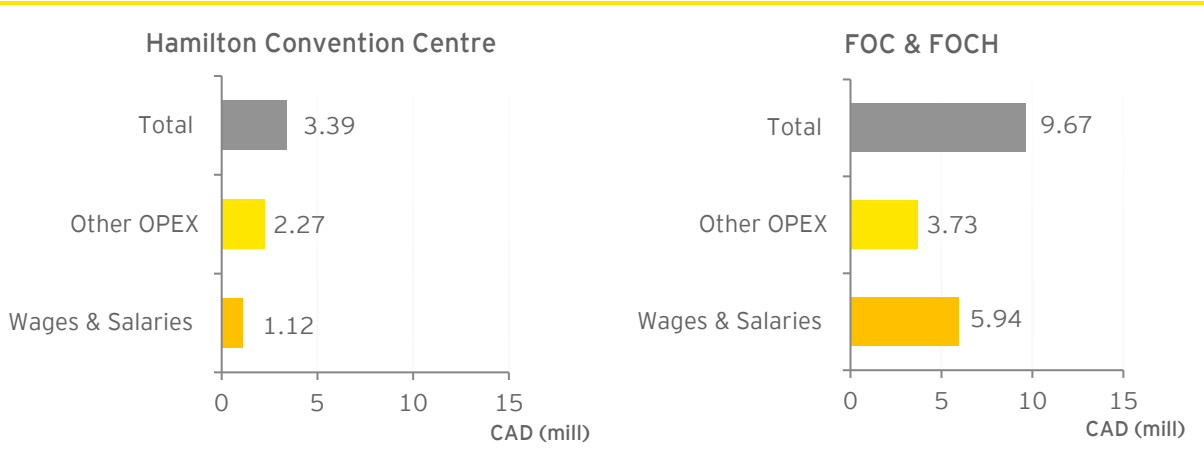
- ▶ **Fixed Costs:** costs that do not change over time and must be paid regardless of the business' activities or performance. An example of this would be rent fees for a facility. Other examples of fixed costs include overhead costs, insurance, and equipment costs.
- ▶ **Variable Costs:** costs that vary (i.e., change) over time with production. The relationship between variable costs and production is positively correlated, indicating that as production increases so too do these costs. Examples of variable costs include raw input material costs, payroll, utilities, etc.
- ▶ **Semi-Variable or Semi-Fixed Costs:** costs that have criteria which satisfy both variable and fixed costs. These costs vary in part with increases or decreases in production, but still exist when production is zero.

Since there is little change in OPEX from year-to-year, our analysis is specifically focused on OPEX which occurred within the 2018 fiscal year ("FY"). As a result, OPEX impacts can be interpreted as sustainable annual contributions to the local economy, indicating that they are to be maintained in every subsequent year from the selected base year (i.e., from 2018 onwards).

Operational Spending of Entertainment Assets

Total OPEX for the Entertainment Assets for 2018 was approximately CAD \$13 million. In particular, the Hamilton Convention Centre spent approximately CAD \$1.12 million (~33%) on wages and salaries, while the remaining CAD \$2.27 (~67%) in OPEX was spent on other expenses such as utilities, professional fees, travel expenses, etc. Likewise, for the FOC and FOCH, approximately 61% of all OPEX for the year were spent on salaries for both day-to-day and event staff, while the remaining 39% was on other items.

Figure 7 - Entertainment Assets Operational Expenditures



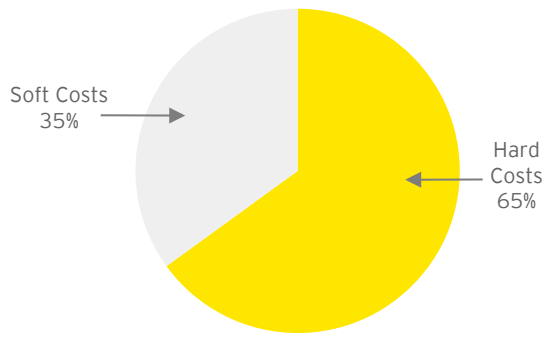
Notes: Numbers have been rounded and are in millions. Figures represented in 2015 dollars.
Sources: Stakeholder data and EY calculations.



Capital Expenditures

CAPEX for the Hamilton Convention Centre, FirstOntario Centre and the FirstOntario Concert Hall were also collected. CAPEX refers to funds used to acquire, upgrade, and maintain physical assets such as property, buildings, technology and equipment, etc. A breakdown of CAPEX for each entertainment asset is described below and covers a period from 2018 to 2024 and can be interpreted as a one-time shock to the local economy. Moreover, based on key stakeholder documentation, for years 2018 through 2024, 35% of total CAPEX is assumed to be used towards soft related costs, while the remaining 65% is allocated towards hard related costs.

Figure 8 - Hard Versus Soft Costs for Entertainment Assets

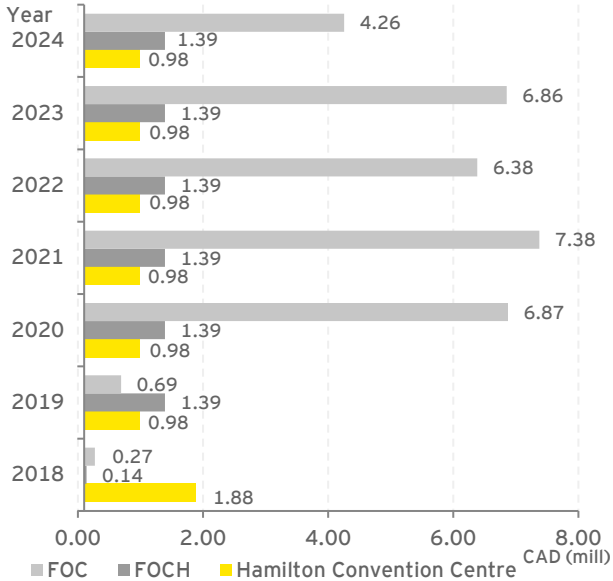


Notes: Percentages apply to all entertainment assets, which includes the Convention Centre, FirstOntario Centre and the FirstOntario Concert Hall.
Sources: Stakeholder data and EY assumptions.

Capital Spending of Entertainment Assets

Total CAPEX for the Hamilton Convention Centre, FirstOntario Centre and the FirstOntario Concert Hall from 2018 to 2024 are estimated to be CAD \$7.76 million, CAD \$32.70 million and CAD \$8.48 million respectively. The life cycle and distribution of these expenditures are displayed in Figure 9. The life cycles and distribution of expenditures have been determined based on EY assumptions and key stakeholder data. For the FirstOntario Centre, the distribution and timeline of expenditures follows those outlined in the "Capital Lifecycle Renewal-FirstOntario Centre Report". Likewise, for both the FirstOntario Concert Hall and Hamilton Convention Centre, the distribution of expenditures assumes that all unused CAPEX funds allocated to priority-1 items from the facilities Capital Plan Reports would be used in equal amounts across years 2019-2024. CAPEX for 2018 was derived from historical estimates provided by key stakeholders.

Figure 9 - Entertainment Assets Capital Expenditures







Notes: Numbers have been rounded and are in millions. Figures expressed in 2015 dollars.
Sources: Stakeholder data and EY calculations & assumptions.



Economic Impact Results

The total economic impacts associated with the operational and capital expenditures of the Entertainment Assets are displayed in **Table 15**.

Table 14 - Summary of Economic Impacts

				
Impact	FTEs	Wages (\$ mn)	GDP (\$ mn)	Output (\$ mn)
OPEX				
Hamilton Convention Centre	26	1.30	2.50	4.08
FOC and FOCH	96	6.63	8.71	11.61
Total	122	7.93	11.21	15.69
CAPEX				
Hamilton Convention Centre	44	3.32	4.15	8.53
FOC	185	13.98	17.48	36.00
FOCH	48	3.63	4.54	9.34
Total	277	20.93	26.17	53.87

Notes: Figures for wages, GDP and output are in millions and 2015 dollars. Numbers have been rounded and were derived from operational expenditures in 2018 and capital expenditures from 2018 to 2024. Impacts are the sum of direct and indirect impacts associated with each entertainment asset. CAPEX FTE impacts are measured in ("Person-Year") FTE jobs.

Sources: Stakeholder data and EY calculations.

Results suggest that the operational expenditures associated with the Hamilton Convention Centre are expected to sustain CAD \$4.08 million in gross output, CAD \$2.50 in GDP, CAD \$1.30 million in labour income and 26 FTE jobs. For the FirstOntario Centre and FirstOntario Concert Hall, these amounts equate to CAD \$11.61 million in gross output, CAD \$8.71 million in GDP contributions, CAD \$6.63 million in labour income and 96 FTE jobs within the City of Hamilton.

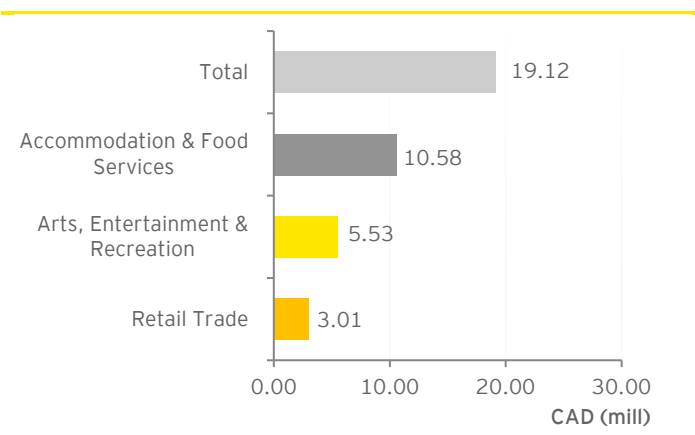
CAPEX results suggest that the Hamilton Convention Centre is expected to generate CAD \$8.53 million in gross output, CAD \$4.15 million in GDP, CAD \$3.32 million in labour income and 44 person-year FTE jobs from 2018 to 2024. For the FirstOntario Concert Hall, from 2018 to 2024, CAPEX is expected to contribute CAD \$9.34 million in gross output, CAD \$4.54 million in GDP, CAD \$3.63 million in labour income and 48 person-year FTE jobs. Finally, CAPEX associated with the FirstOntario Centre are anticipated to generate CAD \$36.00 million in gross output, CAD \$17.48 million in GDP, CAD \$13.98 million in labour income and 185 person-year FTE jobs.



Tourism Expenditure Impacts

Tourism impacts associated with the three entities are displayed in Table 16. Like operational impacts, barring any significant change in visitor spending, the impacts can be interpreted as sustaining in nature. To calculate these impacts, EY relied on the use of in-house proprietary economic modeling tools, EY subject matter personnel, various benchmarking techniques and credible industry and academic related reports. Specifically, EY obtained estimates related to visitor expenditures within the City of Hamilton on goods and services such as accommodations (e.g. hotels), F&B, retail (i.e., shopping), entertainment, attractions and transportation, etc. related to the Entertainment Assets.

Figure 10 - Aggregate Estimated Tourism Spending for The Entertainment Assets



Notes: Numbers have been rounded and are in millions. Figures represented in 2015 dollars and at basic prices.
Sources: Stakeholder data and EY calculations.

These expenditures were then categorized into appropriate sectors relevant to the tourism industry, which in this case includes the retail trade, arts, entertainment and recreation and accommodation & food services industries. Figure 10 presents an aggregate breakdown of the estimated tourism expenditures for the Entertainment Assets by tourism sector for the City of Hamilton.

With regards to the reported expenditures in Figure 10, Table 16 displays the total spending associated with the Entertainment Assets separately for each respective tourism sectors mentioned.

Table 15 - Tourism Sector Expenditures by Asset

Tourism Sector	Convention Centre	FOC/FOCH
Accommodation & Food Services	2.29	8.29
Arts, Entertainment & Recreation	1.61	3.92
Retail Trade	0.52	2.49
Total	4.42	14.70





Notes: Figures represented in millions, 2015 dollars and basic prices.
Sources: Stakeholder data and EY calculations

These figures formed the basis of our analysis in calculating the tourism impacts in Table 17. It should be noted that the spending estimates are based on our understanding that the Hamilton Convention Centre is primarily used for local events and typically attended by local residents and have a minimal impact on the local accommodation industry. This assertion is reaffirmed based on discussions with representatives from the local hotel industry.

Using the constructed regional multipliers, along with the tourism input-output ("I-O") model discussed in, EY was able to derive estimated tourism impacts as they relate to gross output, GDP, labour income and full-time equivalent jobs for the City of Hamilton.



Table 16 - Summary of Tourism Expenditure Impacts

				
Impact	FTEs	Wages (\$ mn)	GDP (\$ mn)	Output (\$ mn)
Hamilton Convention Centre	36	1.31	1.81	5.30
FOC and FOCH	124	4.48	6.13	17.60
Total	160	5.79	7.94	22.90

Notes: Figures for wages, GDP and output are in millions, 2015 dollars and at basic prices. Numbers have been rounded. Impacts reflect those from estimated visitor related expenditures associated with the Hamilton Convention Centre, FirstOntario Centre and the FirstOntario Concert Hall within the City of Hamilton.

Sources: Stakeholder data and EY calculations.

Results from **Table 17** suggest that tourism related expenditures associated with the Hamilton Convention Centre contribute approximately CAD \$5.30 million in gross output for the City of Hamilton, along with CAD \$1.81 million in GDP and CAD \$1.31 million in labour income. Moreover, these estimated tourism expenditures sustain approximately 36 full-time equivalent jobs annually.

Likewise, estimated tourism expenditures related to both the FirstOntario Centre and the FirstOntario Concert Hall generate CAD \$17.60 million in gross output, CAD \$6.13 million in GDP and CAD \$4.48 million in labour income for the City of Hamilton. Similarly, 124 FTE jobs are expected to be sustained annually as a result of these expenditures. Given the magnitude of these expenditures, they are likely to cause some level of economic benefit in areas within close proximity to the City of Hamilton.

Using a similar methodology to calculate tourism impacts within the City of Hamilton, EY was also able to determine potential impacts from tourist spending within the City of Hamilton to the greater Hamilton Metropolitan Area.⁸ It should be noted however that these estimated tourism impacts should be interpreted with care and consideration, as the tourism I-O model used to derive these estimates is subject to numerous limitations and assumptions. For additional limitations and assumptions imposed on the tourism I-O model please see Appendix B.

⁸ Results suggest that the impacts realized in surrounding areas may be up to CAD \$900,000 dollars on gross output, CAD \$400,000 for GDP, CAD \$200,000 for labour income and 20 full-time equivalent jobs.



3. Stakeholder Consultation

The facility utilization and financial operating analysis presented in Section 2 provide data-driven support to preliminary observations of the current level of need or demand for the on-going operation and subsidy of the City’s Entertainment Venues. In this section we focus on a more qualitative analysis, communicating the results of stakeholder engagement as part of this Entertainment Venues Review.

Through direct engagement with facility operators, tenants, real estate developers, investors, city staff, and prominent local business organizations, while particular challenges were identified, an overall degree of alignment in a shared vision for the potential of Entertainment Venues to further contribute to the City’s landscape was encouraging. In addition to the various City departments (e.g. Planning, Tourism, Urban Renewal, Recreation), outlined below are the select external stakeholders with whom we spoke⁹:

- ▶ Hamilton Philharmonic Orchestra
- ▶ Carmen’s Group
- ▶ Live Nation
- ▶ Hamilton 100
- ▶ Hamilton Honey Badgers
- ▶ Equal Parts Hospitality
- ▶ International Village BIA
- ▶ Hamilton Bulldogs management/ownership
- ▶ Spectra
- ▶ Art Gallery of Hamilton
- ▶ Downtown Hamilton BIA
- ▶ District Energy
- ▶ The Other Bird Hospitality
- ▶ Art Gallery of Hamilton

In addition to direct engagement with key stakeholders, a public engagement survey was conducted to better identify broader themes of the value the City’s Entertainment Venues bring to Hamilton.

3.1 Stakeholder Engagement Observations

Over the course of our engagement with City, direct discussions with key stakeholders were held through informal in-person meetings and via teleconference. The general intent of these discussions was to enable an open dialogue where views on the current state of each Entertainment Venue could be shared, and discussions around the role of these facilities might play in the future development of Hamilton. For reporting purposes, the feedback received has been summarized outlined below¹⁰:

Entertainment Venue Review: Summary of Key Stakeholder Engagement Observations

FirstOntario Centre

- ▶ The facility’s capacity, flexibility and cost-effective production are competitive differentiators for promoting non-sporting events.
- ▶ The hanging and rigging capacity of the current roof are a significant limitation to host modern show productions, creating misalignment with the facility’s capacity.
- ▶ Overall fan experience would be considered “ok”, particularly for the hockey crowd.
- ▶ Due to several building deficiencies, the City’s 2018 Memorial Cup bid was lost, citing a lack of premium boxes, low-definition scoreboard, and mechanical issues with street/ice connection.
- ▶ Significant challenges exist with the current location include orientation to adjacent land uses (e.g. Salvation Army), proximity to parking, and lack street-level animation.

⁹ In addition to parties named, discussions were held with other prominent local real estate developers and owners.
¹⁰ These observations represent informal, unverified summary notes from discussions and may not reflect the views of EY.



Entertainment Venue Review: Summary of Key Stakeholder Engagement Observations

FirstOntario Centre

- ▶ The current facility is limited by its footprint and site design to dramatically improve the guest experience, again in part due to the orientation and connections to other key downtown areas.
- ▶ The size of the arena does not lend itself to "market sized" sporting events creating an undesirable fan and play experience that lacks the energy and excitement of other OHL arenas.
- ▶ Best-in-class arenas typically have a gathering space adjacent to the arena.

FirstOntario Concert Hall

- ▶ While the facility's notably strong acoustic qualities differentiate it from competitive facilities, the technology package available is a challenge for certain productions.
- ▶ Activation of the outside patio on the mezzanine level and a revitalized F&B offering are key priorities to improve facility marketability and improve guest experience.
- ▶ AODA is a major challenge, particularly with challenges to the only accessible vertical transportation from ground to mezzanine level.
- ▶ While 10 years ago the Great Hall would be considered oversized for performing arts, today shows selling out and demand is growing through

Hamilton Convention Centre

- ▶ Characterized by outdated aesthetics, challenging split-level layout with limited contiguous floor area, and loading dock capacity issues, significant functional issues exist in facility marketability.
- ▶ The shared loading dock with the FirstOntario Concert Hall creates challenges in managing the servicing of the building, particularly when large events are taking place.
- ▶ While the pedestrian bridge provides a valuable direct connection to the Sheraton Hotel, it is often inaccessible due to security concerns.
- ▶ The brick façade along King Street creates a "dark zone" on a key block in the downtown core.

Promoting Hamilton for Larger Cultural Programming

- ▶ A hypothetical "ideal state" would include a capacity of 15,000 in an arena-style facility with the appropriate hanging and rigging capacity to differentiate the facility from others in SW Ontario. Average size for comparable sports and entertainment venue is 10,000 but there is an emotional attachment to larger capacity. Budweiser Gardens, Place Bell, and Scotiabank Place are all comparable.
- ▶ Any segregation of sporting and non-sporting events into two (2) facilities would not support healthy commercial operations due to lost opportunities for ancillary revenue, naming rights, and other promotional sponsorships resulting from the aggregate attendance level at the facility.
- ▶ Opportunity to upgrade and animate Jackson Square may yield sponsorship opportunities.
- ▶ Ice is an important factor for both sporting and non-sporting events.
- ▶ With an unlikely displacement of two (2) professional franchise at Scotiabank Place (Toronto), scheduling will remain challenging. Hamilton benefits from shared media market as Toronto.
- ▶ Momentum in a proposed redevelopment if the FirstOntario Centre is closed for redevelopment may result in a material loss of business development momentum.
- ▶ Promoting Hamilton requires a "story" to draw artists, which promoters can offer with Hamilton's downtown renewal, local cultural scene, and young audience. Strategies to promote Hamilton include backfilling major tour dates and working with emerging artists with large audiences.
- ▶ Successful venues driven by fan experience with different zones for customers in different markets, all connected by technology.



Entertainment Venue Review: Summary of Key Stakeholder Engagement Observations

Hamilton as a Conference Destination

- ▶ Hamilton would likely not be considered as a city in the “conference business” as the constraints in the current facility do not lend themselves to conducting business in today’s conference market.
- ▶ While the tourism draw in Hamilton is strong with a great “story” to sell business, due to facility limitations it is often overlooked.
- ▶ Competitive centres situated in London, Winnipeg, Niagara Falls and to a lesser extent Halifax.
- ▶ Marketing challenges exist and business has been turned down due to scheduling challenges with non-conference events.
- ▶ A renewed conference facility would likely bolster capacity of tourism sector, particularly given the pipeline of new hotel supply.
- ▶ Good success through cross-selling FOCH as a multi-use venue, while FOC remains underutilized as a tradeshow facility.
- ▶ Success for a conference facility is directly tied to the immediate proximity (e.g. 800M radius) of hotels and local amenities.

Local Economic Impact

- ▶ While challenging to measure the local economic impact of programming at the three (3) venues, non-sporting events at FOC was consistently identified as the leading source of direct impact on the local businesses downtown.
- ▶ There is not notably strong economic impact benefit achieved from the City’s conference facility, even with respect to the local hotel community.
- ▶ Greater collaboration between the city and local hospitality groups was consistently identified as a challenge to fully capitalizing on local economic impact generation.

Deal Structure Component for Private-Sector Deal Partnership

- ▶ Unlikely to see private-sector led sports and entertainment venue development, but a potential financial contribution to a newly-built facility may be achieved
- ▶ Land contributions for revenue-generating uses (e.g. Hotels, Residential) would support private-sector participation.
- ▶ Land contribution value must be balanced with market development reality and site-level considerations (e.g. adjacent land uses).
- ▶ Ground leases limit development potential of residential condominiums, possibly impacting value.
- ▶ Parking revenue streams for both arena and conference facilities are critical to the commercial viability of operators.
- ▶ The City must consider potential redevelopment partner’s ability to finance development projects, and carefully consider opportunities available (e.g. density) that encourage responsible development.

Art Gallery of Hamilton

- ▶ The current 88,000 sf facility only provided the AGH with enough capacity to display approximately 60% of their nationally-significant collection.
- ▶ While the building envelope has been improved and the downtown location is a major asset, there is limited street front presence and significant interior mechanical and design limitations.
- ▶ Subject to terms, potential for the AGH to relocate into a provided-for newly-built, right-sized facility as part of a longer-term redevelopment of the City’s downtown lands.



3.2 Public Engagement Surveying

In addition to direct engagement with key stakeholders, the general public's input has been incorporated into this Entertainment Venues Review through an electronic public surveying tool. Actively marketing through the City's social media channels, the survey provided an opportunity to gain market-wide intelligence on the overall customer satisfaction for each of the venues, contribution to the quality of life in Hamilton, and the value of public subsidy.

Following a three-week engagement period, a total of 421 responded were recorded. A geographic representation and demographic summary of respondents has been provided in Figure 12 with key takeaways presented in Figure 11.

Figure 11 - Key Takeaways from Public Engagement Survey



Over 70% of respondents agree that the FirstOntario Centre, Art Gallery of Hamilton and FirstOntario Concert Hall are highly or extremely important to the quality of life in downtown Hamilton.



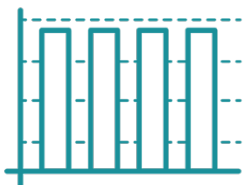
The FirstOntario Centre was the most utilized venue of all, with 40% of respondents visiting 5+ times per year, and 37% of respondents visiting between 1 - 5 times per year.



Key drivers of local economic impact, 56% and 47% of respondents responded "very likely" to supporting the City's local businesses while they attend events at the FirstOntario Centre and FirstOntario Concert Hall, respectively.



Respondents opinions of which venues should receive City financial support ranked the Art Gallery of Hamilton highest (61%), following by the FirstOntario Centre (58%), FirstOntario Concert Hall (57%), and Hamilton Convention Centre (38%).



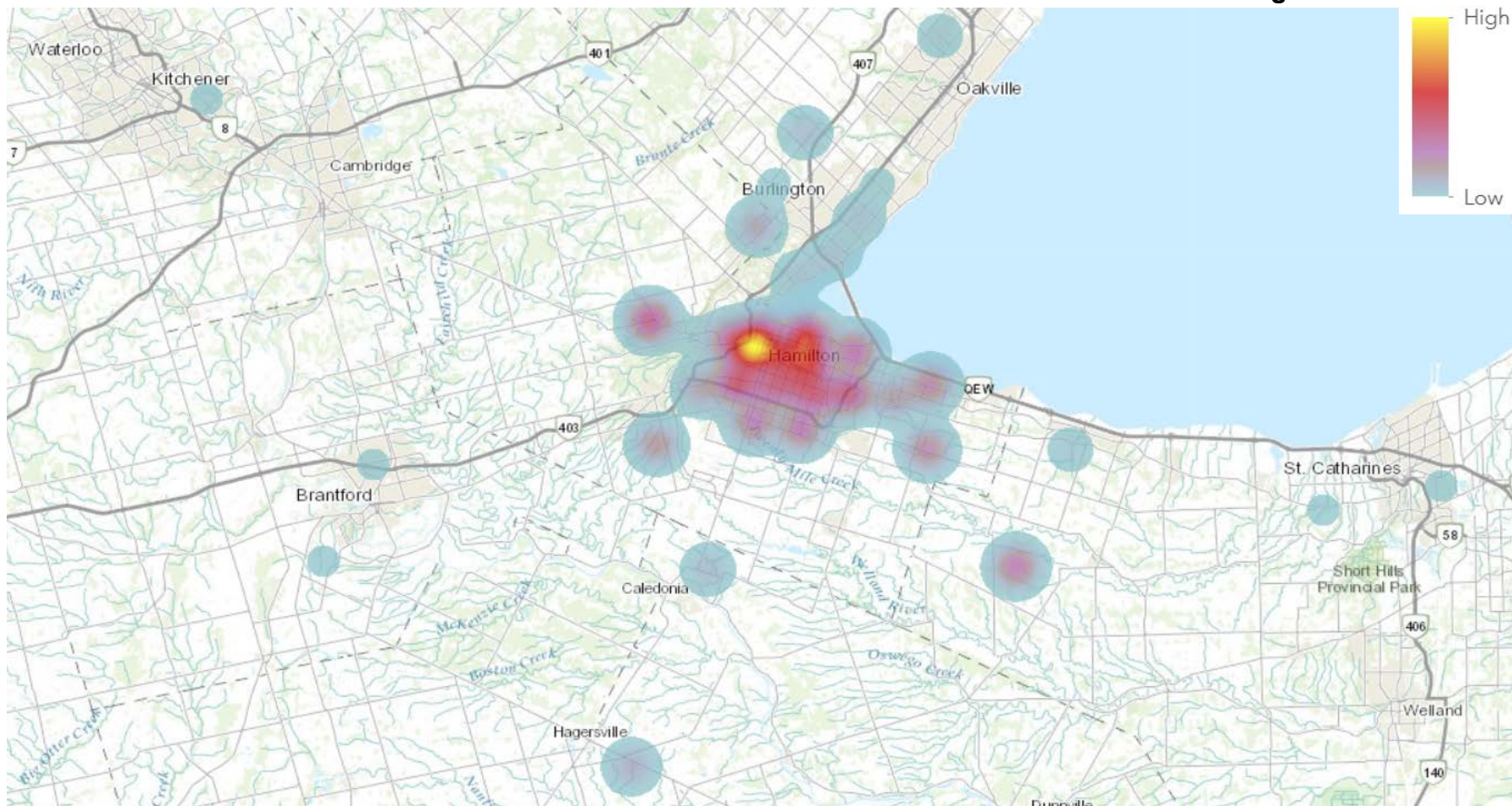
Ranking most highly sought-after, broadly even distributions of demand was recorded by respondents for cultural programming (art displays, concerts), non-local conventions, local community events, and trade shows.



With generally moderate views from respondents on the quality of guest experience across all venues, the food/beverage on-site and physical environment scored lowest when asked about specific limitations.



Figure 12 - Geographical Summary of Survey Respondents



For a complete summary of survey results, please consult Appendix C.



4. Market Overview

4.1 Hamilton Economic Outlook¹¹

Hamilton is the economic center of the Hamilton-Niagara Peninsula Region. The Hamilton CMA has a population of 786,000 as of 2018, which comprises approximately 52% of the region's total population of 1.5 million people. The City continues to experience annual population gains, due in part to an increasing trend of younger generations settling in Hamilton due to its desirable and affordable quality of life, cultural offerings, and growing creative and technology industries.

Table 17 - Key Hamilton Market Economic Indicators¹

Hamilton- Niagara Peninsula Economic Region						
	2015	2016	2017	2018	2019	2020
Total Employment (000s)	719.1	721.4	750.1	751.5	755.2	762.8
% change	1.8	0.3	4.0	0.2	0.5	1.0
Unemployment Rate	6.0	6.4	5.3	5.5	5.8	5.8
Residential Sales,	33,581	35,166	33,962	29,635	28,153	28,716
% change	9.1	4.7	-3.4	-12.7	-5.0	2.0
Residential Median Price, \$	297,717	327,030	388,539	414,609	433,266	454,930
% change	7.0	9.8	18.8	6.7	4.5	5.0
Population (000s)	1,442.5	1,458.7	1,478.1	1,500.1	1,525.6	1,547.0
% change	0.8	1.1	1.3	1.5	1.7	1.4
Hamilton CMA						
	2015	2016	2017	2018	2019	2020
Total Employment (000s)	385.4	385.8	417.9	413.8	417.9	423.8
% change	0.4	0.1	8.3	-1.0	1.0	1.4
Unemployment Rate	5.5	6.2	5.0	4.9	5.1	5.0
Residential Sales, Units	17,367	17,134	16,265	14,834	13,499	13,769
% change	6.6	-1.3	-5.1	-8.8	-9	2
Residential Average Price, \$	350,759	393,569	467,118	469,068	478,449	492,803
% change	8.1	12.2	18.7	0.4	2	3
Residential Permits (\$M)	1,006.7	1,086.1	1,212.6	1,146.8	1,089	1,122
% change	18.3	7.9	11.6	-5.4	-5	3
Non-Residential Permits (\$M)	650.5	480.6	785.1	581.4	494	524
% change	14.0	-26.1	63.4	-25.9	-15	6
Population (000s)	761.4	769.0	777.8	786.6	800	811
% change	0.6	1.0	1.2	1.1	2.0	1.0

While the City has historically been heavily reliant on the manufacturing sector, over the last 5 - 10 years, a recent resurgence in services, education, retail, transportation, and tourism have created an economy often considered one of Canada's most diverse.

According to the 2016 StatsCan census, Hamilton had a median household income of \$75,464. This placed it just behind Toronto and Kitchener-Waterloo, but ahead of St. Catherine's-Niagara which had one of the lowest median incomes at \$63,001. After posting strong economic growth in 2017 which saw an employment increase of 8.3%, the city experienced partial regression as several thousand jobs were given back for a 1% decrease in total employment. This led to a final unemployment rate of 4.9%, which is projected to remain relatively stable over the next couple of years.

¹¹ Sourced from Conference Board of Canada, Central 1 Credit Unit, Statistics Canada, Municipal Reports and other EY Research.



The strong growth of 2017 was driven in large part by increased construction and resale activity as new immigrants and GTA transplants flocked to Hamilton for job opportunities and lower house prices. Cooling measures implemented by the Ontario government including stricter lending requirements and the foreign buyer tax severely impacted the resale market in 2018. This trend is expected to continue for the near future and should slow median price growth in the residential market, as well as have a negative impact on finance, insurance, and real estate employment.

Residential permit volume increased in 2018 across the entire Hamilton-Niagara Region, but declined within Hamilton itself. Increased prices and new requirements led to significant declines in construction of single-detached homes. Demand is expected to shift to townhouses and high-density housing as people look for more affordable options that are centrally located. As the number of Toronto workers moving to Hamilton for price relief increases, proximity to GO Stations and transit connections will be important factors for residential demand and where development is focused. Non-residential Construction is also forecasted to slow as several large institutional projects are completed. Over \$250 million in construction projects at McMaster helped boost economic activity in 2017, but the pipeline is significantly thinner going into 2019 and beyond. Lowering business confidence and questions surrounding manufacturing may have a negative impact on commercial construction permits as potential expansion plans are cancelled or delayed until there is more certainty.

Hamilton's manufacturing sector experienced sluggish growth over the past several years despite positive external factors like the weak loonie promoting Canadian exports. Rising interest rates and a backlog of domestic demand may be causes for slow export growth, but total aggregate output grew by only 1.5% in 2017 and is forecasted at 1.7% for 2018-2021. Fears about protectionist policies in the U.S. limiting steel imports is likely to continue hindering growth in this sector. Transportation and Warehousing has grown to represent a larger portion of employment as companies take advantage of cheaper land and proximity to the 403 to build warehousing facilities in the area. In addition, the Hamilton Airport has seen increased utilization as a shipping hub.

Several positive recent business headlines and investments in the Hamilton market include:

- ▶ The 2019 CBRE Tech Talent Report ranked Hamilton top 2 in North America for tech cities of "opportunity" based on metrics including tech talent supply, growth, cost, tech degrees completed, and tech job growth outlook.
- ▶ The last two years saw significant investments from companies like L3 Wescam, Stryker, Pipeline Studios, and IBM Canada who have relocated or added to their operations in Hamilton.
- ▶ Aeon Studio Group recently announced a plan in conjunction with the City to create the Hamilton Studio District, a large film & television production campus that is intended to further the city's already growing attraction as a media production destination
- ▶ Mohawk College recently opened its EON AVR Development lab, a facility specializing in the development and education of virtual reality and augmented reality technologies. The facility should help position Hamilton as a front-runner in the growing industry of AVR development.

The diversification of Hamilton's local economy coupled with the recent positive business announcements provide sufficient evidence to support our assumption that the upward growth trajectory for the Hamilton economic environment will continue for the foreseeable future, creating additional demand for sports, entertainment and convention centre options in the City.



4.2 Entertainment Venue Competitive Landscape

To better understand how each of the City’s Entertainment Venues fits into its respective marketplace, a survey of facilities was undertaken. Using this analysis, we can further our understanding of the expected “right-sized” facility to meet the needs of the Hamilton market.

Sports and Entertainment Venues

The competitive landscape is presented Figure 13 in order of their market size with further details on each presented in Appendix D.

Figure 13 - Sports and Entertainment Venue Landscape¹²

FirstOntario Centre Comparable Markets



Market	Kingston	Guelph	St. Catharines	Halifax	Laval	London	Quebec City	Hamilton	Mississauga	Toronto
Market Size	118,000	130,000	135,000	430,000	440,000	500,000	530,000	540,000	720,000	2,730,000
Differentiator	University	GTA	-	-	GMA	-	-	-	GTA	-
Capacity	6,700	5,000	5,300	11,000	10,000	9,500	18,250	17,400	5,000	19,800
Locality	Downtown	Downtown	Downtown	Downtown	Suburban	Downtown	Suburban	Downtown	Suburban	Downtown
Year Built	2008	2000	2014	1978	2002	2017	2015	1985	1998	1999
Ownership	Municipality	Municipality	Municipality	Municipality	Municipality	Municipality	Municipality	Municipality	Municipality	MLSE
2018 Events	83	60	128	111	N/A	153	N/A	98	N/A	192
Programming Ratio ¹³	52%	9%	36%	25%	89% ¹⁴	54%	N/A	60%	Mostly Sport	48%
Anchor Tenant	OHL	OHL/CEBL	OHL/CEBL	GMJHL/NBL	AHL/CWHL	OHL/NBL	GMJHL	OHL/CEBL	OHL/NBAG/MASL	NHL/NBA
Anchor Utilization ¹⁵	52%	81%	92%	67%	61%	95%	50%	24%	54%	98%
Venue Utilization ¹⁶	23%	16%	35%	30%	N/A	42%	N/A	27%	N/A	53%

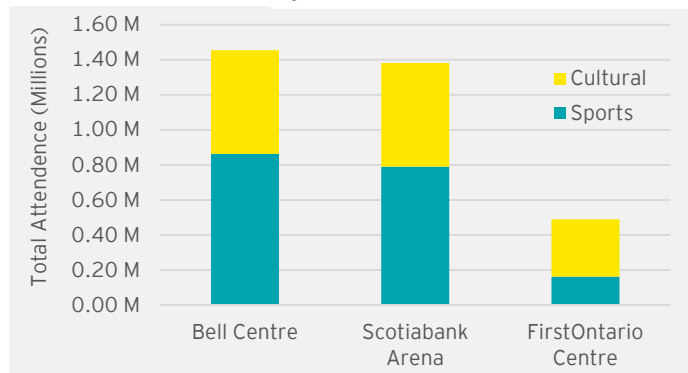
¹² Compiled from various sources including municipal financial reporting, facility annual reports, and other industry data sourced by EY.
¹³ Based on EY research, the Programming Ratio presents the proportion of cultural programming held at the venue based upon number of events.
¹⁴ Based on 2019 YTD event programming,
¹⁵ Based on EY research, the Anchor Utilization Ratio presents the annual anchor-tenant attendance for the facility against total capacity.
¹⁶ Based on EY research, the Venue Utilization value presents the ratio of total number of events per calendar days per year.



Based on the data presented in Figure 7, the competitive landscape for FirstOntario Centre is identified as Scotiabank Centre, Place Bell, Budweiser Gardens, and Videotron Centre. These venues all share similar demand characteristics as FirstOntario Centre in terms of market size and tenancy profile.

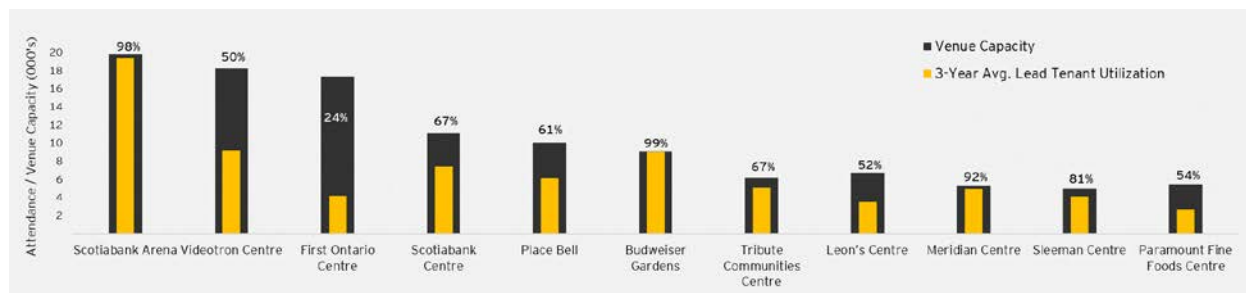
- ▶ The only arenas sampled of a similar capacity to FirstOntario Centre are Scotiabank Arena and Videotron Centre. Scotiabank Arena is home to both an NHL and NBA franchise, and is situated in Canada's largest urban area and adjacent to the country's busiest transit hub. Videotron Centre is situated in a mid-sized market's inner-city suburb and is without any professional team.
- ▶ Built in 2015, Videotron Centre offers state-of-the-art facility design and amenities creating an ideal environment for hosting a range of modern performances. EY understands in its early years of operation, the Quebec City municipal government is subsidizing operational. It has been widely reported that the facility was built to this capacity to attract an NHL franchise, which have been subsequently awarded to Las Vegas and Seattle. Without an NHL franchise, the Videotron Centre is overcapacity for the size of the market.
- ▶ With the exception of Videotron Centre in Quebec City, in eastern Canada the Bell Centre and Scotiabank Arena are the only comparably-sized arena facilities to FirstOntario Centre with capacities of 21,300 and 19,800. With both commercially viable, the required relative attendance data for profitability is presented in Figure 14 as a comparison.¹⁷

Figure 14 - Relative Arena Attendance



- ▶ Relative to the four (4) other arenas with a similar tenant base (OHL/CEBL) as FirstOntario Centre, the Anchor Utilization of 24% is significantly lower than the competition, which range from 52% - 95% as outlined in Figure 15. With a per-event average attendance in 2018 of 3,400, the Hamilton Bulldog's actual attendance numbers are in line with many of their OHL competitors, with the exception of the London Knights who brought an average attendance of 9,000 per game.

Figure 15 - Venue Utilization¹⁸



¹⁷ Sourced from NHL, Billboard Music and other EY research.

¹⁸ Compiled from various sources including OHL, facility annual reports, and other industry data sourced by EY.



The FirstOntario Concert Hall's Great Hall is noted for its exceptionally strong acoustic qualities and ability to serve the needs for a wide variety of programming. The competitive market for performing arts venues to the FirstOntario Centre in Hamilton has focused on those facilities of a comparable publicly-owned facilities to the Great Hall in similar markets, with findings summarized in Figure 16 below.

Figure 16 - Performing Arts Venue Landscape¹⁹



Market	Burlington	Kitchener	Buffalo	Hamilton	Mississauga
Market Size	205,000	240,000	260,000	540,000	720,000
Year Built	2011	1980	1940		1997
Capacity	718	2,047	2,400	2,193	1,200
Annual Attendance	120,250	150,000	N/A	156,194	175,301
Total Events	188	150	N/A	111	167
Per=Event Utilization	89%	46%	N/A	66%	51%
Annual Utilization ²⁰	45%	20%	N/A	20%	23%
Operating Subsidy	\$990,628	\$2.00 million	\$1.06 million	\$564,004 ²¹	\$1,803,156 ²²
% of Operating Expenses	26%	20%	17%	29%	25%
Operating Structure	Not-For-Profit	Not-For-Profit	Not-For-Profit	Private Operator	Not-For-Profit

While Hamilton's annual utilization is lower than many of the competitive set, given the number of events is less, the actual per-event utilization at the facility is at the upper-end of the comparable set. It should be noted that while FirstOntario Centre's subsidy-to-expense ratio may be considered relatively high, given that the facility is operated by a private operator rather than a not-for-profit, overall operations may be run somewhat more efficiently, potentially causing a slightly higher-skewed ratio.

¹⁹ Compiled from various sources including municipal financial reporting, facility annual reports, and other industry data sourced by EY.

²⁰ Considers proportion of total attendance to total annual seat capacity.

²¹ Estimated proportionate share of all total subsidy provided by City to Spectra.

²² The operating structure is based around a nominal lease fee to the not-for-profit whereby the City of Mississauga estimates annual operating costs for this facility.








Conference Facilities

The Canadian convention centre business is often discussed in terms of "Tiers", whereby host cities and/or convention centres may be classified based upon a range of factors, including attractiveness as a convention destination (e.g. air access, range of hotels), supply of meeting and exhibition space, and the locality and destination awareness of the host market. Tier 4 host cities would include Toronto and Montreal, while cities such as Ottawa or Niagara Falls would be considered Tier 3 destination, and London being considered a Tier 2 destination.

While Hamilton's "destination" differentiators - local culture and air access - would potentially place it in the Tier 2/3 category, historical factors such as the current lack of and diversity of hotel supply have caused it to be considered a Tier 1 destination. While the local supply of hotels has improved to a Tier 2 level, based on discussions with Tourism Hamilton, challenges of the hotel market's healthy occupancy driving up room rates, the Hamilton Convention Centre's challenging space offering, and its immediate proximity to Toronto have all limited its marketability relative to other Tier 2 cities.

Figure 17 - Tier 2 and Tier 3 Conference Venue Landscape²³

					
Market	Hamilton	London	Niagara Falls	Halifax	Ottawa
Tier	2	2	3	3	3
Year Built/Renovation	1981	1993/2015	2011	2017	2011
Total Exhibit Space (sf)	19,662	33,033	125,065	50,000	56,000
Largest Contiguous (sf)	19,662	33,033	81,140	37,400	56,000
Total Meeting Space (sf)	12,961	19,402	25,864	37,876	45,000
Ballroom Space (sf)	19,662	40,728	21,453	45,500	19,000
Total Rentable Space (sf)	52,292	61,130	128,457	120,776	120,000
Exhibit Space Ratio ²⁴	0.6	0.5	2.0	0.5	0.9
Air Access	Average	Average	Average	Good	Good
Hotel Rooms in 1km Radius	829	1,104	4,619	2,196	3,500 ¹⁴
% Branded/Premium	59%	89%	73%	80%	75% ²⁵
2018 Average Daily Rate	\$120	\$120	\$148	\$128	\$160
Ownership	Municipality	Municipality	Municipality	Municipality	Municipality/Province

²³ Compiled from various sources including municipal financial reporting, facility annual reports, and other industry data sourced by EY.

²⁴ Ratio of the largest, contiguous exhibit space to the total amount of ballroom and meeting space at the facility.

²⁵ Based on average values for the downtown Ottawa hotel market.



- ▶ Of all the competitive facilities, the offering of total contiguous space at the Hamilton Convention Centre is limited in size at approximately 20,000 sf relative to the competitive set. In terms of direct competition, London's RBC Centre offers 33,000 sf of contiguous space, while Scotiabank Convention Centre has over 80,000 sf.
 - In terms of utilization, RBC Place is reported as operating with a facility utilization rate of 70%, over 110,000 delegate days across over 300 events, and competed in provincial and regional convention business. The 2015 renovation significantly improved layout and quality of meeting spaces, with recent reports suggesting the need for expansion.
 - While the Scotiabank Convention Centre does not publish annual reporting on utilization, we understand that event scheduling at the facility is somewhat broad, with a range of entertainment programming in addition to traditional convention business. The facility's proximity to Toronto is often considered both a challenge and opportunity. With no direct air connection, the destination is limited in marketability to national and international associations who would typically connect through Toronto's Pearson International Airport. The marketing of regional and/or provincial events may augmented given the overall appeal of the destination as a leisure centre and level of proximity to Canada's largest urban centre.
 - In terms of market differentiators for Hamilton relative to Niagara Falls and other conference destinations, the relative cost of overnight stays would be the most significant differentiator, and to a lesser extent the year-round scheduled air service provided by Swoop Airlines and WestJet from Hamilton International Airport to select destinations such as Abbotsford, Calgary, Edmonton, Winnipeg and Halifax.
 - Similar to Scotiabank Convention Centre, the proximity to the GTA both can be considered a challenge and opportunity for the Hamilton Convention Centre. While the opportunity to attract more regional business from the Toronto market is an opportunity, given its even closer proximity and relatively inferior overall destination draw compared to Niagara Falls, we would view this situation as likely resulting in fewer overnight stays and local generation of local economic impact for regional conference business in Hamilton.
- ▶ A larger footprint of at least 35,000 sf of contiguous space would be required in order to compete more directly with the RBC Centre in London. It is unlikely that the Hamilton market would support a comparably-sized exhibit hall as Niagara Falls with insufficient market demand to support two (2) venues of this size in such close proximity. With both Halifax and Ottawa's conference facilities offering contiguous exhibit halls space in this range, there would appear to be currently an adequate market supply of traditional exhibit space within this size range:
 - Recent media reports from 2019 have suggested that the current utilization of the recently-opened Halifax Convention Centre as being low with local businesses questioning the longer-term local economic impact.
 - In March 2018, a revised 10-year Halifax municipal budget shortfall estimated a Year 1 capital and operating shortfall of \$3.5 million, which decline to \$1.1 million in Year 10 due to a decrease in the mixed-use project's adjoining office tower's occupancy.²⁶

²⁶ Compiled from various sources including municipal reporting, and other research compiled by EY.



- The Ottawa Convention Centre's identified a facility utilization rate of 50% for 2017/2018, suggesting that it had not yet met the industry benchmarks of 60% utilization for being at or near full capacity.
- In addition to competitive conference facilities, several hotels in the immediate vicinity offer meeting space which could adequately serve similar meetings demand while offering an "all-in-one" solution for smaller events including the Sheraton Centre (17,367 sf), Hamilton Plaza Hotel & Conference Centre (10,162 sf) and the Hilton Homewood Suites. (10,000 sf).
- ▶ In addition to these direct comparable venues, we also understand the regionally-dominant Metro Toronto Convention Centre is currently contemplating a longer-term facility expansion, and recent renovation and/or expansions have also taken place in London, Winnipeg and Halifax.
- ▶ Despite the growth in local hotel supply, the composition of premium and/or branded hotel offerings within a 1-KM radius of the facility remains limited, but we understand several downtown hotel sites exist with initial project plans from discussions with local developers.
- ▶ Based upon these facts from the secondary competition to the Hamilton Convention Centre, the longer-term demand outlook for an expanded facility remains uncertain.

4.3 Entertainment Precinct Examples of Leading Practice

In addition to asset-specific market assessments of comparable facilities, EY also has considered examples of leading precinct-level development of entertainment assets. Across North America, the public investment in entertainment venues has begun to shift towards mixed-use, downtown locations where public-sector facility investment may act as a catalyst towards larger private-sector investment in mixed-use destinations. New public realm, community spaces incorporated into these master-planned developments are re-defining historical design attributes which often limited connectivity and access.

New sports and entertainment venues projects, specifically, are altering the financial formula by co-developing facilities with revenue-producing segments such as residential, commercial, and hospitality. Growth in the follow-on private investment has often resulted in an expanded municipal property tax base, helping to offset debt servicing costs required to fund initial construction.²⁷

Bell MTS Place, Winnipeg

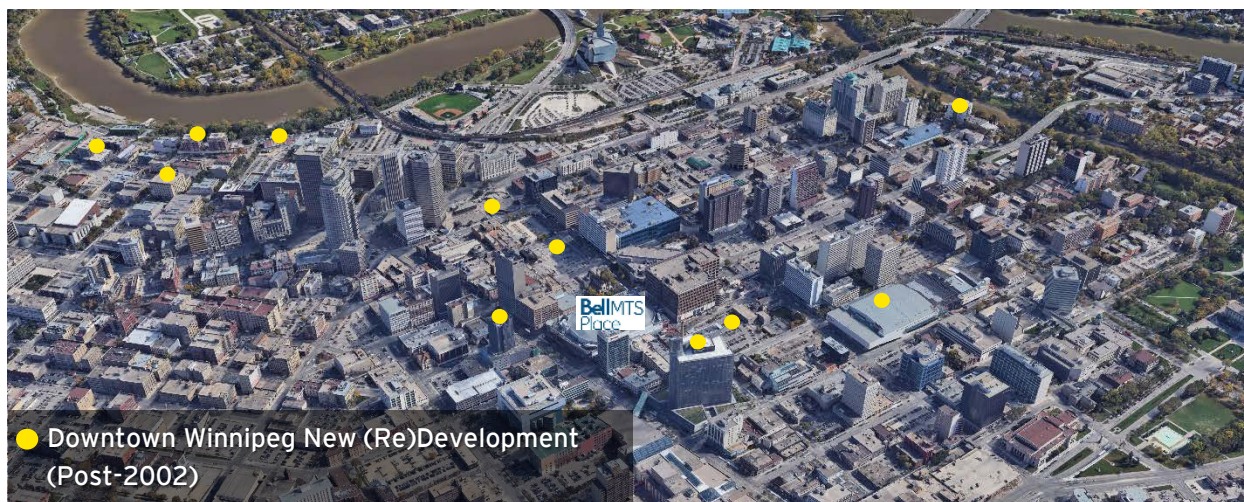
- ▶ Throughout the 1990s, as in many other North American cities, the decline of the downtown precinct in Winnipeg was significant. The closure of the downtown Winnipeg Eaton's store in 1999 demonstrated the link between changing economic conditions and the urban environment, creating "dead block" in the downtown core. In 2002, the construction of the Bell MTS Place was undertaken as a replacement for the Eaton's site.
- ▶ Since the construction of Bell MTS Place, over \$1.12 billion of downtown, private-sector investment has occurred downtown including a mix of residential, commercial, and retail development, including the recently-completed \$400 million True North Centre situated adjacent to the Bell MTS Place. An additional \$1.26 billion of additional, proposed development has been proposed downtown.²⁸

²⁷ New York Times, *Welcome to the Neighbourhood: America's Sports Stadiums Are Moving Downtown*. (19 January 2018)

²⁸ Downtown Biz Winnipeg, *2015-2016 Annual Report & 2017-2019 Strategic Plan*.

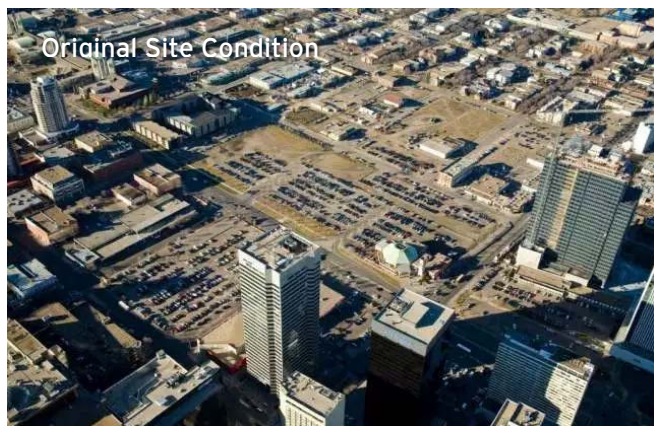


- ▶ With residential growth of over 1,200 units downtown, and a 45% increase in the downtown population since the 1990s, a decrease of nearly 20% in the number of total crimes taken place.²⁹ The adjacent, historic Exchange District to the Bell MTS Place’s downtown location has seen a large share of this residential growth, creating safer streets with additional currently planned mixed-use residential developments adjacent to the Bell MTS Place.
- ▶ Following this period of downtown renewal in Winnipeg, the RBC Convention Centre was also renovated and expanded.



ICE District, Edmonton

- ▶ The ICE District is a co-ordinated municipal redevelopment plan that was spurred by the publicly-funded construction of a new sports and entertainment venue. Built to house the Edmonton Oilers under a 35-year arrangement, a mix of follow-on private-sector will include residential, office, and hotel investments on former municipal lands.
- ▶ Following the construction of the Rogers Place in 2016, the Stantec Tower, JW Marriot Hotel, and the two (2) high-rise residential towers were recently completed as part of the ICE District’s Phase I sports entertainment complex.



²⁹ Downtown Biz Winnipeg, *2015-2016 Annual Report & 2017-2019 Strategic Plan*.

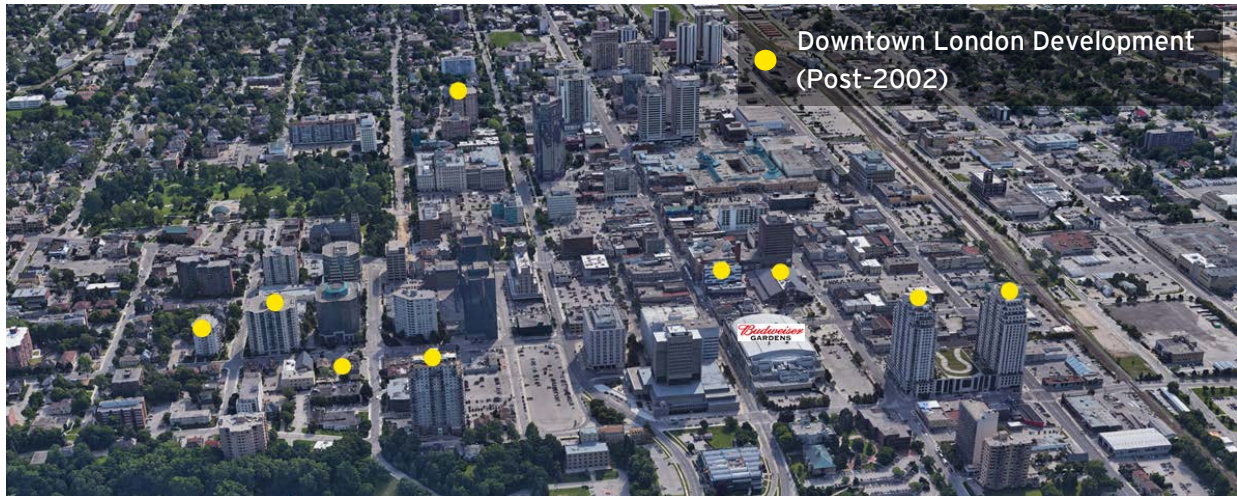


- ▶ With Phase I largely complete, private-sector follow-on investment has been proposed on the privately-assembled Phase II lands adjacent to the Phase I ICE District complex.
- ▶ Phase II of the project has commenced with the submission of development proposals for this site adjacent to the Phase I development.
- ▶ As of 2018, following the \$604 million capital investment, over \$2 billion of private-sector development followed.³⁰



Budweiser Gardens, London

- ▶ Following a decline in assessed value in downtown London from 1992 - 2006, the 1998 *Downtown Millennium Plan* identified a proposed sports and entertainment venue as the centrepiece and major catalyst to revitalization and follow-on investment in downtown London.
- ▶ Since the construction of Budweiser Gardens and the Covent Garden Market, the total value of assessed properties in the downtown core has increased by more than 61% over the 20-year historical period from 1997.³¹
- ▶ Initial private-sector investment immediately following the announcement of Budweiser Gardens was approximately \$45 million from 1998 - 2004. Since then, the over \$255 million of additional private-sector investment has taken place, including over 2,200 residential units.³²



Contrasting these are (3) Canadian examples of publicly-funded arena developments which are not situated in downtown locations which likely won't see the same near-term follow-on investment

³⁰ Compiled from various sources including municipal reporting, news media and other research compiled by EY.
³¹ City of London, *2017 State of the Downtown*. (2019)
³² City of London, *2017 State of the Downtown*. (2019)



opportunity for a variety of reasons, including the lack of market demand, site constraints and surrounding land use patterns.

Canadian Tire Centre, Ottawa



- ▶ Constructed in 1999 for \$170 million, the Canadian Tire Centre is situated in the Ottawa suburb of Kanata.
- ▶ Following the construction of the arena, there has been no investment leveraged from the private-sector on the adjacent lands of the site.
- ▶ Due to on-going attendance issues with the suburban location, the arena was reduced in capacity to 17,000 in 2017 despite being home to a successful NHL franchise.

Videotron Centre, Quebec



- ▶ Breaking ground in 2012 at a total cost of \$370 million, the Videotron Centre is situated in a largely built-out inner-city suburb adjacent to the former Pepsi Coliseum.
- ▶ While built to NHL standards with a capacity of 18,259, Las Vegas and Seattle have recently been selected for an NHL expansion.
- ▶ The newly-built facility is reportedly operating at a \$3.5M municipal deficit and limited follow-up investment has occurred, in part due to adjacent site constraints as well as being situated in a less desirable development node.

Place Bell, Laval



- ▶ Completed in 2017 at a cost of \$200 million, the Place Bell arena is situated in the largely suburban municipality of Laval.
- ▶ Given adjacent site constraints and existing land uses, we would expect that follow-on investment will occur over the longer-term.
- ▶ With the exception of select sites along Rue Lucien-Paiement, there would appear to be limited opportunities for precinct-level, pedestrian-friendly development adjacent to this site.

Based on the evidence from London, Edmonton and Winnipeg, it is our belief that a renewed arena facility may act as a catalyst to support other private-sector investment both adjacent to and in other areas within an immediate, walkable proximity. Downtown locations were surrounded by vacant land sites where the economics of a redevelopment were supported with viable market demand due to transit proximity, employment, and other area amenities.

In all of these cases, the arena's downtown location was critical where the revitalization of central, downtown districts improved the quality of life for all residents through spin-off retail and hospitality impacts.



5. Needs Assessment

EY acknowledges the measurable success which the City has achieved in promoting its visions for Downtown Hamilton. Through various grant programs, Development Charge (“DC”) rebates and planning policies, the goals of “downtown renewal” and “neighbourhood revitalization” as set out in the City’s 2013 *Cultural Plan* have begun to emerge across downtown Hamilton. Increasing levels of private-sector investment and new development have also taken, particularly in the vicinity of James Street, a primary distinctive tourism attribute identified in the City’s 2015 *Hamilton Tourism Strategy*.

Through this Entertainment Venues Review, we feel that additional, unique opportunities may emerge for the City to address 2016 *Economic Development Action Plan* areas of focus, including “workforce development”, “promote and sell Hamilton” and “leverage city real estate holdings” through developing a longer-term outlook on the role of the current Entertainment Venues in not only meeting Hamilton’s Sports, Entertainment, and Convention needs moving forward, but also visions for Downtown Hamilton.

Significant evidence suggests that downtown-oriented entertainment precincts that are well-designed and integrated into the surrounding urban fabric will not only act as a catalyst to promote further private-sector investment, but also may significantly contribute to the vibrancy and quality of life for current residents, downtown employees, and tourists.

Based on the analysis presented throughout earlier sections of this report, current market trends and facility utilization across programming segments would support the general rationale of broad, moderate growth in the demand for the use of the City’s Entertainment Venues. Coupled with the current development trajectory in downtown Hamilton and the positive cultural spin-off effects and follow-on investment achieved in other Canadian municipalities, it is our view that the added benefit of co-locating entertainment assets in a clustered, downtown precinct should be considered a top priority for the City.

A series of observations pertaining to size, programming, project attributes and Order-Of-Magnitude costs for the new construction of “hypothetical” venues comprise our Needs Assessment in Figure 18.

Figure 18 - Hamilton Sports and Entertainment, Performing Arts, and Conference Convention Centre Needs

Sports and Entertainment Complex	
Facility Capacity	<ul style="list-style-type: none"> Based on our review of the current level of demand at the FirstOntario Centre, and comparable attendance levels for other facilities with an OHL lead tenant, a capacity of ~10,000 seats would support Hamilton’s needs.
Programming Impact	<ul style="list-style-type: none"> Evidence across the OHL suggests that attendance levels following the construction of a new sports and entertainment venue may increase anywhere from 20% - 50%. Based upon the programming of comparable sized facilities of with a ~10,000 seat capacity, and through consultation with event promotion experts, we understand this capacity would not greatly limit future potential for major events such as concerts or award shows.



	<ul style="list-style-type: none"> Capacity issues at Scotiabank Arena and the market size of the GTA/GGH³³ will continue to require a second major sports and entertainment venue in the region, particularly as transit service improves.
Building/Location Attributes	<ul style="list-style-type: none"> Competitively designed facility which offers ability the host increasingly technical, modern events and provide a premium guest experience, both of which are key top-line revenue drivers. Multiple F&B offerings spread throughout the facility to adequately serve capacity, with one (1) publicly-accessible premium lounge/restaurant. Premium mid-level box seating (with separate entryway) and potential for lower-bowl premium box rentals with dedicated lower-level seating. Roof structure with ample rigging support and load-bearing capacity to accommodate modern concert events and a professional LED scoreboard. Direct connection to parkade with revenue-sharing potential. As downtown businesses depend on the major events held at FirstOntario Centre, ease of access to and from key commercial nodes to the facility. Adjacent public gathering space with pedestrian-level connections to other major tourist destinations in downtown core. While few examples of sports and entertainment venue renovations at this scale exist in Canada, the success of cities (e.g. Winnipeg, London) investing in downtown areas not only served market needs but also helped achieve urban renewal goals.
Est. Cost (as new)	<ul style="list-style-type: none"> Based on an average per-seat cost of recently-built facilities, and a review of other market research, approximate Order-Of-Magnitude cost estimates of \$125 - \$130 million for a new sports and entertainment venue. Misalignment with FirstOntario Centre's capacity and City needs are creating uneconomical operating conditions despite a demand level which would likely support the commercial viability of a "right-sized" facility. Capital investment of \$34.4 million is required to maintain a "status quo" condition with on-going municipal subsidy requirement that is not required in other comparably-sized markets' commercially viable facilities.
Performing Arts Centre Needs	
Facility Capacity	<ul style="list-style-type: none"> Based on our review of the current level of demand for the FirstOntario Concert Hall, and comparable attendance levels for other regional performing arts venues, a capacity of ~2,000 would likely support the growing market demand in Hamilton.
Programming Impact	<ul style="list-style-type: none"> Given the current average per-event utilization of approximately 61% and nearly 40 events achieving a utilization of 75% or greater, the on-going operation of a ~2,000 seat facility would support the Hamilton's needs.
Building/Location Attributes	<ul style="list-style-type: none"> Given the Hamilton Philharmonic Orchestra as the lead tenant and the wide range of other musical and theatrical performances taking place, superior acoustical qualities are paramount. Upgraded technical package for modern performing arts musical, theatre and other entertainment productions. F&B offering should align to the programming, with an appropriate space for providing a premium guest experience when required.



	<ul style="list-style-type: none"> • Direct access to an outdoor space would enhance overall guest experience and facility marketability for events with pedestrian-level street animation. • Direct access to parking, a guest pick-up/drop-off area and AODA compliance is particularly significant given the demographic of guests.
Est. Cost (as new)	<ul style="list-style-type: none"> • Based on an average per-seat cost of recently-built facilities, approximate Order-Of-Magnitude cost estimate of \$55.0 - \$65.0 million for a newly-built performing arts venue of this capacity. • As most competitive facilities were built in the 1970s/1980s, the age of the facility would not appear to be a critical factor in facility marketability. • Capital investment of \$8.8 million is required to maintain this “status quo” condition with moderate on-going municipal subsidy required.
Convention Centre Needs	
Facility Capacity	<ul style="list-style-type: none"> • In order to compete more directly for non-local regional, provincial and national, a minimum contiguous floorplate of 35,000 sf of exhibit space has been identified through stakeholder consultation and to compete for business with comparable facilities. • Given the unlikely ability to compete in the trade show market with several competing facilities in the GGH, an exhibit space to meeting/ballroom space ratio of 0.5 is deemed reasonable. Based on this, using an average exhibit space to meeting/ballroom space ratio of 0.5, a total requirement of 70,000 sf has been identified. • Given that that Hamilton’s destination draw would currently be considered inferior to Niagara Falls, Halifax or Ottawa, a comparable capacity to other Tier III destinations would likely not be supported by market needs.
Programming Impact	<ul style="list-style-type: none"> • With the current facility benefitting from stable, recurring revenue growth, it is our view that the existing events business may be impacted by a potential renovation and/or relocation of the existing site. • As the general intent of any proposed renovation/relocation of the existing site is would adjust marketability towards more traditional convention and/or non-local meetings business, the impact to programming of the existing, profitable business may be considered. • This facility requirements to support this recurring, growing existing business segments must be balanced against the potential financial impact of investment in a new facility designed for a different target market. • Newly-built convention centres can often operate at a net loss to the municipality as a means to further tourism goals and the generation of non-local tourism spending. • Currently while the programming mix does not align to the traditional composition of convention centre business, the facility is profitable.
Building/Location Attributes	<ul style="list-style-type: none"> • Based on the acknowledgement that the existing facility is limited in terms of its contiguous floorplan, kitchen, loading capabilities, lighting, and other technical considerations, a new facility requirement is assumed. • In our view, the success of a revitalized and renewed convention centre in Hamilton is highly dependent on the stature of the City’s tourism draw. • While Hamilton has made significant strides forward in terms of its civic identity and overall tourist appeal, it would not at this time compete



	<p>against Tier III destinations such as Niagara Falls, Ottawa, or Halifax. Hamilton will also always be in the “shadow” of Toronto and its venues.</p> <ul style="list-style-type: none"> • The continued development of the downtown core, the City’s cultural offerings, F&B scene, and the transit improvements and waterfront development in the next 5+ years may all provide the direction upon which this could be over the medium-term.
<p>Est. Cost (as new)</p>	<ul style="list-style-type: none"> • Based on an average psf costs of recently-built facilities and Marshall and Swift cost estimates, an approximate Order-Of-Magnitude construction budget of \$28 - \$38 million for a newly-built convention facility of an appropriate quality has been estimated to meet Hamilton’s market needs. • One of the market differentiators today for Hamilton is its relative cost-effectiveness to other Tier 2 and Tier 3 conference destinations. With the construction of a new facility, the impact to this should be considered. • While misalignment with the Hamilton Convention supporting the needs of more traditional definitions convention centre demand segments, based on market conditions today and the recent upgrades or relatively newer construction of directly competitive and regionally dominant centres, the expected commercial viability of a renewed facility is uncertain. • Capital investment of \$4.0 million is required to maintain this “status quo” condition where on-going municipal subsidy is not expected for the foreseeable future.

Based upon this Needs Assessment, the FirstOntario Centre would appear to be most misaligned facility to current market demand in Hamilton. This misalignment would appear to create added operational costs that will continue to require on-going municipal subsidy while delivering a sub-optimal guest experience.

The FirstOntario Concert Hall would appear to respond reasonably well to this Needs Assessment for Hamilton, with no key significant indicators of misalignment to market demand with the exception of potential accessibility, outdoor space, and F&B upgrades.

While the Hamilton Convention Centre does not appear to align to the specific size, layout and aesthetic of convention centres in today’s market, given that it operates on a net profit basis to the City, it would not be considered an immediate priority for major investment. Based on the level of current investment in competing centres such in London, Halifax and Winnipeg, we also feel that the market viability for a renewed facility today is somewhat uncertain.



6. Entertainment Venue Options Analysis

Based on the Needs Assessment identified for the Hamilton market, an options analysis has been developed that contemplates three (3) possible go-forward scenarios as part of this Entertainment Venue Review. These include a "Status Quo", "Arena Renovation", and "Entertainment Venue Renewal" option, which may be evaluated based upon a series of quantitative and qualitative factors.

Each option's financial impact had been assessed over a 35-year period to 2052 which aligns to a proposed 30-year future lease as part of the Entertainment Venue Renewal Option. Future attendance and revenue projections, as well as capital investment considerations such as lifecycle maintenance, facility renovation or new construction have also been incorporated into each forecast.

Additional project goals such as the added benefit of co-locating Entertainment Venues in clustered, downtown precinct and the ability the three (3) options to act as a catalyst for further private-sector investment will be considered in developing final recommendations.

With summary statistics presented herein, please consult Appendix E for further detail on input assumptions and to review operating cashflow projections.

6.1 Status Quo Option

Through consultation with City staff, external stakeholders, and a review of available building condition reports, each of the Entertainment Venue's physical condition is characterized by significant deferred maintenance. Capital investment, we understand, is imminently required to ensure the on-going useful life for the next 25 to 30 years. Under the Status Quo option, capital investment in near-term required lifecycle maintenance has been considered for each of the facilities.

Our financial forecast for the Status Quo option employs the following major assumptions:

- ▶ It has been assumed that each facility will continue to drive similar levels of utilization with a similar cost base over the forecast period. Using 2018 operating results, inflationary growth factors have been applied at 2.00%, indicative of the moderate, stable growth exhibited in each facility's historical performance.
- ▶ With no change in revenue-generating capacity, no incremental income gains.
- ▶ In order to achieve the on-going operation of these facilities for the next 30 years, capital investment requirements previously discussed in Section 2.4 of this report have been incorporated from 2019 - 2024.
- ▶ As lifecycle maintenance is not expected to greatly improve energy efficiency, the on-going municipal utility subsidy of \$1.2 million has been assumed to remain over the forecast period.
- ▶ For each scenario, the absolute financial impact to the City of any on-going subsidy and capital investment have been identified, with a Net Present Value ("NPV") calculation, based upon a 4.50% discount rate, indicative of City's cost of capital.
- ▶ The existing management agreement particulars, including the Net Loss Guarantee with Spectra, have been assumed to remain over the forecast period.



- ▶ While the Hamilton Convention Centre’s operations have been forecasted over a 30-year period, given the expectation of on-going profitable operations, there has been no financial impact associated with the Hamilton Convention Centre under this option. We have excluded the utility subsidy which Carmen’s provides the City as this transfer covers costs incurred by the City.
- ▶ A “Structural Reserve” has been incorporated into the capital investment forecast following the 10-year period after capital investments previously identified.
 - Referenced from the Canadian Infrastructure Report Card’s (“CIRC”) investment survey, a range of 1.70% - 2.25% of construction cost is considered industry standard.
 - Using Statistics Canada’s construction cost index, an inflated construction cost of \$108 million would require approximately \$1.8 million in annual capital costs from 2030 onward for capital maintenance of FirstOntario Centre.
 - The current capital budget has been assumed to be re-directed towards FirstOntario Concert Hall and would fall within the CIRC range for inflated construction costs.

Financial Impact & Subsidy Reduction

The following financial impact results have been projected over the 30-year study period under the Status Quo option based upon assumptions identified:

Projected Financial Impact Evaluation: Status Quo Option	
Total Municipal Subsidy	(\$64,298,193)
Total Capital Investment	(\$91,680,316)
Total Financial Impact	(\$155,978,510)
Total Financial Impact NPV	(\$90,783,849)

6.2 Arena Renovation Option

Through consultation with City staff, external stakeholders, and a review of available building condition reports and other master plans, we understand that a 2016 Arena Renovation Study was prepared by BBB Architects (“BBB Report”).

This scope of this report included a comprehensive assessment of the FirstOntario Centre’s physical condition, outlining two (2) potential renovation options; a partial upgrade of the existing facility with an estimated cost of \$68 million and a complete transformation into an NHL-quality sports and entertainment facility with an estimated cost of \$252 million.³⁴ While EY acknowledges that City Council did not endorse either recommendation presented in this report, we do believe that it offers a valuable comparison to the Status Quo and Entertainment Venue Renewal options.

The Arena Renovation Option considers a proposed partial renovation which consists of end-of-life building upgrades and the remodelling of key interior areas. We understand that in addition to greatly extend the life of the facility, this option would greatly augment the revenue-generating capacity of the FirstOntario Centre with the upgrading of premium boxes, addition of F&B concessions in the Lower Bowl and a renewed premium restaurant/lounge.

³⁴ City of Hamilton Staff Report (5 April 2017) / BBB Architects, *FirstOntario Centre Renovation Study*. (31 August 2016)



Our financial forecast for the Arena Renovation option employs the following major assumptions:

- ▶ The FirstOntario Concert Hall and Hamilton Convention Centre are subject to the same assumptions employed in the Status Quo option.
- ▶ The 2016 partial renovation cost estimate of \$68 million identified by City staff from the BBB Report has been inflated to 2019 dollars using the Statistics Canada Construction Cost Price Index, assumed to now cost over \$73 million.
- ▶ The project timelines provided in the BBB Report are assumed to commence in January 2020 with a total project duration of 20 months. Throughout 2020 and 2021, the BBB Report indicates the facility will be operational for the fall and winter seasons, but will require a full closure for three (3) months during the summer season.
- ▶ Through discussion with the Hamilton Bulldogs, City staff and others familiar with the FirstOntario Centre, we understand the critical nature of the end-of brine piping system and natural gas generator, we have modelled these costs into the capital investment forecast for the current FirstOntario Centre. To sustain business operations and commercial confidence in the City, we feel these repairs are necessary despite the construction of a new facility in the interim.
 - Further discussion and segmenting of these cost estimates provided to EY may allow for select items to be removed from the \$7.3 million estimated costs.
 - Potential cost-sharing may be packaged into an overall deal negotiated with the future operator and/or partner on City's new sports and entertainment venue.
- ▶ For the purposes of forecasting an operating cashflow at FirstOntario Centre, EY developed a forecast of attendance and associated event income for the 2-Year period renovation from 2020 using 2018 attendance figures and the following set of assumptions:
 - During the renovation period with summer closures, EY assumes that two (2) Major Concerts, two (2) Minor Concerts and two (2) Family/Entertainment events would not be accommodated due to the renovations. This has been based on a review of the 2018 and 2019 summer event schedules and discussions with event industry experts.
 - Event income would otherwise continue to grow with inflation over the two-year renovation period.
 - Indirect expenses include fixed cost items such as salaries, employee benefits, and worker's compensation are not assumed to be variable, so no adjustment has been applied to reflect the decreased attendance during the renovation period.
- ▶ Following the renovation period, we have employed the following additional assumptions based on upgrades to the facility:
 - For 2022, we have assumed the return of the six (6) events which were not accommodated during the renovation period, with no further incremental gains in net number of events as a result of "lost momentum" in marketing Hamilton during this renovation period.
 - We do note, however, that the completion of an arena renovation would likely induce some degree of additional interest in the current programming following the renovation period. It is assumed that overall Event Income will increase by 15% across all segments.



- Given the enhanced premium box offering, additional F&B outlets in the Lower Bowl, and renewed premium restaurant/lounge, we would anticipate that Ancillary Income would increase by an additional 35%. Factoring in the augmented F&B offering as a result of the building’s renovations, a total adjustment of 50% for Ancillary Income is assumed.
- ▶ Based on the overall augmentation of Downtown Hamilton’s urban landscape and tourism identity future transit improvements and growing downtown resident base, we have applied an annual 2.0% growth in Total Event Income for the FirstOntario Concert Hall for a 10-year period from 2024, for a total adjustment of 20% over the 10-year period.

Financial Impact & Subsidy Reduction

The following financial impact results have been projected over the study period under the Arena Renovation option based upon assumptions identified:

Projected Financial Impact Evaluation: Arena Renewal	
Total Municipal Subsidy	(\$34,155,832)
Total Capital Investment	(\$146,365,604)
Total Financial Impact	(\$182,426,184)
Total Financial Impact (NPV)	(\$146,813,588)

- ▶ Under the Arena Renovation option, the on-going municipal operating subsidy is projected to decrease by over \$30 million over the study period, largely due to an expanded F&B offering driving enhanced ancillary revenues, in addition to a moderate uptick in attendance.
- ▶ Based upon our review of the BBB Report, the arena renovation is largely internal, and includes a significant (~\$54 million in 2016 dollars) level of base building investment required to return the building to its originally intended condition.
- ▶ While the arena’s renovation does greatly expand revenue-generating potential, improving operating performance to a forecasted Net Loss Subsidy gain in Year 25, it does not sufficiently improve operating performance to eliminate on-going municipal subsidy.
 - Based on our understanding the BBB Report, the annual utility subsidy of \$1.2 million would be not eliminated as a result of this renovation work’s impact on energy efficiency, creating an on-going liability for the City. While some moderate (e.g. LED lighting) efficiency modifications are identified in the BBB Report, they are balance against the likely increase in utility needs due to other facility enhancements, with a net increase in utility costs of \$625,000 annually.³⁵
- ▶ Additionally, based upon our review of the BBB Report, it does not appear that the renovation addresses the site-orientation challenges such as connectivity to adjacent developments, integration with the public realm and other street-level animation challenges in Downtown Hamilton that are noted within the City’s 2010 Downtown Secondary Plan.
 - As these external urban design factors are critical drivers of the overall urban landscape and the added benefit of a co-locating the City’s Entertainment Venues in a downtown precinct, we would expect the Arena Renovation option to dramatically impact private-sector investment and development in the downtown precinct.

³⁵ BBB Architects, FirstOntario Centre Renovation Study. (31 August 2016)



6.3 Entertainment Venue Renewal Option

The final option Entertainment Venue Renewal option contemplates a phased approach to the renewal of the FirstOntario Centre and Hamilton Convention Centre. Based on the results of our Needs Assessment, it would appear the FirstOntario Concert Hall largely meets Hamilton's needs, with the exception of aesthetic, accessibility, and F&B upgrades.

Based on this, the Entertainment Venue Renewal option considers a 3-phased approach, outlined below:

- 1) Construction and relocation of the existing FirstOntario Centre on a site of ~3.5 acres to allow for construction staging of sports and entertainment venue footprint of approximately 2.75 acres, subject to parking requirements.
- 2) Following the opening of a newly-constructed sports and entertainment venue, we believe the market rationale and tourist draw in Hamilton will have improved creating greater certainty around the viability of a renewed convention centre. The former arena site, subject to demolition, has been considered as an ideal site for this use, with excess capacity for other revenue-generating uses to be co-located on the site with the Hamilton Convention Centre.
- 3) Based upon a projected renewal of the Hamilton Convention Centre on the former arena site, the existing lands may be sold or redeveloped, subject to demolition.

An initial phase includes the renewal of FirstOntario Centre, which is assumed to be built on another site in the immediate vicinity within downtown Hamilton. The evidence in other similar Canadian markets, demonstrates the potential for a well-designed, renewed sports and entertainment facility with appropriate site-orientation to act as a catalyst for net, additional private-sector investment. The overall vibrancy created by this augmentation to the urban landscape will likely strengthen Hamilton's identity and tourist appeal.

As we have discussed throughout this report, the market rationale for a renewed convention facility in Hamilton today is uncertain given the age of competitive facilities, the relative tourist draws of Hamilton to other host destinations, and the relative depth in local hotel supply. The Hamilton Convention Centre today is also operating at a net profit to the City, somewhat unique among other Canadian facilities.

EY has developed a 30-Year financial projection of operational viability, potential costs and impact on municipal subsidy, additional funding model considerations are further described in the following section of this report.

Entertainment Venue Renewal - Phase I

Phase I of the Entertainment Venue Renewal option employs the following modelling assumptions:

- ▶ The land acquisition costs for relocating the FirstOntario Centre to a site of approximately 3.5 acres in downtown Hamilton has been estimated at \$35 million, or \$10 million/acre for modelling purposes. Treated as confidential, site-specific analysis and valuation(s) of potential sites to acquire have been separately provided to the City.



- ▶ Construction costs for a new sports and entertainment facility are estimated at \$115 - \$130 million, based on Order-Of-Magnitude per-seat comparable costs for other newly-built facilities, Marshall & Swift cost estimates, and the consideration of historical construction costs, indexed to 2019 dollars, of comparable facilities. For further detail, please consult Appendix F.
- ▶ An indicative five-year project timeline has been considered, with an initial year of pre-construction and design work in 2019, followed by three (3) years of approvals/construction and, with a projected opening of the new facility in 2023.³⁶
- ▶ From 2019-2023, operations at the current FirstOntario Centre are assumed to continue to grow with the market, with no change in the structure of the existing management agreement.
- ▶ In 2023, a new management structure has been assumed with major assumptions driven by discussions with industry stakeholders and a review of arrangements at other comparable facilities, including Budweiser Gardens, Place Bell, and Rogers Place.
 - The City would additionally collect a facility fee on tickets. Based upon our review of in other facilities, for modelling purposes this has been assumed as \$0.50 per ticket, increasing to \$1.00 in Years 25-30, assuming a 50-year lease.
 - The operating income of the facility would also account for a guaranteed management fee, assumed to be \$450,000 over the course of the agreement.
 - A new management agreement would likely be structured with lease payments equal some combination of an upfront capital contribution and a portion of the new facility's Net Operating Income ("NOI"), to be further negotiated by the City. For modelling purposes, we have assumed an on-going lease structure equal to 25% in Years 1-5, 50% in Years 6-10, and 75% thereafter. This assumption is subject to change upon the negotiation of a management agreement with potential future lessors/operators.
- ▶ Forecasted attendance levels upon the completion of the new sports and entertainment venue have been based upon a projected increase of 50% for sporting events, namely the Hamilton Bulldogs and a 15% increase for cultural events such as concerts and family shows.
 - Through our discussions with the Hamilton Bulldogs, we understand that the current facility is a major limitation for attendance. As such, a renewed sports and entertainment venue we feel would draw a notable increase in attendance, assumed to be 268,576 in 2023, With average attendance of 5,481 projected in 2023, this assumption is in line with the current OHL average of 5,210.
 - While we expect a renewed sports and entertainment venue to materially augment the promotion and marketing of Hamilton for cultural events (e.g. concerts, family shows), we have also considered the impact of a reduction in overall capacity. Balancing these, a 15% increase in attendance would see 402,931 cultural attendees in 2023 to the facility.
- ▶ Income per ticket forecasts for cultural programming are based on an inflated current value, which is comparable to other facilities reviewed. Inflated to 2023, an assumption of \$10.79 per ticket has been used for revenue build-up purposes.

³⁶ Given the preliminary nature of this analysis, this 5-year timeline is intended to be indicative as a means to compare the financial impact from one option to another.



- ▶ Acknowledging that a new agreement with the Hamilton Bulldogs would likely be negotiated in a new sports and entertainment venue lease, EY has considered the 2018 sports Event Income on a per-ticket basis for the London Knights of \$2.54³⁷. In Hamilton’s case, an assumption of per-ticket income of \$1.75 has been assumed upon project stabilization in 2023 due to attendance levels and demographics, as well as the ownership of either facility’s lead tenant.
- ▶ Indirect costs have been estimated on a per-seat basis using comparable data from both Budweiser Gardens and Scotiabank Centre (Halifax), with a per-seat 2018 assumption of \$651.
- ▶ We have assumed that the management of FirstOntario Concert Hall may be incorporated into a new management agreement, with likely future negotiations to occur with respect to the subsidy of that facility’s initially forecasted operating losses. As discussed in Section 4 of this report, the majority of performing arts venues in Ontario receive some form of public subsidy.
- ▶ As in other options, we have assumed the profitable operations of the Hamilton Convention Centre will continue for the foreseeable future, with no financial impact to the City. Further discussion of Phases II and III of this option are provided herein.
- ▶ While it is assumed facility ticketing fees will be re-directed in part to a capital reserve, in Year 25 following the completion of the new sports and entertainment venue, an annual structural reserve of \$2.3 million has been assumed.

The following financial impact results have been projected over the 30-year study period under the Entertainment Venue Renewal option based upon major assumptions identified:

Projected Financial Impact Evaluation: Entertainment Venue Renewal	
Total Facility Ticket Fee Proceeds	\$15,430,432
Total Operating Profit Proceeds ³⁸	\$4,068,995
Total Performing Arts Subsidy	(\$7,469,138)
Total Financial Impact	(\$184,861,382)
30-Year Financial Impact NPV	(\$166,372,238)

- ▶ Based upon these results, estimated direct City proceeds of nearly \$20 million are projected for the Entertainment Venue Renewal option over the Study Period.
- ▶ Our analysis indicates on-going municipal subsidy requirement will be eliminated for the operation of the sports and entertainment venue following new construction based upon the projected commercial operations and assumptions derived from other comparable facility operations.
- ▶ Direct proceeds of \$20 million over the study period does not consider several areas for potential direct cost offsetting, such as the residual development land(s) which the City would retain from Phase I and further Phases II and II identified below and other considerations identified in Section 7.3 of this report.

³⁷ F&B concessions and ticket sales (e.g. Direct Event Income) aggregated into reported Sports Event Income.

³⁸ May be applied against a potential private-sector capital contribution, subject to further negotiation by City.



EY has additionally considered the economics of a new convention centre being built on the former FirstOntario site and how a municipal land contribution may impact potential City contributions towards construction costs of a new facility. Based upon land requirements for the following two (2) comparable convention venues as the requirements set out in our Needs Assessment, we identified an estimated site requirement of 2.0 acres.

Convention Centre Site Requirements ³⁹			
Conference Centre	Total Size (sf)	Largest Contiguous (sf)	Site Area (Ac)
RBC Place (London)	70,000	33,033	1.90
Victoria Convention Centre	73,000	25,000	2.02

With an estimated size of 3.69 acres for the entire former FirstOntario Centre lands, we have considered the balance of the site's 1.69 acres as a candidate for development, subject to a \$10.5 million demolition cost for the existing FirstOntario Centre.⁴⁰

To determine the degree to which the underlying land value may be applied towards the future development of a future convention centre, we have also estimated the future value of the excess lands which would not be required for the convention centre construction against the inflated construction cost for a newly-built convention centre.

With an estimated 1.69 acres on the balance of the former FirstOntario Centre site, using an estimated Floor-Area-Ratio ("FAR") we can assess the total expected magnitude of future development. Based upon a review of comparable properties in downtown Hamilton and the property's specific planning considerations, we have assumed a FAR of 8.50 yielding a build-out of approximately 630,000 sf on the adjacent lands to a proposed convention centre.

Currently in Hamilton, based upon the sales of comparable development sites identified below, the price per buildable-square-foot is in the \$40 - \$42 psf range.

High-Density Mixed-Use Sales Comparison ⁴¹					
Development Site Sale	Date	Size (ac)	Purchase Price	Est. Size (sf) ⁴²	Price PSF
98 James Street South	Sep-19	0.33	\$8,500,000	199,238	\$42.66
190 Main Street South	Dec-18	1.88	\$20,500,000	493,420	\$41.55

Upon the time of this contemplated next phase of development were to occur, it should be acknowledged that the these lands would be sitting adjacent to a newly-built sports and entertainment facility, as well as the Hamilton Central Library and Farmer's Market, three (3) highly sought-after local area amenities. It is also expected that the Hamilton LRT system will be operational at this time.

Given these factors and on-going Downtown Hamilton market appreciation, a premium of 25% has been applied to the per buildable sf unit value from today's market value. It should be noted that these future value estimated are predicated upon the successful completion of Phases I and II, the completion of the LRT system, all else being equal from today's market conditions.

³⁹ Compiled by EY from a variety of sources including facility websites, industry publications and GIS software.
⁴⁰ Assumed using demolition costs quoted by City of Calgary for the demolition of the Scotiabank Saddledome.
⁴¹ Sourced from RealNet with additional assumptions developed by EY for project densities.
⁴² Assumed based on Downtown Hamilton Secondary Plan, proposals received and other comparable site densities.



Summarized in the table below is the inflated 2023 construction cost estimate for the convention centre, the 2023 land value estimate, and expected 2023 arena demolition costs.

Land Value Contribution to Convention Centre Construction	
	Est. Value
Est. 2023 Residual Land Value - Former Arena Site	\$33,001,272
Est. 2023 Convention Centre Construction Cost	\$30,471,856
Excess Land Value	\$2,529,416
Less: Arena Demolition	(\$11,442,390)
Total Project Costs	(\$8,912,974)

This data would suggest that while residual land values of \$2.5 million over and above estimated future construction costs may be retained, the assumed cost for demolition of the existing site must be factored into the analysis. A total project cost of \$8.9 million has been assumed for the convention centre after adjusting for demolition of the existing FirstOntario Centre improvements. Further discussion of typical cost-splitting with other levels of government is provided for in the following section.

Once this hypothetical Phase II has been completed, the underlying value of the existing Hamilton Convention Centre’s approximate 1.3-acre site may be further considered. Using the same premium applied to the forward-looking price per buildable sf that was employed in the valuation of the former arena site, in our view, is justified given that this site is adjacent to cultural amenities such as the Art Gallery of Hamilton and FirstOntario Concert Hall, in addition to its adjacency to the proposed James Street LRT station.

As such, with a FAR assumption of 8.5, the following value has been estimated, subject to a demolition cost estimate of \$670,981.⁴³

Current Convention Centre Residual Land Value	
	Size (sf) / Value
Est. Total Site Size	56,745
Est. Project Buildout	482,222
Est. 2023 Land Value	\$25,721,979
Less: Demolition	(\$670,981)
Est. 2023 Residual Land Value	\$25,050,998

Residual Sports and entertainment Venue Land Value

It should also be noted that based upon our analysis of comparably-sized sports and entertainment venue facilities, our initial land acquisition requirement of 3.5 acres was identified for the staging and construction of a future 10,000-seat sports and entertainment venue.

Should parking not be required as part of the overall sports and entertainment venue development, however, we believe that following construction the City would likely retain a residual development land parcel of approximately 0.75 acres.

⁴³ Sourced from Marshall & Swift, and subject to additional site-specific adjustments made by EY, inflated to 2023.



We have assumed the actual size requirement for the sports and entertainment venue development as 2.75 acres based on the research presented below:

Sports and Entertainment Venue Site Requirements (Excluding Parking) ⁴⁴			
Venue	Capacity	Site Area (Ac)	Comments
Budweiser Gardens	11,000	2.91	Excludes gathering space, parking.
Scotiabank Centre	9,100	2.58	No adjacent parking.

Under this scenario, the residual value of this excess land has been assumed to have a future value of nearly \$17.5 million, based upon a FAR of 10 on this strategically-located 0.75-acre site which would be adjacent, if not connected to a proposed newly-built sports and entertainment facility.

Future Sports and Entertainment Venue Site Residual Land Value	
	Size (sf) / Value
Est. Total Site Size	32,738
Est. Project Buildout	327,372
Est. 2023 Land Value	\$17,458,357

⁴⁴ Sourced from arena websites and GIS software.



7. Funding Model Assessment

In order to assess the potential municipal contribution requirement for recommendations arising from this Entertainment Venues Review, an assessment of deal structures and operating models for recently-constructed sports and entertainment venues and convention centre facilities has been completed. In addition, further analysis on potential municipal cost offsets and other indirect local economic impact benefits have been considered.

7.1 Sports and Entertainment Venue Case Studies: New Construction

The following details pertaining to the funding formulas demonstrate the relationship between the operator of new sports and entertainment venue facilities and its private contribution partner.

Figure 19 - New Sports and entertainment venue Construction Funding Details⁴⁵

Sports & Entertainment Venue	Year Built	Cost ⁴⁶ (\$M)	Public Funding	Private Funding
Proposed Renewal, Calgary	TBD	\$550.0M	50%	50%
<ul style="list-style-type: none"> • \$227M upfront city contribution. • \$155M recovered by city with facility fee over 35-year period. • \$2.5M recovered by city with 10-year naming rights. • \$227M upfront contribution from Flames ownership, who were also guaranteed ROFR⁴⁷ on adjacent lands. • Ownership to be retained by the city, with Flames ownership responsible for 35-year maintenance. 				
Place Bell, Laval	2017	\$200.0M	84%	16%
<ul style="list-style-type: none"> • \$122M upfront city contribution and \$46.3M upfront provincial contribution • \$32M Evenko contribution which the facility manager & Montreal Canadiens/lead tenant partner who is responsible for all operating costs of facility over the course of the 20-year leasing deal. • Private-sector upfront contribution of \$12M, in addition to \$20M over a 20-year leasing term, or \$1M/year. • Original private contribution equal to 30% of total project costs, decreasing to 16% due to cost overruns. 				
Mosaic Stadium, Regina	2016	\$278.0M	91%	6%
<ul style="list-style-type: none"> • \$80M upfront provincial contribution and \$73M upfront city contribution. • \$75M recovered by city 35-year lease with Sask. Sport Inc. with city responsible for 30-year maintenance which has been estimated at \$118.8M over the term of the lease. • Private, upfront contribution from football club of \$20M towards public funding costs, with an additional \$20M investment towards the Roughrider's internal areas of new stadium. • \$100M recovered by city through a ticket surcharge projected over 30-year period. 				
Rogers Place, Edmonton	2015	\$483.5	73%	27%
<ul style="list-style-type: none"> • \$226M upfront city contribution funded through community revitalization levy, new parking revenues, and redirection of current Rexall Place subsidy. • The ICE District partnership⁴⁸ contributed of \$130M includes an upfront \$19.7M capital contribution, and \$112.8M paid to the city as rent over 35 years which covers principal and interest costs for principal amount. • \$125M financed by the City will be recovered through ticket surcharges over 35-year lease period. • Additional private investment from the ICE District Partnership³¹ in adjoining community amenities was provided, including a \$6.7M upfront contribution and \$25M over 35 years covering city's financing costs. • Subsequent municipal land transfers between the city and the ICE District Partnership would appear to reflect earlier investments in other community amenities and future programming. 				

⁴⁵ Compiled by EY from a variety of sources, including media reports, municipal budget documents, and other public information.

⁴⁶ Total project costs, which may include land acquisition or other components not considered in analysis of construction costs.

⁴⁷ Right of First Refusal to acquire municipal development lands adjacent new arena facility.

⁴⁸ A joint-venture between Katz Group, who also own the Edmonton Oilers, and ONE Properties, a development partner.



- ▶ For most private-sector contributions, funding has been comprised of an upfront capital contribution, in addition to longer-term lease payments, which represent a portion of operating gains. Operational risk has been assumed following a municipal-led construction project.
 - Due to cost overruns in the construction of Place Bell, the actual composition of private funding decreased from 30% to 16% of the originally-committed municipal cost estimate.
- ▶ In most cases (e.g. Calgary Proposal, Place Bell, Rogers Place), facility management groups are provided with full control of the facility's revenue-generating potential, including event promotion, ticket sales, F&B, and advertising/naming/promotional rights.
 - In most cases, a "Facility Fee" revenue stream, based upon a pre-negotiated percentage of ticket sales and/or a fixed fee applied to ticket face values is collected. As sports and entertainment venues remain owned by the municipality, a split of this funding may be applied to a capital reserve, and debt repayment for any municipal contribution.
- ▶ In the ICE District and Calgary Proposal, adjacent real estate development opportunities which emerged from these deals have been noted as major deal considerations which can provide upfront certainty over the total project returns for private-sector partners.
 - In Edmonton's ICE District, private-sector investments in other public, community amenities (e.g. Winter Garden) were adjoining the real estate development opportunities on other, adjacent municipal lands conveyed to the ICE District partnership.
- ▶ Examples of sports and entertainment venue investments situated in a clustered precinct within the downtown core with transit connections and other adjacent entertainment and cultural amenities augment the opportunity for real estate development and community partnerships.
 - In Calgary, there is an estimated incremental \$138.7 million increase in the property taxes collected over the course of the 35-year deal, \$75 million in support to local community sports organizations and \$9.5 million through community programming.⁴⁹
 - In Winnipeg, evidence exists in the relationship between the sports and entertainment venue's impact on increasing downtown populations and lower commercial retail vacancy that have caused a measurable increase in the safety of its downtown precinct.
- ▶ In Edmonton, some municipal ICE District funds were financed through a community infrastructure levy structured around expected rise in future municipal property tax proceeds.
 - After five (5) years of a net loss in the scheme between 2014 - 2019, recent city estimates predict that by 2034, the project will ultimately net out \$238.5 million over and above the debt servicing and other project costs incurred.⁵⁰

Based upon this review, EY believes that Hamilton may attract private-sector investment in a renewed arena equal to 20% - 30% of the construction costs, provided the development partner has a vested interest in the success of the new facility either as the facility's lead tenant, through facility revenue control or with associated real estate development opportunities.

Several considerations for cost offsetting include unlocking vacant the value of vacant lands, the likely follow-on investment and resultant increases in the municipal property tax base, and local economic impact analysis.

⁴⁹ City of Calgary, *Projected Returns to Calgarians*. (22 July 2019)

⁵⁰ University of Calgary, *Community Revitalization Levy as Municipal Financing Mechanism*. (February 2019)



7.2 Convention Centre Case Studies: New Construction

The following case studies have been presented for the consideration of convention centre funding models, based upon a review of recently-completed facilities, and major renovations or expansions.

Figure 20 - New Convention Centre Construction Funding Details⁵¹

Convention Centre	Year Built	Cost ⁵² (\$M)	Public Funding	Private Funding
BMO Place, Calgary	TBD	\$500.0M	100%	-
<ul style="list-style-type: none"> Proposed expansion and redevelopment of Tier 3 convention centre into a Tier 4 facility as a municipal-led construction project. Equal 1/3 parts funding were provided by the federal, provincial, and municipal governments. 				
Nova Centre, Halifax	2018	\$169.2M	100%	-
<ul style="list-style-type: none"> Redevelopment of the Halifax Convention Centre to be incorporated as part of a mixed-use, private-sector led development which includes an office and hotel component. Private-sector led construction of the integrated facility, with long-term operations managed by a provincial-municipal partnership who also manage the adjacent Scotiabank Centre and Ticket Atlantic. Federal contribution of \$51.4M provided at point of substantial completion, with longer-term lease payments equal to the balance of \$112.8M financed through fixed, 25-year annual lease payments equally shared by province and municipality at a rate of 4.10%. While the municipal funding strategy was reliant on the commercial property taxes estimated to be collected on the mixed-use development, this growth in assessment values was not achieved and revised forecasts estimate a shortfall of \$5.0 - \$8.0M in capital reserve funding for the facility for 5 years from opening.⁵³ 				
RBC Centre Expansion, Winnipeg	2012	\$181.6M	100%	-
<ul style="list-style-type: none"> Federal (\$46.6M), and equal parts provincial and municipal funding (\$51.0M) were provided as upfront capital contributions to the expansion of this municipally-owned facility. An additional \$33.0M in public financing was secured based upon \$17.0M in new convention centre revenues and \$16.0M in new taxes from the expansion of an adjacent hotel. Due to a delay in securing an adjacent hotel development to 2022 originally been planned for 2016, the convention centre could have not been able to make payments on its portion of the loan, and the incremental gains in property tax have not been achieved. Due to this, the city has been covering loan payments of \$2.2M in addition to other capital costs in the new facility. 				
Scotiabank Centre, Niagara Falls	2011	\$105.0M	66%	33% (local) ⁵⁴
<ul style="list-style-type: none"> In Niagara Falls, a partnership with local partners such as the Falls Management Company, Fallsview BIA, Victoria Centre BIA, and Niagara Parks Commission. It is unclear what portion of the 1/3 parts funding coming from local partners is in fact "private" funding, as the Falls Management Company is an operator for a Crown-owned agency. The Niagara Parks Commission is also a Crown agency. The federal and provincial governments respectively supported 1/3 parts funding for the balance of costs. 				
Shaw Centre, Ottawa	2011	\$180.0M	100%	-
<ul style="list-style-type: none"> With the exception of a \$40.0M loan provided by the province's Ontario Financing Authority ("OFA"), the facility's upfront funding was provided by the federal, provincial, and municipal government. In 2018, due to on-going challenges in meeting its \$4.0M long-term debt obligations to the OFA, a renewed agreement was established based upon annual payments of \$1.0M, subject to the facility's ability to make such payments. 				

⁵¹ Compiled by EY from a variety of sources, including media reports, municipal budget documents, and other public information.
⁵² Total project costs, which may include land acquisition or other components not considered in analysis of construction costs.
⁵³ City of Halifax, *Payments for Halifax Convention Centre and Reserve Update*. (21 March 2018)
⁵⁴ Based on EY research, it is unclear what the portion of exact private-sector funding was as part of this portion.



- ▶ In each of these recent examples of convention centre construction, public funding from each of the three (3) levels of government typically provided for the total project costs. The municipality and province typically shared the balance of costs from pre-defined caps set by federal government programs over the years, such as Building in Canada and Investing in Canada.
- ▶ In the three (3) examples where some form of financing and/or guarantee was provided, the evidence would not suggest that immediate returns in the initial years of operation from the facility due to events revenue and/or local increases in the tax assessment may be relied upon.

In each of the examples considered by EY, the cost-sharing split was relatively consistent. Total project costs for a renewed convention centre facility were generally split between the federal, provincial and municipal governments. Where any public financing was borne by the Crown operator, it should be noted that these funds were typically guaranteed by the provincial and/or municipal government owning the facility.

Given this, we would reasonably expect some degree of similar cost-sharing in a proposed future convention centre renewal, subject to political directions at that time. In terms of the contribution for Hamilton, cost offsets such as excess land contributions for development may also be considered.

7.3 Municipal Contribution Offsets

To develop a final go-forward approach for the City, EY believes that the Status Quo, Arena Renovation and Entertainment Venue Renewal respective total financial impact and NPV cost projections may be balanced by a series of additional offsets. These include an identification of potential direct residual land and public grant cost offsets, as well as impacts to expected private-sector follow-on investment, and net, incremental gains in estimated local economic impact from one option to another.

Given both the Status Quo and Arena Renovation options do not contemplate any future relocation of the existing Entertainment Venues, we do not foresee any residual land contributions offsets. The Entertainment Venue Renewal option does, however, contemplate the following 3-phased approach to the relocation and new construction of the FirstOntario Centre and Hamilton Convention Centre sites:

- 1) Construction and relocation of the existing FirstOntario Centre over a 5-year period from 2019 on a site of approximately ~3.5 acres in downtown Hamilton to adequately stage for the construction of a 10,000-seat sports and entertainment venue.⁵⁵
- 2) Following the opening of the newly-constructed FirstOntario Centre in 2023, we believe the market rationale and overall tourist draw in Hamilton will have improved, creating greater certainty around the viability of a renewed convention centre. Subject to demolition, the former FirstOntario lands have been considered as an ideal site, limiting land acquisition requirement with excess capacity for other revenue-generating uses to also be co-located on the site.
- 3) Based upon a projected renewal of the Hamilton Convention Centre on the former arena site, the convention lands may be sold or redeveloped, subject to demolition.

⁵⁵ Commercially confidential, site-specific analysis and valuation(s) have been separately provided to the City.



Under this option, and considering the broad indications of value presented in the previous section of this report, we feel the following assumptions may generate potential direct cost offsets under the Entertainment Venue Renewal option for Hamilton to consider, as summarized in Table 18 below:

- ▶ As the outlook for funding from other levels of government for the construction of the new sports and entertainment venue is uncertain, we have not considered other public-sector contribution(s) at this time. We have, however, assumed a 20% - 30% private-sector contribution of sports and entertainment venue construction costs.
 - While the particular details pertaining to the allocation between upfront cost contribution and remaining lease obligations over a 30-year term would require further discussion with the City and negotiations with potential partners.
 - As such, the private-sector contribution has not been adjusted to a Present Value, and for the purposes of this analysis we have removed the future lease payments to a separate line in Table 18 below.
 - We would also anticipate that future lease payments which reflect financing borne by Hamilton to fund the required long-term payment for upfront private-sector capital costs would additionally include debt servicing costs at the City's Cost of Capital over and above the principal amount of 20% - 30% of total construction costs.
- ▶ Based upon a projected 2023 future cost of \$41.9 million⁵⁶ to construct the convention centre, it is assumed that the provincial and federal government would equally provide for \$10.4 million, respectively, representing 50% of the total incurred costs for the new facility. As these contributions would be negotiated in 2021, the future land residual values have been discounted to a 2019 Present Value for the NPV calculation.
- ▶ The two (2) residual land sites which have been identified based upon their future land values include the site of the existing convention centre, as well as the potential excess land which was required for construction staging on the future sports and entertainment venue site. Both of these offsets have been assumed at 2023 land values as discussed, which have been discounted to a 2019 Present Value for the NPV calculation.

Table 18 - Estimated Direct Entertainment Renewal Option Cost Offsets

Entertainment Venue Renewal Option: Direct Residual Land & Public Subsidy Cost Offsets		
	Total Financial Impact	Total Financial Impact NPV
Total Project Costs ⁵⁷	(\$186.9M)	(\$166.4M)
Less: Private-Sector Contribution	\$26.7M - \$40.0M	\$26.1M - \$39.1M
Less: New Convention Centre Cost Sharing ⁵⁶	\$21.0M	\$18.4M
Less: Current Convention Centre Residual Land	\$33.0M	\$28.9M
Less: New Site Residual Land	\$17.5M	\$15.2M
Total Est. Direct City Cost Offsets	\$97.5M - \$110.6M	\$88.7M - \$101.8M
Balance of Total Project Costs	(\$78.4M - \$87.3M)	(\$64.3M - \$77.7M)

⁵⁶ Estimate includes projected future convention centre construction costs, as well as demolition costs for FirstOntario Centre.

⁵⁷ Excludes the arena operating profit sharing as part of the private-sector contribution lease package.



7.4 Local Economic Impact Analysis

As part of its economic impact analysis, EY assessed the potential CAPEX, OPEX, tourism and other impacts to the City of Hamilton under the Arena Renovation and Entertainment Venue Renewal options, in addition to the previous Status Quo option presented in Section 2.5 of this report.

- ▶ **Arena Renovation:** The Hamilton Convention Centre and the FirstOntario Concert Hall are left in their current state, however, renovations to the FirstOntario Centre are undertaken.
- ▶ **Entertainment Venue Renewal:** Involves the construction of a new sports and entertainment venue and conference facility, while the FirstOntario Concert Hall would remain “as-is.”

Each of the above scenarios was selected to provide the City of Hamilton with options that (i) incentivize the private sector to undertake the redevelopment and operation of any or all of the City’s Entertainment Assets and (ii) strategically divest any or all of the City’s Entertainment Assets. When assessing the viability and feasibility of these options, particular attention was given to maximizing private sector follow-on investment within Hamilton’s downtown core and whether it meets the objectives outlined in the City’s Economic Development Action Plan and its Cultural Plan and Tourism Strategy. Table 19 provides an overview of the projected CAPEX and OPEX for each Entertainment Asset under both the Status Quo, Arena Renovation and Entertainment Venue Renewal options.

Table 19 - CAPEX and OPEX for Status Quo, Arena Renovation, and Entertainment Venue Renewal Options

CAPEX and OPEX Options Analysis			
Impact	Status Quo	Arena Renovation	Entertainment Venue Renewal
OPEX			
Hamilton Convention Centre	3.39	3.39	5.90
FOC/FOCH	9.67	10.27	14.45
Total	13.06	13.66	20.35
CAPEX			
Hamilton Convention Centre	7.76	7.76	25.21
FOC	32.70	67.45	123.42
FOCH	8.48	8.48	8.48
Total	48.94	83.69	157.11

Notes: Total OPEX and CAPEX estimates are in 2015 dollars and have been rounded. Estimated life cycle of CAPEX under Arena Renovation and Entertainment Venue Renewal are from 2018 to 2024.

Sources: Stakeholder data and EY calculations.





Under the Arena Renovation option, total OPEX are expected to be CAD \$13.66 million while total CAPEX is expected to be approximately CAD \$83.69 million. For the Entertainment Venue Renewal option, total OPEX and CAPEX are CAD \$20.35 million and CAD \$157.11 million, respectively. OPEX for the Hamilton Convention Centre under the Entertainment Venue Renewal option has been benchmarked against OPEX from the London Convention Centre. Assuming once the Hamilton Convention Centre is fully complete and operational, the two structures are expected to be relatively similar in size and event hosting, representing a reasonable proxy of what could be expected for the City of Hamilton.



Operational and Capital Expenditure Impacts

Impacts associated for each scenario and the current state for Hamilton's Entertainment Venues are displayed below in Table 20.

Table 20 - Economic Impact for Status Quo, Arena Renovation, and Entertainment Venue Renewal Options

Economic Impacts for Status Quo, Arena Renovation (Scenario 2), Entertainment Venue Renewal				
Impact	 FTEs	 Wages (\$ mn)	 GDP (\$ mn)	 Output (\$ mn)
OPEX				
Status Quo	122	7.93	11.21	15.69
Arena Renovation	128	8.34	11.56	15.97
Entertainment Venue Renewal	194	12.75	17.57	23.81
CAPEX				
Status Quo	277	20.93	26.17	53.87
Arena Renovation	475	35.78	44.73	92.07
Entertainment Venue Renewal	892	67.28	84.10	172.82

Notes: Figures for wages, GDP and output are in millions and 2015 dollars. Numbers have been rounded and are the sum of direct and indirect impacts associated with each Entertainment Asset under each of the three (3) options.

. CAPEX FTE impacts are measured in ("Person-Year") FTE jobs.

Sources: Stakeholder data and EY calculations.

Results suggest that the operational expenditures associated with the Arena Renovation option are expected to sustain CAD \$15.97 million in gross output, CAD \$11.56 million in GDP, CAD \$8.34 million in labour income and 128 FTE jobs. These impacts are to be sustained from the year 2022 onwards, when renovations to the FirstOntario Centre are complete and the facility is to reach its full operational capacity. The Entertainment Venue Renewal option is expected to sustain CAD \$23.81 million in gross output, CAD \$17.57 million in GDP, CAD \$12.75 million in labour income and 194 FTE jobs annually. These impacts are to be sustained from 2025 onwards, as this is the year in which both the new sports and entertainment venue and convention centre are assumed to be fully operational.

OPEX impacts under the Arena Renovation are to increase under the assumption that more guests are anticipated to attend events held at the FirstOntario Centre on an annual basis. As an example, in its first year after renovations are complete, annual attendance is projected to increase by approximately 20%. As a result, it is assumed that the increase in visitors would drive up operational costs primarily through increases in wage and salaries for event employees (via overtime and extra personnel), day-to-day repairs and maintenance and utility costs, etc. Similar analysis was performed for the Entertainment Venue Renewal Option where increases in operational expenditures associated with a new convention centre is associated with a projected increase in attendees once the new convention centre is fully operational. It should be noted however that impacts associated with Entertainment Venue Renewal option are contingent upon demolition of the current FirstOntario Centre, as plans call for the new convention centre to be built on this site.

CAPEX impacts suggest that the Arena Renovation option is expected to generate CAD \$92.07 million in gross output, CAD \$44.73 million in GDP, CAD \$35.78 million in labour income and 475 person-year







FTE jobs from 2018-2024. Likewise, the Entertainment Venue Renewal option is expected to generate CAD \$172.82 million in gross output, CAD \$84.10 million in GDP, CAD \$67.28 million in labour income and 892 person-year FTE jobs from 2018 to 2024. CAPEX for renovations under Arena Renovation are projected to cost CAD \$67.45 million, which primarily involves remodelling the facility's key areas. These renovations include items such as upgrades to the facility's exterior structure (i.e., roof), interior finishing's, plumbing, refrigeration and HVAC systems, etc. Under the Entertainment Venue Renewal option, the new sports and entertainment venue is projected to cost CAD \$123.42 million, while the new Convention Centre has an estimated price-tag of CAD \$25.21 million. These CAPEX are substantially higher than the current state CAPEX estimates of CAD \$7.76 and CAD \$32.70 million, which explains the increase in impacts associated with gross output, GDP contributions, labour income and person-year FTE jobs.

Tourism Impacts

Tourism impacts associated with each scenario and the current state are presented in Table 21.

Table 21 - Tourism Expenditure for Status Quo, Arena Renovation, and Entertainment Venue Renewal Options

Summary of Tourism Expenditure Impacts for Options Analysis

				
Impact	FTEs	Wages (\$ mn)	GDP (\$ mn)	Output (\$ mn)
Status Quo	160	5.79	7.94	22.90
Arena Renovation	183	6.60	9.05	26.11
Entertainment Venue Renewal	211	7.61	10.44	30.04

Notes: Figures for wages, GDP and output are in millions, 2015 dollars and at basic prices. Numbers have been rounded. Figures reflect those from estimated visitor related expenditures associated with the Hamilton Convention Centre, FirstOntario Centre and the FirstOntario Concert under the current state, scenario 1 and scenario 2 and are the sum of both direct and indirect impacts.
Sources: Stakeholder data and EY calculations

Tourism related expenditures for the Arena Renovation option are anticipated to generate CAD \$26.11 million in gross output, CAD \$9.05 million in GDP and CAD \$6.60 million in labour income. Also, 183 FTE jobs are to be sustained annually. As with OPEX related impacts, the tourism impacts associated with scenario 1 are to occur from the year 2022 onwards. For the Arena Renovation option, tourism related impacts are anticipated to increase as a result of the FirstOntario Centre becoming a more attractive destination for events and its patrons. Through stakeholder consultations, among the main identifiers for the facility's relatively low attendance figures is likely a result of, among other things, the current architectural state of the facility and its features. As such, under the proposed renovations it is projected that visitor attendance may likely increase, resulting in higher tourism impacts.

For the Entertainment Venue Renewal option, tourism related expenditures are expected to contribute approximately CAD \$30.04 million in gross output, CAD \$10.44 million in GDP, CAD \$7.61 million in labour income and 211 full-time equivalent jobs on a sustaining basis and are to occur from the year 2025 onwards.

Under this scenario, it is assumed that as a result of the new Hamilton Convention Centre and the FirstOntario Centre, the City of Hamilton may now have the ability to host more events that they would not have otherwise under the current state. This includes for example tourism related expenditures associated with hosting more conventions, trade shows and events, etc.



7.5 Follow-On Investment & Other Considerations

Through the examination of case studies presented in earlier sections of this report, headline statistics provide clear indications of the growth and development of downtown precincts following the investment in a new sports and entertainment venue and the establishment of a clustered entertainment precinct.

In London, a 61% rise in the total value of assessed properties in the City's downtown precinct occurred during the 20-year period following the construction of Budweiser Gardens and nearly \$300 million in private-sector follow-on investment. A reported \$2.5 billion dollars of expected future private-sector investment is planned for subsequent phases of Edmonton's ICE District project following the completion of Rogers Place and in Winnipeg, it is reported that \$1.12 billion of investment in mixed-use development downtown occurred following the construction of the Bell MTS Place.

Additional evidence suggests that in Winnipeg, a 20% reduction in street crimes has occurred as a result of the increasing resident base and activity downtown, resulting in safer streets as new, mixed-use developments continue to be built. In London, the downtown core's street front retail vacancy rate has also declined from 12.5% in 2002 to 7.00% in 2017, driven by the increasing demand for retail services from both new downtown residents and increased draw of the downtown core to other city residents.⁵⁸

Given the current development trajectory in downtown Hamilton, isolating the impact of investments in the three (3) options presented is challenging, giving the unknown(s) surrounding identifying the incremental level of private-sector investment over what would presumably otherwise have occurred.

We do believe, however, that it is appropriate is to consider the total level of planned investment known at the time of this report, and consider how each of the three (3) investment options may impact these project's, if at all. Specific private-sector investments have been identified as being incorporated into the 3-phased Entertainment Venue Renewal option would also warrant expected future investments.

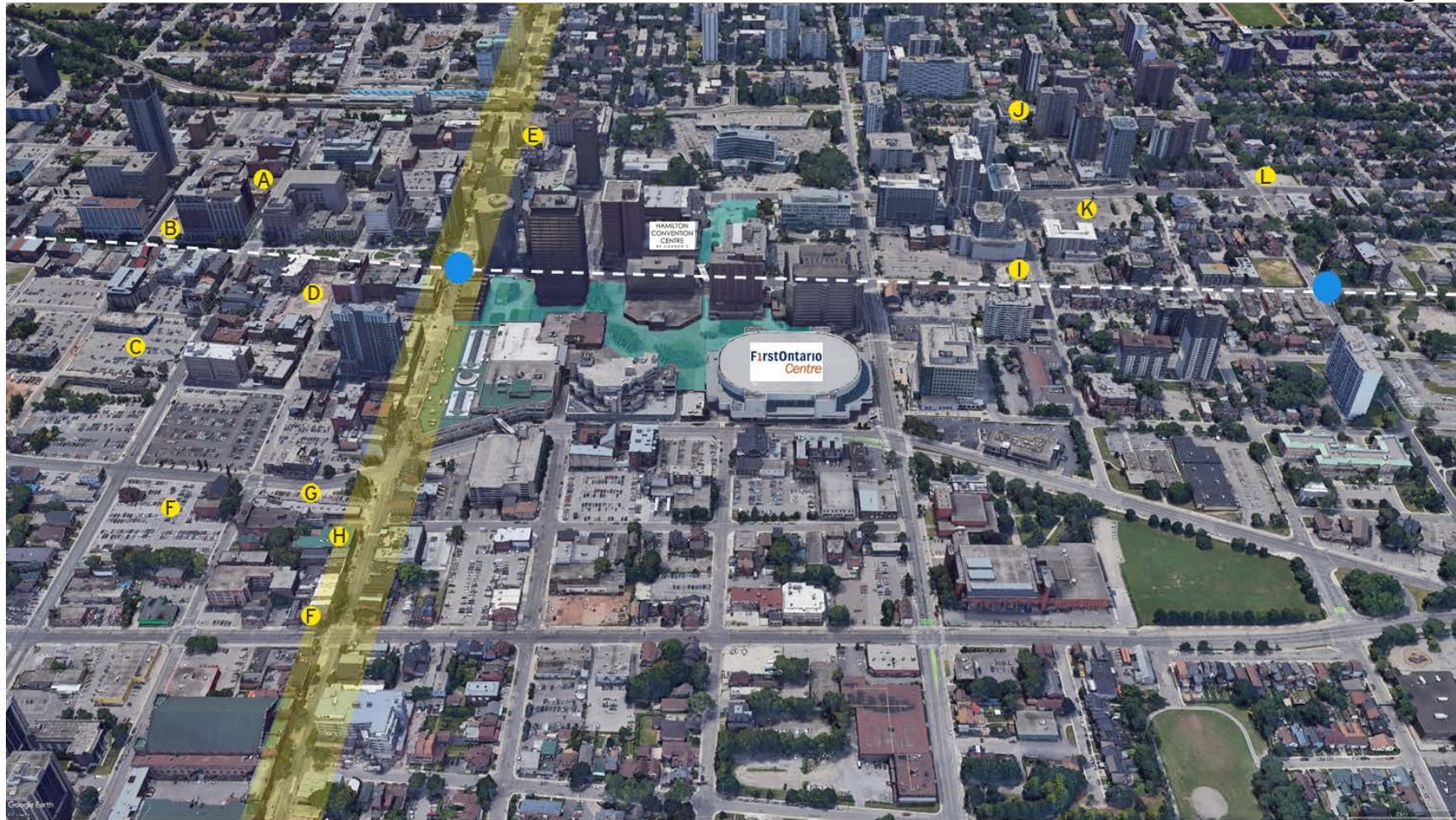
On the following page, in Figure 21 a survey of "Proposed" development project proposals is presented in Hamilton's downtown core. These are future, longer-term developments, considered to be at different stages of the planning process with potentially unknown launch dates. Based on the EY's analysis of the investment options in conjunction the local pattern(s) of potential future development, we assume:

- ▶ The Status Quo investments are not expected to support any re-animation of street-level "grey zones" or provide any augmented pedestrian-level connection(s) to key public realm areas such as Jackson Square or Commonwealth Square from any of the Entertainment Venues.
- ▶ Due to the orientation of the FirstOntario Centre's sole, concourse-level entrance facing NW in the opposite direction away from key downtown destination(s) such as James Street and other Entertainment Venues, the ability to achieve the added benefits of a "clustered, co-located downtown precinct" is limited even under the Arena Renovation option.
 - Adjacent land uses are likely to continue limiting the potential for immediately adjacent development to this site.
 - Future downtown development in Hamilton would appear to be clustered around planned LRT stations, which the current FirstOntario Centre is oriented away from.

⁵⁸ City of London, *2017 State of the Downtown Report*. (2019)



Figure 21 - Long-Term, Proposed Private-Sector Investments in Downtown Hamilton⁵⁹



- James Street Corridor
- Future Planned LRT Station (James Street / Queen Street)
- Jackson Square / Commonwealth Square
- A Long-Term Proposed Private-Sector Development

⁵⁹ EY research compiled from a variety of sources including RealNet, Urbanation, and other industry publications.



While the Status Quo and Arena Renovation option would likely not directly impact the pace of private-sector investment in the downtown core, the level of excitement derived from the announcement of a new sports and entertainment venue (and subsequent phases of development) and other related projects such as the LRT construction and future GO service enhancements, we do feel that the Entertainment Venue Renewal option warrants consideration of the impact to the pace of development in Downtown Hamilton.

Based on the project-level information which is available for some of the projects identified in Figure 21, EY estimates that a future, longer-term supply of nearly 4,775 units in the downtown core. Based on those projected project launch dates available, we understand that 1,025 will launch in the 2019-2020 period, leaving a balance of 3,750 units thereafter.

Given that these projects are all currently at some stage in the planning process, we understand that developers are actively engaged and incentivized to undertake investments in the preparation of these sites for planning approvals, and eventual project launch as part of the pre-construction process.

We could therefore further assume that should an announcement of a proposed multi-phased plan, beginning with a firm announcement to invest in a renewed sports and entertainment venue, the majority of these developers would likely be further incentivized to expedite investments to launch projects and ensure alignment to the construction of the new sports and entertainment venue. Marketing efforts would likely be bolstered as well with the timing to coincide with the scheduled opening of the LRT system in 2024, and other potential community, public realm improvements such as a renewed Jackson Square terrace.

According to Urbanation, over the past year in Hamilton, previous 4-quarter total unit sales for new condominiums averaged 720 unit-sales per annum. (Q118-Q119) At this pace of absorption, it would take 5.2 years for the entire balance of units from 2020 to be built. Based on projected 3-year construction period, we may estimate based on historical absorption patterns, 2,160 units would be constructed under current market conditions, yielding a balance of 1,590 units.

If we then assume that developers may be enticed to capitalize on the marketing of units to be delivered with a newly-constructed sports and entertainment venue, scheduled LRT system and the likely area amenities from growth in the downtown core, an assumption of the impact of investment on development may be induced. Based on EY assumptions⁶⁰, the total build-out of 1,590 units would comprise just over 1 million sf. When we combine this construction with total expected build-out at the three (3) residual land parcels that the Entertainment Venue Renewal option would yield (e.g. arena, convention centre, and former convention centre sites), we may estimate a further potential built-out of all projects directly impacted by these investments at over 1.4 million sf.

If we consider 40% - 60% of the currently planned, medium to longer-term potential development sites in Downtown Hamilton as directly or indirectly impacted by investments made within the Entertainment Renewal Option, based on EY assumptions⁵³, between \$293 - \$326 million of private-sector investment may be induced to proceed to better align with the timelines associated with the sports and entertainment venue renewal and convention centre investments.

⁶⁰ Assumes an average unit size of 550 sf, with a 15% gross-up factor for common building amenities.

⁶¹ Based upon Altus Cost Guide estimates and other EY soft cost and parking assumptions.



Increased Perception as a premier arts, entertainment, and cultural destination

For both scenarios, there is the potential to increase the overall perception, reputation and attractiveness of the City of Hamilton. Specifically, the Entertainment Venue Renewal scenario has the ability to showcase Hamilton as a premier arts, cultural and entertainment destination within Southern Ontario, the province and Canada as a whole.

As a result, the City will likely have a better chance of attracting events which it might not have been able to do otherwise. These events include conferences, trade shows, business events, concerts and sports. In turn, developments under either scenario will act as a significant "pull-factor" in attracting a more diverse audience base, which will be beneficial for numerous sectors critical to the City's long-run economic prosperity. This includes for example the accommodation, hospitality and services industries, etc.⁶² These outcomes also align with the strategic goals set forth in the City's 2015-2022 Tourism Strategy, which aims to establish the City of Hamilton as a positive destination for visitors and increase the City's market share within the tourism sector space.

Community Engagement and Resident Well-Being

Under the Arena Renovation and Entertainment Venue Renewal options, there is also the potential to generate positive outcomes in the form of increased community engagement and resident well-being. By deciding to either renovate the FirstOntario Centre or construct both a new sports and entertainment venue and convention centre, the City has the ability to increase the availability of space in which local and non-local residents can come together to engage in common interests.

Academic and industry research reports have shown that such spaces increase the overall physical and mental well-being of its local residents, which in turn leads to additional positive spill-over effects throughout their communities. Specifically focusing on sports and entertainment venues, these types of structures have been shown to generate what economists refer to as positive "social capital", which refers to the connections, trust and reciprocity between individuals and their communities.

These types of facilities have also been shown to promote relationships amongst community members by establishing a common sense of identity. Additionally, these types of facilities have also been shown to increase levels of human capital through what is referred to as the "experience economy", where individuals are attracted to areas in which their places of work and entertainment are within close proximity.⁶³

7.6 Commonwealth Games Opportunity

While uncertain at this time, should the City decide to pursue a future Commonwealth Games bid, investment in these facilities would likely support a bid package, in particular with respect to a renewed FirstOntario Centre. Additional funding sources may also be identified from future federal and/or provincial investment programs. Due to various uncertainties surrounding a potential Hamilton Commonwealth Games bid, however, EY did not consider this as part of our options analysis.

⁶² As an example, analysis revealed that for every one-unit increase in demand for accommodations within the City, there is an increase of \$179 dollars in hotel revenues.

⁶³ Rosentraub, M.S "Sports Facilities, A New Arena in Edmonton and the Opportunities for Development and a City's Image: Lessons from Successful Experiences." https://www.edmonton.ca/attractions_events/documents/PDF/RosentraubReport.pdf



8. Final Recommendation(s)

In developing our final recommendation for Hamilton, EY has considered the broad range of quantitative and qualitative analysis presented throughout this report. Based on our Needs Assessment, we have concluded on the following requirements with respect to each of the three (3) Entertainment Venues:

- ▶ **Sports and entertainment venue:** a “right-sized” facility with a 10,000 capacity would best serve the Hamilton market’s demand from a capacity and programming perspective.
 - As financial modelling which did not project that the enhanced revenue-generating capabilities of a renovated sports and entertainment venue would greatly eliminate ongoing municipal subsidy requirements, we would not recommend that the City move forward with an Arena Renovation option at this time.
 - EY also considered the possibility of a land exchange for the FirstOntario Site at no cost to the acquirer who would assume all capital and operating risk. In addition to the lack of market evidence to support this, discussions with industry expertise also indicated the unlikely success in this arrangement due to risk exposure in the current operations which are not aligned to the current market demand. While the opportunity for redevelopment does exist, demolition complexities and costs would be likely to be too inhibiting for this to make economic sense to most responsible developers.
- ▶ **Performing Arts Centre:** while the current FirstOntario Concert Hall does appear to require aesthetic, accessibility, and other guest experience improvements (e.g. outdoor space), the current facility would appear to be “right-sized” for the Hamilton market, and as the number of events continues to grow with the market, municipal subsidy requirements will be minimized.
- ▶ **Convention Centre:** based on our analysis, while the current business model would not appear to support the potential tourism and local economic impact gains, market demand for a new facility is uncertain at this time. With further development of Hamilton’s overall destination appeal, we feel that a renewed facility of ~70,000 sf with a larger contiguous floorspace would be market supported in the near to medium-term.

Based on these needs, the Status Quo and Entertainment Venue Renewal options are considered as final go-forward approaches, with the estimated municipal contribution costs under either option considered as a primary financial comparison. Based on the NPV total financial impacts of \$90.8 and \$166.4 million, respectively, for the Status Quo and Entertainment Venue Renewal options, we can compare costs from one option to another.

Based on these figures, we identify the net, incremental cost for the City to deliver the Entertainment Venue Renewal option as \$75.6 million.

If Hamilton were to advance the Status Quo option, it would cost an additional \$75.6 million to deliver the Entertainment Venue Renewal option.



Acknowledging this net, incremental cost, further analysis of the estimated direct municipal cost offsets under the Entertainment Venue Renewal option outlined in Sections 7.3 have been outlined below⁶⁴:

Long-Term Financial Impact Analysis for City: Entertainment Venue Renewal Option	
	\$2019 Value
Incremental Cost for Entertainment Venue Renewal Option	(\$75.6 million)
Plus: Private-Sector Contribution	\$26.1 - \$39.2 million
Plus: New Convention Centre Cost Sharing ⁵³	\$18.4 million
Plus: Current Convention Centre Residual Land	\$28,9 million
Plus: New Sports & Entertainment Venue Residual Land	\$15.3 million
Net Relative Financial Impact for City	\$13.1 - \$26.2 million

Based upon our analysis and assumptions identified in this report, the Entertainment Venue Renewal option is estimated to yield a net gain of \$13.1 - \$26.2 million over the cost difference for the City to deliver the Status Quo option, assuming completion of Phase II/II land sales.

Recommendation 1: Proceed with phased Entertainment Venue Renewal option.

- Based upon the positive net financial impact projected over and above the difference between the Status Quo and Entertainment Venue Renewal options over the Study Period, the projected long-term financial cost has been projected as a net-positive for Hamilton. As previously stated, we do not feel that the Arena Renovation option’s investment would yield sufficient gains to greatly minimize projected future on-going subsidy reduction.
- Given the assumptions employed throughout this report, it is our view that following the completion of all facility capital requirements, the net subsidy to the City would become positive in near-term following the opening of a renewed sports and entertainment venue.
- In terms of the impact to the local economy, the Entertainment Venue Renewal option is estimated to provide a \$57.9 million incrementally greater local market GDP impact through capital investments relative to the Status Quo option, in addition to an estimated incremental gain of 51 Tourism FTEs.
- The Entertainment Venue Option has been identified as a potential catalyst to maximizing private-sector follow-on investment in the Downtown Core through a potentially re-imagined Jackson Square, Commonwealth Square and James Street Corridor which may be induced through a renewed FirstOntario Centre, and in alignment with the City’s 2010 *Downtown Hamilton Secondary Plan* vision.

A series of additional recommendations have also been identified by EY that may be considered as key tactics of an Implementation Plan for the 3-phased Entertainment Venue Renewal option.

Paramount to the successful implementation of this option, we feel, is the City’s ability to respond to inquires and act in a commercial manner, wherever possible. The successful negotiation of initial Phase I Memorandum of Understanding(s) (“MoU”) will require a degree of authority to select City staff that will enable time-sensitive and commercially confidential discussions to take place.

Recommendation 2: Establish a “Steering Committee” and “Project Manager” for Phase I.

- During Phase I, a steering committee comprised of representatives from the Economic Development, Tourism, Planning, Urban Renewal, Capital Works and City Manager’s office should be established with the appropriate resources to provide input and monitor the progression of Phase I.
- A Project Manager, or Project Management Team of select City staff should be provided with authorization from Council to proceed with discussions with key stakeholders and undertake commercial conversations as they relate to the initiative and report back to Council after an agreed upon period of time key terms of a future MoU between parties of any key agreements arising out of Phase I negotiations.

⁶⁴ Discounted \$2019 values have been presented for projected future cash contributions.



Recommendation 3: Determine the City's preferred site for a new sports and entertainment venue.

- As part of this Entertainment Venue Review, EY has additionally provided a view to the City of the likely sites in Downtown Hamilton which may support a new sports and entertainment venue. Key considerations for the evaluation of preferred site(s) include land acquisition costs, deal and construction complexity, and other more qualitative assessments of how each site contributes to the achievement of the City's Planning, Tourism and Urban Renewal goals.
- The ownership groups of these lands represent one key stakeholder group with whom the designated Project Manager or Project Management Team should be authorized to have confidential, time-sensitive and commercial discussions with on behalf of the City, through Council endorsement.

Recommendation 4: Establish parameters for Project Manager / Project Management Team.

- Time-sensitivity is paramount in the successful implementation of Phase I, the efficient use of Staff resources in holding commercial discussions with key stakeholder(s) to develop key terms for the eventual Council approval of an MoU for Phase I of the Entertainment Venue Renewal option.
- Based on our knowledge of similar undertakings, EY has developed a set of criteria to inform the Project Manager or Project Management Team's pre-qualification of stakeholders with whom they may entertain holding commercial discussions with. These criteria may also be communicated to the general public or unsolicited third-party inquires.

Figure 22 - Pre-Qualification Parameters for Project Manager / Project Management Team

Vested Commercial Interest(s)	Financial Capacity
<ul style="list-style-type: none"> ▶ Stakeholders who have a vested, commercial interest in the project may include land owners, anchor tenants, investor(s), future operators, or any direct partner(s) to these four (4) groups. ▶ While priority should be given to parties with a vested interest in Phase I of the project, where required for future planning, stakeholders in Phases II and III should also be considered. 	<ul style="list-style-type: none"> ▶ Pre-qualification of stakeholder(s) based on expected financial capacity to participate is encouraged. ▶ Where required, parties may document their capacity through their role in recently completed projects, financial statements and/or sufficient documentation of guarantee or partnership from a large, financially capable credit partner.
Demonstrated Project Experience	Alignment to City Goals/Proposed Partnership
<ul style="list-style-type: none"> ▶ Evidence of experience from stakeholders in undertaking similar commercial partnerships, whether from a construction, operational, or investment perspective in defined timeframe (e.g. 5 - 10 years) should be required. ▶ Where required, parties may document their project evidence to the City with a design and construction approach, past project experience and lessons learned, as well as key team resumes. 	<ul style="list-style-type: none"> ▶ Based on the proposed "end-to-end" project components for Phase I of the project and the ultimate goal of maximizing private-sector contributions to project delivery should be a communicated priority for the City. ▶ For example, the following project components may be identified: facility construction, facility operations, and adjacent real estate development.

It should be noted that not all stakeholders necessarily will require consideration of all four (4) of these general parameters, as certain parties may not be a long-term vested interest in the project. (e.g. design consultants or financial advisors) These four (4) general areas of consideration are meant to inform the pre-qualification process for City staff given the commercial nature of discussions.

Recommendation 5: Prepare for updating the Hamilton Tourism Strategy.

- Acknowledging the City's current 2015-2020 Tourism Strategy will require an update in the near-term, consideration of Tourism Hamilton's role in future planning for Phases II and III should be undertaken by the City, where resourcing investments in line with other comparable municipalities may ensure the successful return from major capital investments undertaken.
- Based on our external stakeholder discussions, an enhanced role in promoting collaboration with the City's neighbourhood BIAs, and privately-managed tourism investment development groups.



Recommendation 6: Determine additional public realm priorities in Downtown Hamilton.

- Through the course of work, while we acknowledge the success in the growth and development of the James Street Corridor in attracting private-sector investment, additional public realm priorities may be identified to potentially dedicate a stream parkland dedication towards said priorities given parkland deficiencies downtown.
- Through our work a proposed revitalization of Jackson Square Terrace and/or Commonwealth Square in alignment with other cultural assets (e.g. Hamilton Farmer's Market, Art Gallery of Hamilton, Hamilton Central Library) was identified as a potential additional catalyst to further the urban landscape in Downtown Hamilton. In alignment with the City's current Planning and Tourism goals, in our view, this public realm enhancement would only bolster the ability to attract private-sector investment.

Recommendation 7: Refine timeline and planning requirements for Phases II and III.

- In addition to Phase I requirements, the Project Manager / Management Team should be responsible for co-ordinating and planning Phase II/III with external stakeholders, as well as the Hamilton Convention Centre and Art Gallery of Hamilton.

Recommendation 8: Establish the City's public consultation process.

- Subject to the direction of Council, a further public consultation should be undertaken on the proposed funding model for the new sports and entertainment venue, the 3-phased approach, and ideal locational attributes.



Appendix A

FirstOntario Centre

- Using the City staff recommended 2019 5-year capital budget per the report dated 12/7/2018, the following capex budget estimate has been produced.
- As the cost estimates contained within the City staff report are assumed to be "all-in" budget costs which would include both hard and soft costs.
- To allocate between hard and soft costs, a 35% soft cost assumption may be employed, which is assumed to remain consistent throughout the 5-year budget period.
- Costs are assumed to be estimated in 2019 dollars

FirstOntario Centre 5-Year Capital Budget - Total Hard & Soft Costs						
	2019	2020	2021	2022	2023	2024
Brine Lines	\$730,000	\$6,570,000				
Roof Structure Replacement		\$700,000	\$6,300,000			
Mechanical, Life Safety, Security			\$1,500,000	\$6,750,000	\$6,750,000	
AODA Compliance					\$500,000	\$4,500,000
Annual Total	\$730,000	\$7,270,000	\$7,800,000	\$6,750,000	\$7,250,000	\$4,500,000



FirstOntario Concert Hall

- The basis for developing a 2019 5-year capital budget includes the 2016 V2PM Facility Condition Study's 5-year capital budget for Priority 1 items has been considered.
- To reflect the capital investments made to the facility since the preparation of this report, the aggregate capital spend since 2016 has been subtracted from the budget produced in 2016.
- It is assumed that all capital spent since 2016 would have been identified in the 2016 V2PM studies.
- The remaining balance of the 2016 V2PM 5-year capital budget shall be used to estimate the capital investment required over the 5-year period from 2019.
- Considered a proxy for the level of capital investment required, the remaining balance from the 2016 V2PM study shall be allocated equally over the 5-year period from 2019.
- To develop 2019 cost estimates, the 2016 hard cost estimates have been inflated by 3.50% per year and a 35% soft cost assumption has been incorporated, in addition to a 20% design/scope variability conting

Remaining Priority Capital Balance Calculation

2016 V2PM Hard Cost Estimate	\$5,704,003
Soft Cost Assumption	\$1,996,401
Design/Scope Variability Contingency	<u>\$1,140,801</u>
2016 Total 5-Year Capital Requirement	\$8,841,205
2016 Total 5-Year Capital Requirement	\$8,841,205
2016-2019 Capital Spent	<u>\$875,708</u>
Remaining Balance (\$2016)	\$7,965,497
Remaining Balance (\$2019)	\$8,831,489

FirstOntario Concert Hall 5-Year Capital Budget - Total Hard & Soft Costs

	2019	2020	2021	2022	2023	2024
Avg. Annual Spend	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915



Hamilton Convention Centre & Pedestrian Overpass

- Similar to the methodology for developing a 2019 5-year capital budget for FirstOntario Concert Hall, the 2016 V2PM Facility Condition Study's 5-year budget for Priority 1A items has been used.
- Adjustments have been made for 2016-2019 capital spend, and the remaining balance has been inflated to 2019 dollars.
- As the 2016 V2PM study quoted "all-in" cost estimates, a 35% soft cost assumption has been assumed to be incorporated. An additional 20% design/scope variability contingency has been assumed.

Remaining Balance Calculation

2016 V2PM Hard Cost Estimate	\$5,189,183
Soft Cost Assumption	\$1,816,214
Design/Scope Variability Contingency	<u>\$903,922</u>
2016 Total 5-Year Capital Requirement	\$7,909,319
2016 Total 5-Year Capital Requirement	\$7,909,319
2016-2019 Capital Spent	<u>\$2,299,772</u>
Remaining Balance (\$2016)	\$5,609,547
Remaining Balance (\$2019)	\$6,219,405

Hamilton Convention Centre 5-Year Capital Budget - Total Hard & Soft Costs

	2019	2020	2021	2022	2023	2024
Avg. Annual Spend	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568



Appendix B

Regional Economic Multiplier Adjustments

In order to derive the regional multipliers used to calculate the impacts for the City of Hamilton and Hamilton Census Metropolitan Area, EY employed a methodology first proposed by Flegg et al. (1995). Specifically, to adjust Statistics Canada's provincial multipliers, our analysis considered the following information regarding both areas:

- ▶ The relative size of the Region as a whole;
- ▶ The relative size of supplying sectors within the Region; and
- ▶ The relative size of purchasing sectors within the Region.

To account for the first two, the Flegg Location Quotient ("FLQ") compares the proportion of provincial employment of the supplying industry in the Region to that of the purchasing industry. If the regional supplying sectors concentration is higher than that of the regional purchasing sector, no adjustment is made to the I-O table. This implies that regional production will be able to satisfy regional demand and no imports from other regions within the province are required. If the regional supplying sector's concentration is lower than that of the regional purchasing sector, the I-O table is adjusted downwards. In this case, it is assumed that regional production is insufficient to meet regional demand and imports are required. Additionally, adjustments are made to account for the economic size of both the City of Hamilton and the Hamilton Census Metropolitan Area. Generally, the smaller the region the greater the need for these imports. This adjustment is based on the relative size of a Region in terms of employment and the employment of the same industry at the provincial level.

Using all three criteria outlined above, the FLQ is calculated according to the following formula:

$$FLQ_{ij} = \frac{\frac{E_i^R}{E_j^R}}{\frac{E_i^P}{E_j^P}} \times \lambda$$

Where E_i^R and E_j^R represents employment shares in selling sector i and purchasing sector j within the City of Hamilton and Hamilton Census Metropolitan Area, while E_i^P and E_j^P represent the same shares at the provincial level. Moreover, λ represents a weighting parameter which considers the relative size of either area. Since regional impacts cannot exceed provincial impacts, the FLQ is restricted to a maximum of one.

The multipliers used to derive the impacts presented in this report are based on Statistics Canada's 2015 I-O Tables for the province of Ontario. First, the I-O tables were adjusted by the FLQs described above. Next, type I and type II multipliers have been derived from the respective Leontief type I and type II production functions that represent the amount of inputs needed from each selling industry to produce the outputs of each purchasing industry. The difference between the type I and type II multipliers is the



induced effect that results from treating households as an additional industry within the model. In terms of the latter however, this is outside the scope of our analysis.

Output multipliers are calculated as the column sums of the type I and type II Leontief inverse matrices denoted as L_{ij} , where i is the selling industry and j is the purchasing industry. The formula is:

$$O_{mult} = \sum_i L_{ij}$$

GDP multipliers are calculated according to the following formula:

$$G_{mult} = \sum_i \frac{g_i L_{ij}}{g_j}$$

Where g_i represents the ratio of gross-value added relative to the total output in each industry. In deriving the regional estimates, it is assumed that gross-value added in each industry represents a constant share of output.

Labour income multipliers are calculated according to the following formula:

$$I_{mult} = \sum_i \frac{v_i L_{ij}}{v_j}$$

Where v_i represents the ratio of income from employment to total output in each industry. In deriving of the regional estimates, it is assumed that wages and salaries in each industry represent a constant share of output.

Employment multipliers are calculated according to the following formula:

$$E_{mult} = \sum_i \frac{w_i L_{ij}}{w_j}$$

Where w_i is equal to the number of FTEs per \$1 of output in each industry. In deriving of the regional estimates, the FTE number is adjusted by the employment shares of each industry in the City of Hamilton and Hamilton CMA relative to the provincial economy.

Tourism Input-Output Model

Fundamentally, the tourism I-O model used to calculate both the direct and indirect impacts associated with visitor expenditures within the City of Hamilton and Hamilton Census Metropolitan Area ("CMA") is based on the following equation:

$$X = (I - A)^{-1} * F * X_i$$

Where:

- ▶ $(I - A)^{-1}$: is the standard Leontief inverse matrix derived from Statistics Canada Input-Output tables;



- ▶ F_i is a column vector of tourism final demand (i.e., a vector which outlines both the total value of tourism expenditures and their distributions); and
- ▶ X_i ; refers to the ratio of either output to GDP (i.e., value added), income or employment for industry i . This can be found with a simple calculation using Statistics Canada initial Input-Output table and through obtaining information on FTE counts for each respective industry incorporated within the model.

After performing this calculation for each sector i and then aggregating across all sectors, direct and indirect impacts can then be calculated accordingly.

Limitations and Assumptions of the Tourism Input-Output Model

The following appendix outlines some of the major assumptions and limitations imposed on the static I-O model. While the model provides a consistent and innovative way of measuring the economic impacts associated with a specific economic activities, readers should be aware of the assumptions and limitations imposed on its underlying approach. These assumptions and limitations include:

- ▶ **Sectors specific to the model were chosen based on EY's professional assumption.** That is, the multipliers used to assess the potential impacts from the operational activities of Hamilton's entertainment assets were chosen from sectors that best reflect the facilities primary business function and industry descriptions provided by Statistics Canada. As a result, due to uncertainties surrounding such selections, the multipliers used in our analysis may bias the impact estimates either upwards or downwards;
- ▶ **I-O models assume that there is an unlimited supply of workers available for production.** It does not consider that expanding production in one industry could result in a redistribution of labour as opposed to an increase in employment in another. More specifically, the numbers provided by the I-O model in terms of FTEs may not necessarily imply an incremental change in total workers, but rather an upper limit as to what could be expected;
- ▶ **The model assumes that all spending will generate positive impacts.** In this case, all multipliers in the model are greater than zero, suggesting that any level of spending will generate positive economic impacts, which is not the case in all circumstances. Some studies have found that when accounting for macroeconomic shocks, the indirect impacts from government spending may be negative in the long run;
- ▶ **The I-O model assumes constant returns to scale.** This means that an increase of X in inputs should lead to the same X increase in outputs. More formally, an increase in inputs causes the same proportional increase in outputs. The ratio of new inputs and outputs is always equal to 1;
- ▶ **I-O models do not take into consideration the alternative uses or opportunity costs associated with allocating funds towards one project vs. another.** For example, if Carmen decides to spend money renovating the Convention Centre, the model will not be able to capture the alternative benefits that could be produced allocating that money elsewhere. In this case, these alternative benefits could be even greater than those associated with these renovations, however, the model will not be able to account for this discrepancy;
- ▶ **Results from the model should not be interpreted as causal.** This means that the numbers produced by the model may not be solely attributable to the economic activity generated by the operation and capital expenditures of Hamilton's entertainment assets. Assume for instance that the model revealed that because of the entertainment assets capital and operational expenditures, X amount



of FTE jobs would be created. In this case, we cannot say with certainty that all of these FTW jobs would be a result of these expenditures directly;

- ▶ **The model does not account for substitution amongst inputs.** Each industry in the model is regarded as having a single static production process. Further, the model does not account for any technology shocks that may occur, or consider that businesses become more efficient over time (i.e., learning by doing, etc.);
- ▶ **The relationship between industry inputs and outputs is linear and fixed.** This means that a change in demand for the outputs of any industry will result in a proportional change in production;
- ▶ **Prices are fixed in the model.** Thus, the model is unable to account for elasticities, or more formally, how one economic variable change in response to another;
- ▶ **I-O models are static.** That is, the model does not consider the amount of time required for changes to happen;
- ▶ **There are no capacity constraint and all industries are operating at full capacity.** This implies that an increase in output results in an increase in demand for labour (rather than simply re-deploying existing labour). It also implies that there is no displacement that may occur in existing industries as new projects are completed; and
- ▶ **The model assumes that the structure of the economy remains unchanged.** Since we use Statistic Canada's 2015 economic multipliers, any structural changes in Canada's economy will not be captured. As a result, the more removed the year of analysis is from the year of the used multipliers, the larger the uncertainties.

Additional assumptions imposed on the tourism model include:

- ▶ **It is assumed that all inputs in the final demand vector F (i.e., tourism expenditures) are realized within the City of Hamilton.** That is, we have not made any adjustments for leakages in visitor expenditures which may occur outside the City's geographical boundaries;
- ▶ **The selected final demand sectors (i.e., retail trade, accommodation and food services, arts, entertainment and recreation) were based on expenditure category description and EY personnel discretion.** Also, due to the ambiguity in some of the estimated expenditure categories, allocating final demand to certain tourism sectors was also based on EY discretion;
- ▶ **To keep consistent with impacts associated with operational and capital expenditure activities, final demand has been valued a basic prices.** This means that tourism expenditures are net of any product related taxes. This is also consistent with the fact that the Leontief matrix is expressed in basic prices as well;
- ▶ **All final demand is assumed to be from visitors outside Hamilton and not from local residents.** This is because the expenditures associated from these individuals would likely be spent within the City regardless of Hamilton's entertainment assets;
- ▶ **All final demand is assumed to be "relevant", indicating that these expenditures would not be made if the entertainment assets were not present.** That is, we assume that the only reason for a visit to Hamilton is directly attributable to Hamilton's entertainment assets.; and
- ▶ **To avoid issues of double counting, these expenditures are net of any tourism expenditures spent within the entertainment assets themselves.** This includes for example expenditures on tickets, concession and merchandise etc. within the three facilities.

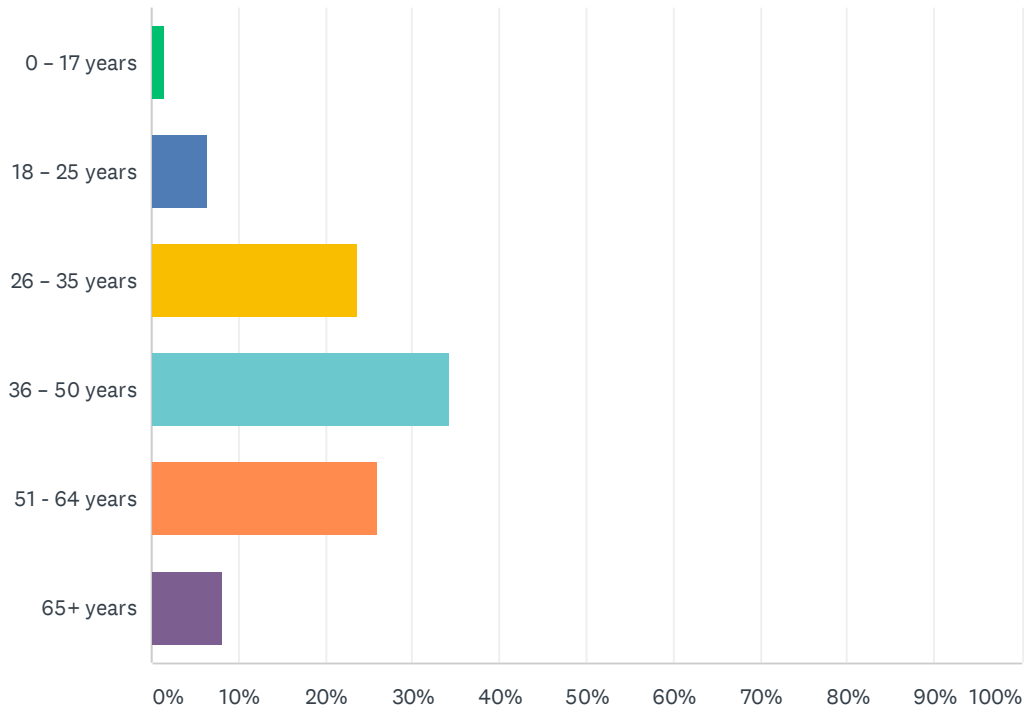
End of Appendix B



Appendix C

Q1 How old are you?

Answered: 419 Skipped: 1



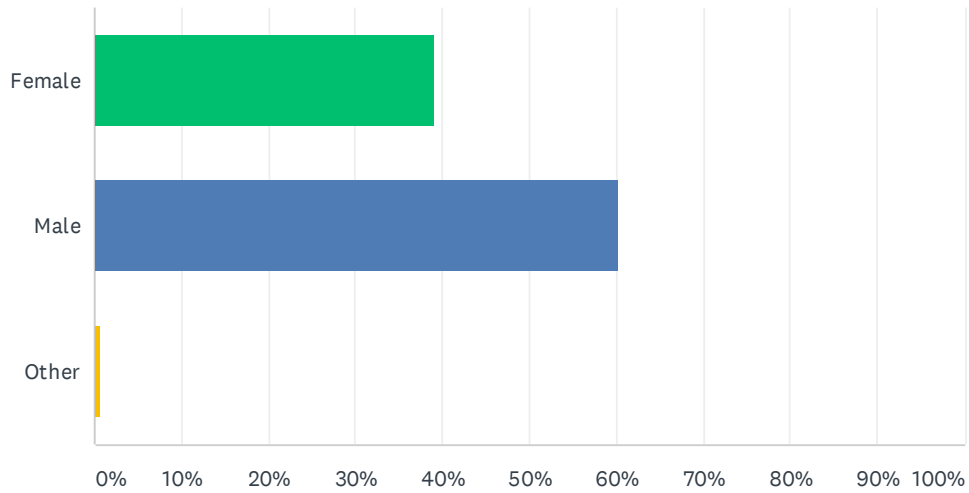
ANSWER CHOICES	RESPONSES
0 – 17 years	1.43% 6
18 – 25 years	6.44% 27
26 – 35 years	23.63% 99
36 – 50 years	34.37% 144
51 - 64 years	26.01% 109
65+ years	8.11% 34
TOTAL	419

Q2 Could you please provide the first three (3) letters of your postal code?

Answered: 416 Skipped: 4

Q3 To which gender do you most identify?

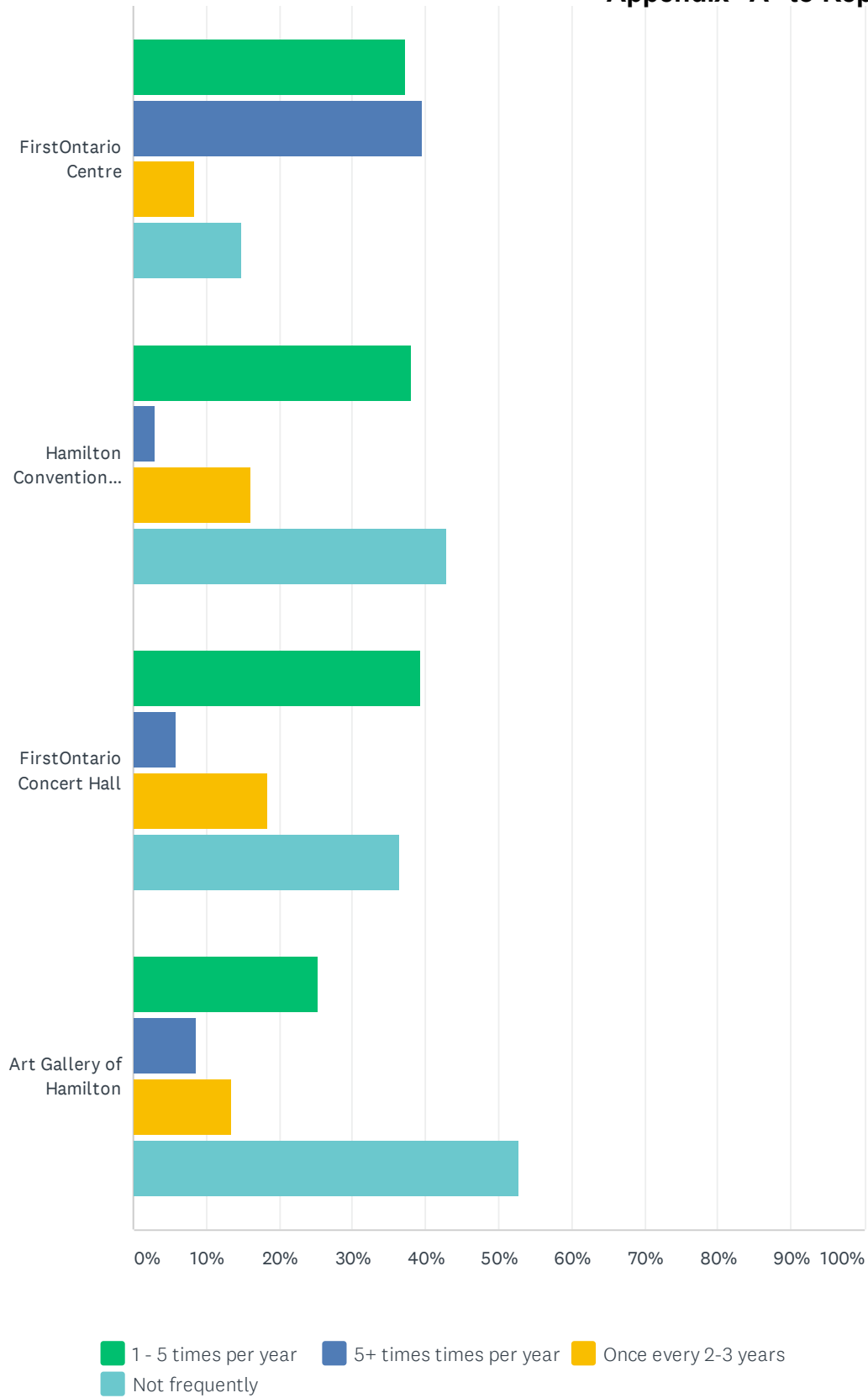
Answered: 420 Skipped: 0



ANSWER CHOICES	RESPONSES	
Female	39.05%	164
Male	60.24%	253
Other	0.71%	3
TOTAL		420

Q4 How frequently do you visit each of the following entertainment venues?

Answered: 420 Skipped: 0

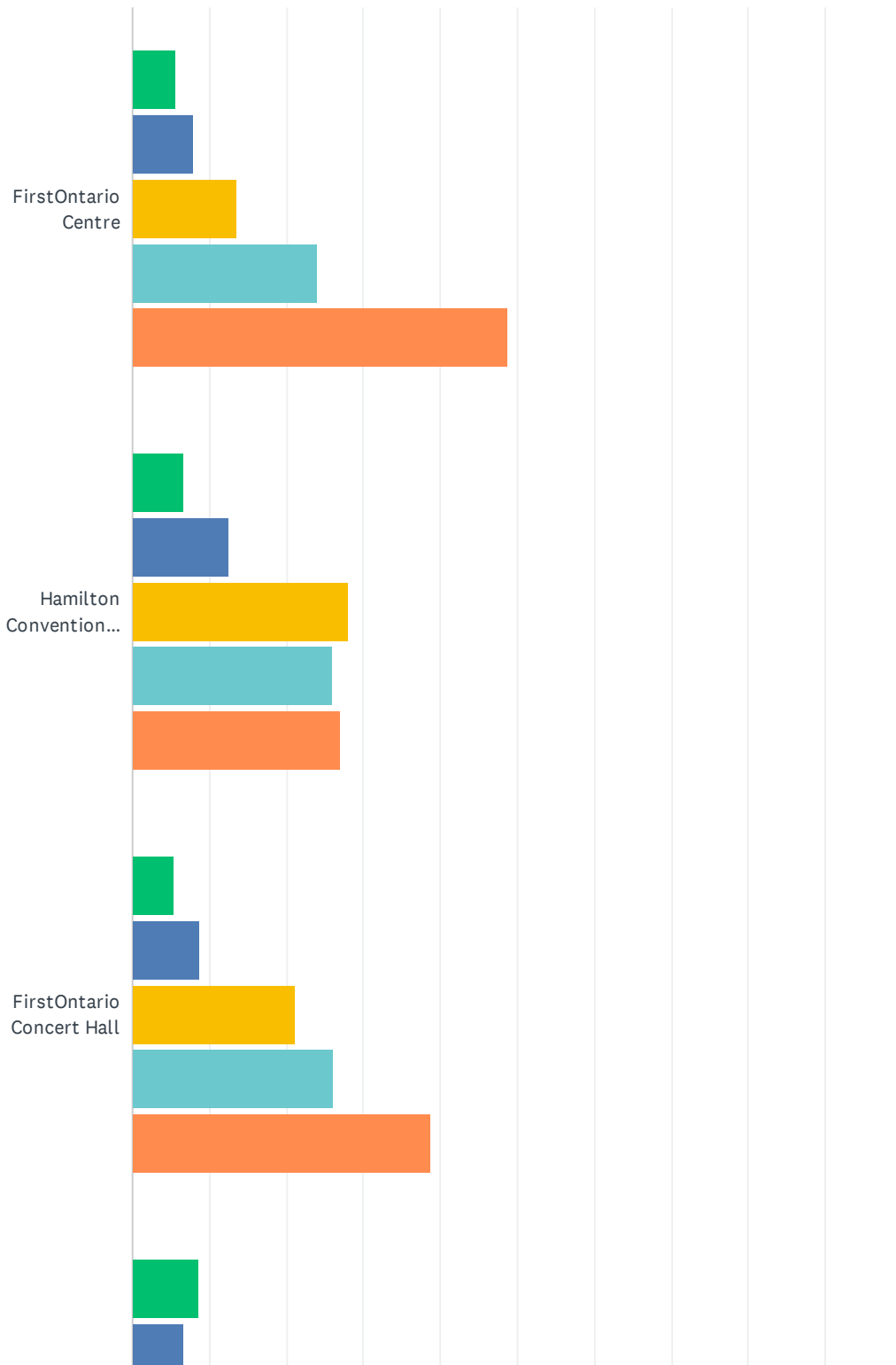


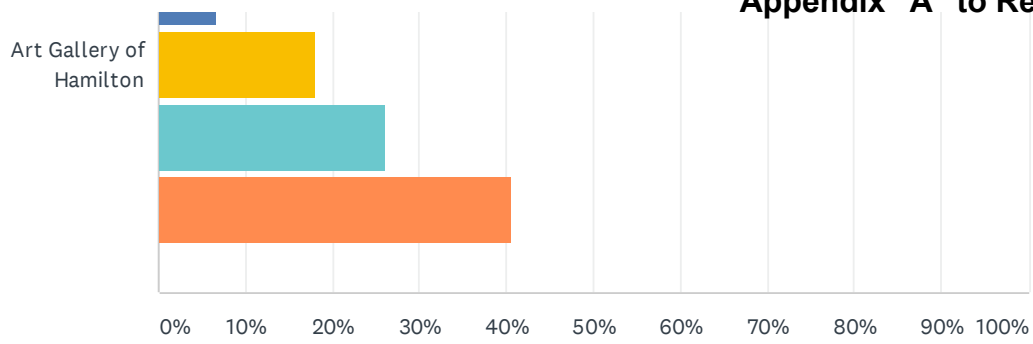
**Appendix "A" to Report PED18168(b)
Page 85 of 130**

	1 - 5 TIMES PER YEAR	5+ TIMES TIMES PER YEAR	ONCE EVERY 2-3 YEARS	NOT FREQUENTLY	TOTAL
FirstOntario Centre	37.23% 156	39.62% 166	8.35% 35	14.80% 62	419
Hamilton Convention Centre	38.14% 156	2.93% 12	16.14% 66	42.79% 175	409
FirstOntario Concert Hall	39.36% 161	5.87% 24	18.34% 75	36.43% 149	409
Art Gallery of Hamilton	25.30% 104	8.52% 35	13.38% 55	52.80% 217	411

Q5 To what extent do you feel each of the following entertainment venues contributes to the vibrancy and quality of life in downtown Hamilton? Please score each 1-5, with 1 being not important and 5 being extremely important.

Answered: 420 Skipped: 0

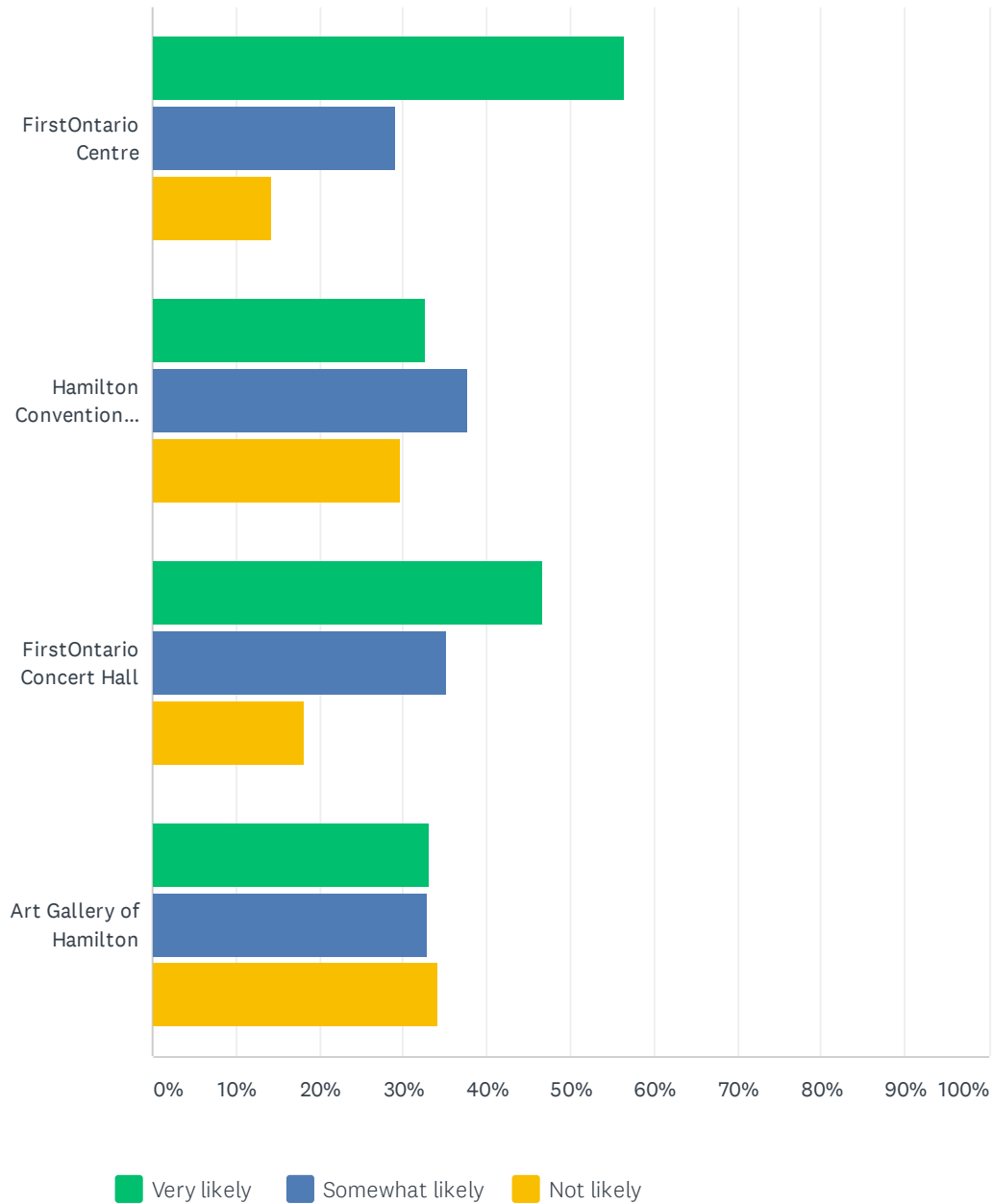




	1	2	3	4	5	TOTAL	WEIGHTED AVERAGE
FirstOntario Centre	5.73% 24	7.88% 33	13.60% 57	24.11% 101	48.69% 204	419	4.02
Hamilton Convention Centre	6.62% 27	12.50% 51	27.94% 114	25.98% 106	26.96% 110	408	3.54
FirstOntario Concert Hall	5.38% 22	8.80% 36	21.03% 86	26.16% 107	38.63% 158	409	3.84
Art Gallery of Hamilton	8.58% 35	6.62% 27	17.89% 73	26.23% 107	40.69% 166	408	3.84

Q6 When attending an event at one of the following venues, how likely is it that you would additionally visit local businesses, such as a restaurant, bar or shop?

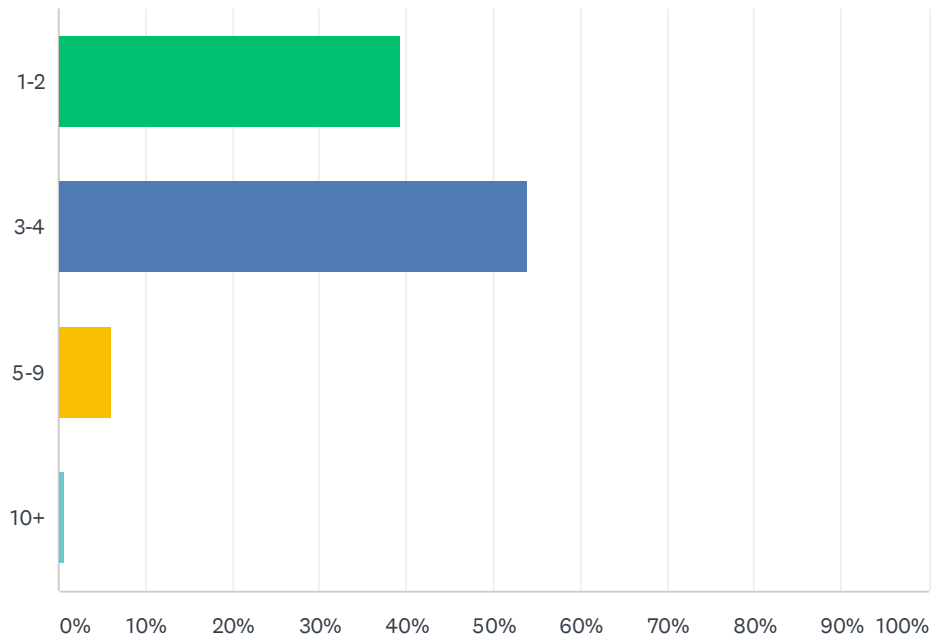
Answered: 420 Skipped: 0



	VERY LIKELY	SOMEWHAT LIKELY	NOT LIKELY	TOTAL
FirstOntario Centre	56.56% 237	29.12% 122	14.32% 60	419
Hamilton Convention Centre	32.68% 133	37.59% 153	29.73% 121	407
FirstOntario Concert Hall	46.55% 189	35.22% 143	18.23% 74	406
Art Gallery of Hamilton	33.09% 135	32.84% 134	34.07% 139	408

Q7 What is the typical size of your group when attending events at these venues?

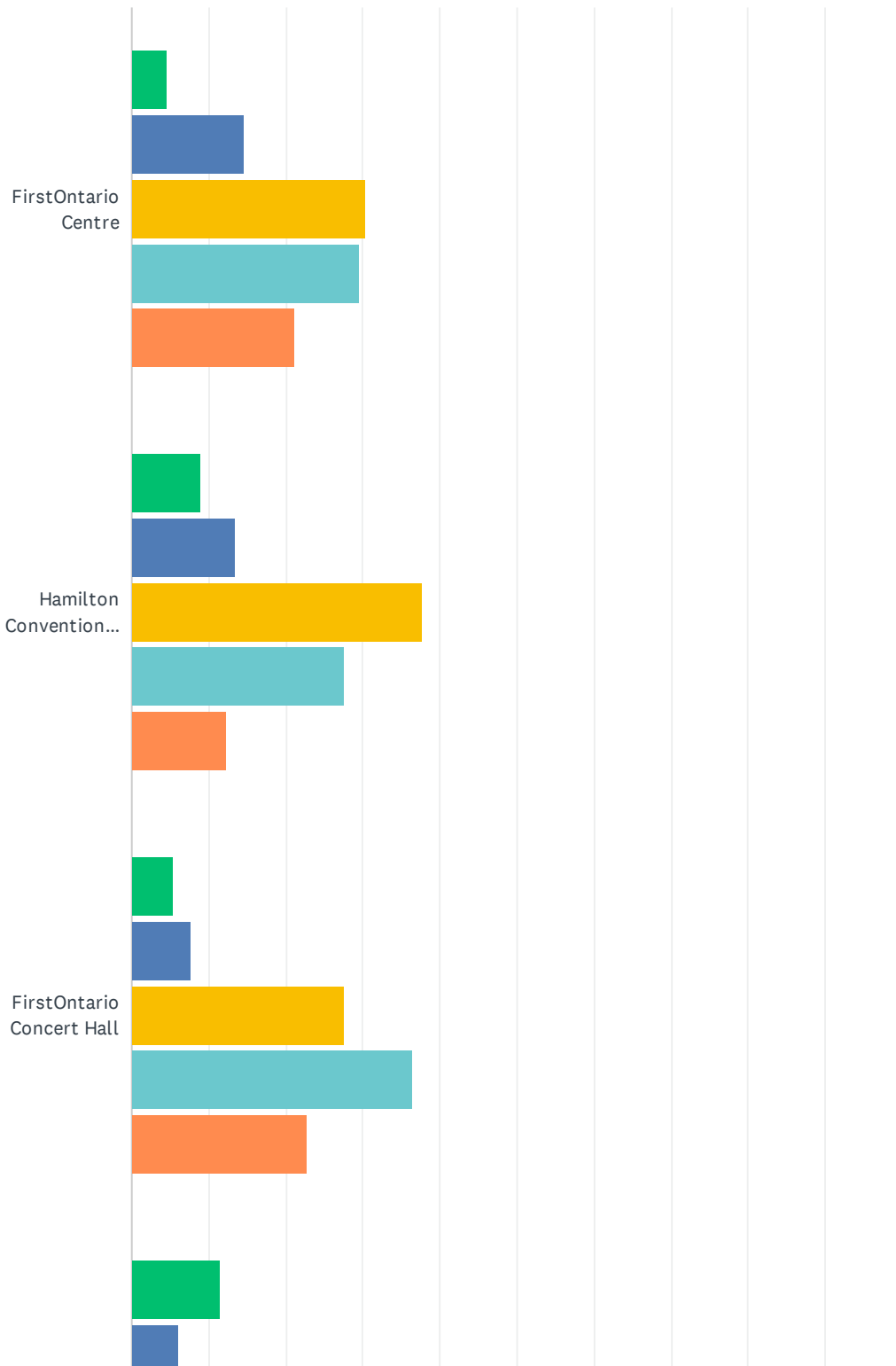
Answered: 418 Skipped: 2

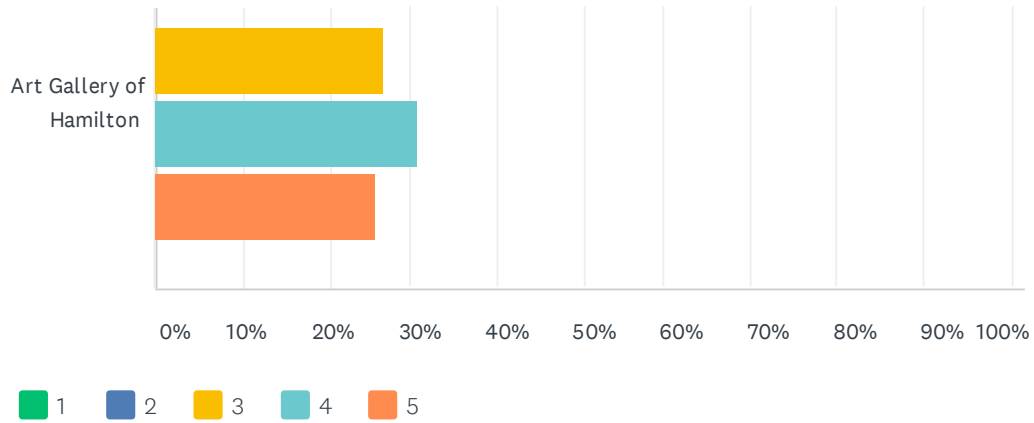


ANSWER CHOICES	RESPONSES
1-2	39.23% 164
3-4	54.07% 226
5-9	5.98% 25
10+	0.72% 3
TOTAL	418

Q8 From a customer experience and enjoyment perspective, how would you describe your experiences at each of the following venues? Please score each venue from 1-5, with 1 being not enjoyable and 5 being extremely enjoyable.

Answered: 420 Skipped: 0

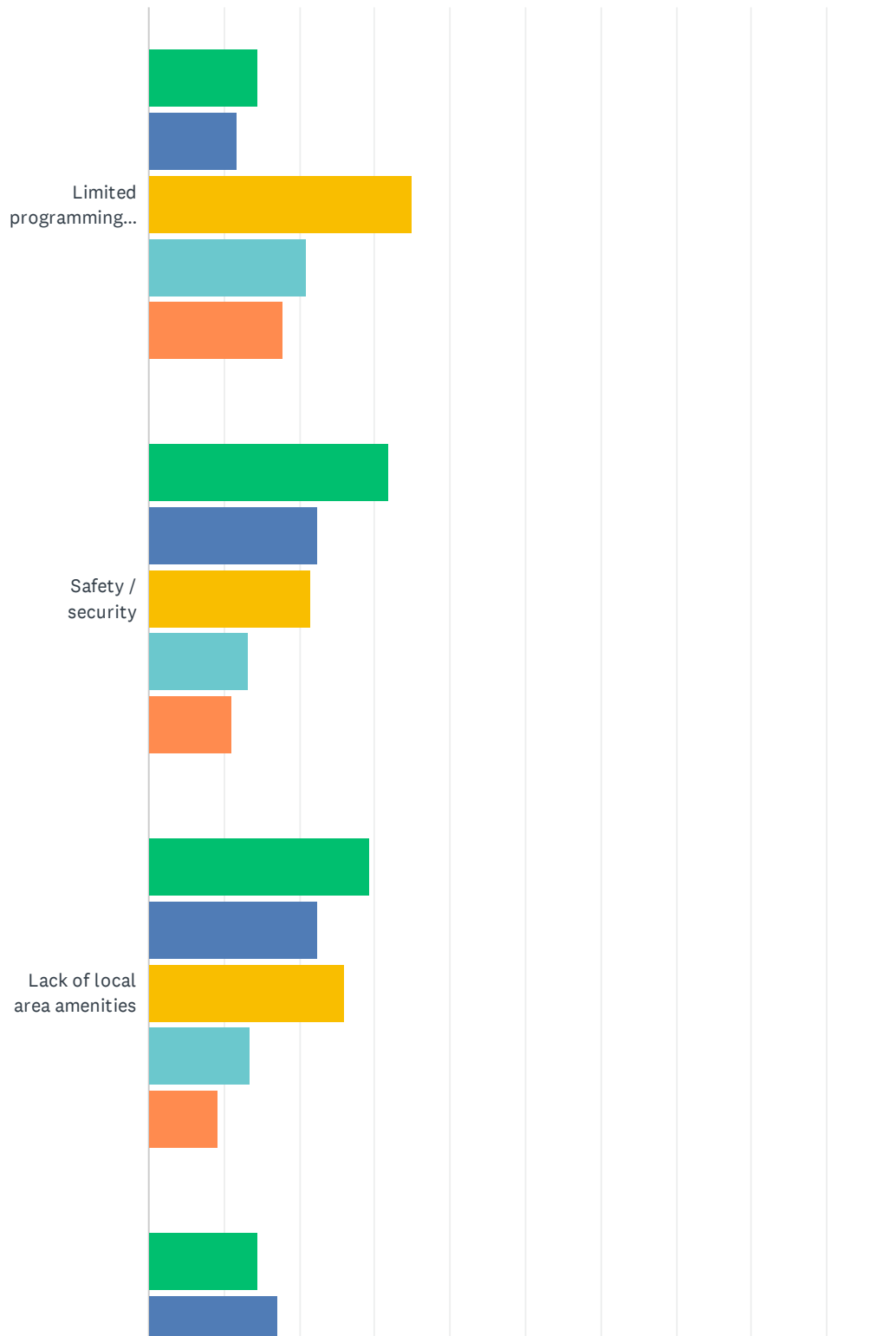


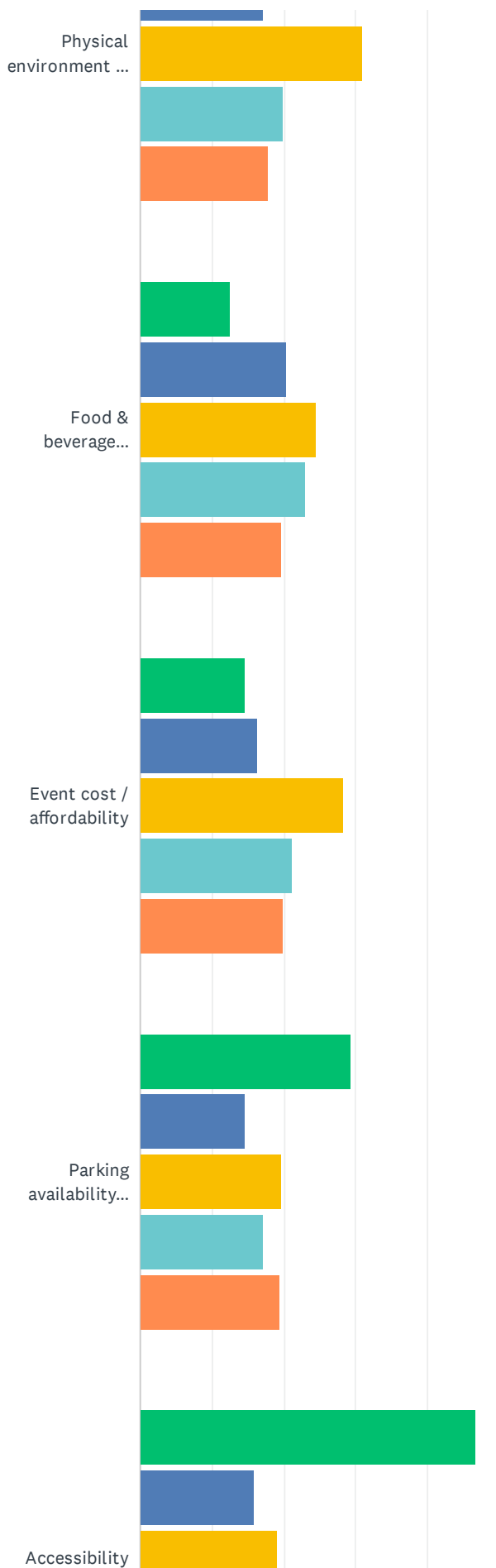


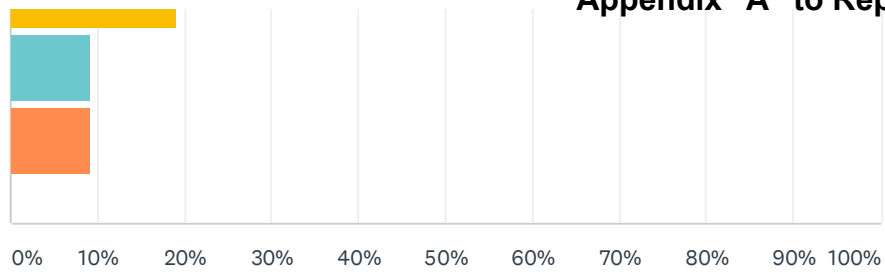
	1	2	3	4	5	TOTAL	WEIGHTED AVERAGE
FirstOntario Centre	4.55% 19	14.59% 61	30.38% 127	29.43% 123	21.05% 88	418	3.48
Hamilton Convention Centre	9.09% 36	13.38% 53	37.63% 149	27.53% 109	12.37% 49	396	3.21
FirstOntario Concert Hall	5.51% 22	7.77% 31	27.57% 110	36.34% 145	22.81% 91	399	3.63
Art Gallery of Hamilton	11.51% 45	6.14% 24	26.34% 103	30.43% 119	25.58% 100	391	3.52

Q9 To what extent do the following considerations limit your overall customer experience when attending an event at these entertainment venues? Please score each from 1-5, with 1 being minimally limiting and 5 being highly limiting.

Answered: 419 Skipped: 1



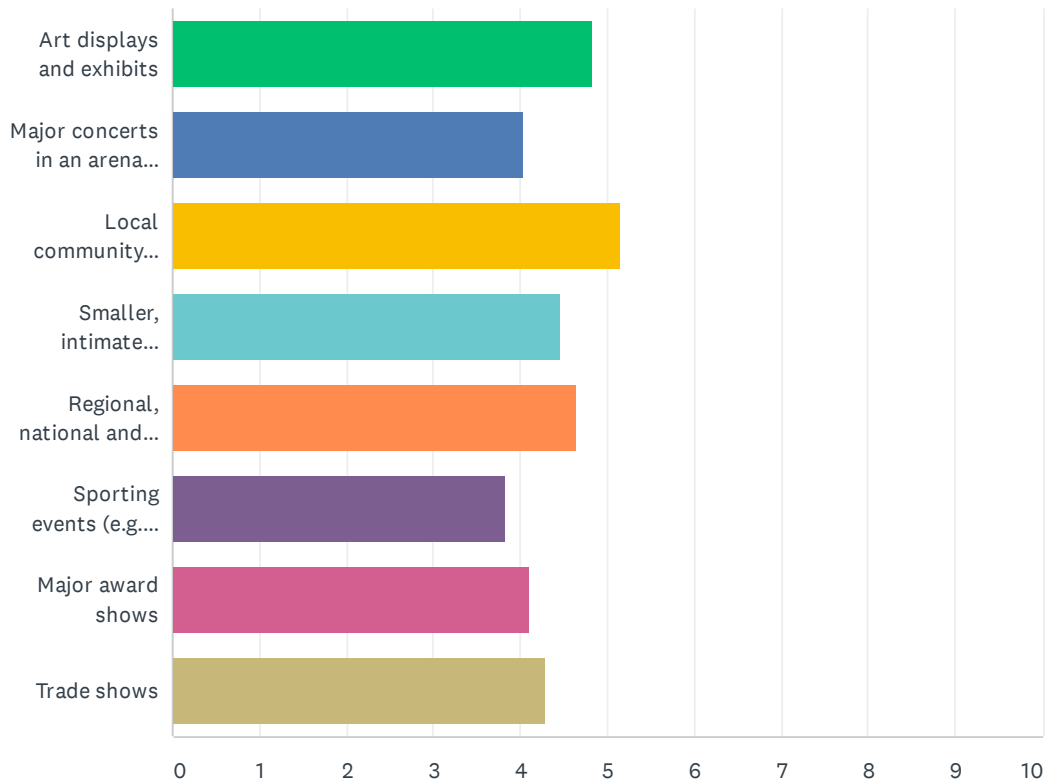




	1	2	3	4	5	TOTAL	WEIGHTED AVERAGE
Limited programming offering	14.46% 60	11.81% 49	34.94% 145	20.96% 87	17.83% 74	415	3.16
Safety / security	31.73% 132	22.36% 93	21.63% 90	13.22% 55	11.06% 46	416	2.50
Lack of local area amenities	29.26% 122	22.30% 93	25.90% 108	13.43% 56	9.11% 38	417	2.51
Physical environment of venue / customer experience	14.35% 60	17.22% 72	30.86% 129	19.86% 83	17.70% 74	418	3.09
Food & beverage on-site	12.50% 52	20.19% 84	24.52% 102	23.08% 96	19.71% 82	416	3.17
Event cost / affordability	14.59% 61	16.27% 68	28.23% 118	21.05% 88	19.86% 83	418	3.15
Parking availability / cost	29.19% 122	14.59% 61	19.62% 82	17.22% 72	19.38% 81	418	2.83
Accessibility	46.75% 194	15.90% 66	19.04% 79	9.16% 38	9.16% 38	415	2.18

Q10 Which of the following types of programming do you feel would be most successful in advancing the goal of a vibrant downtown in Hamilton? Please rank the following from 1 to 8, with 1 being least significant and 8 most significant.

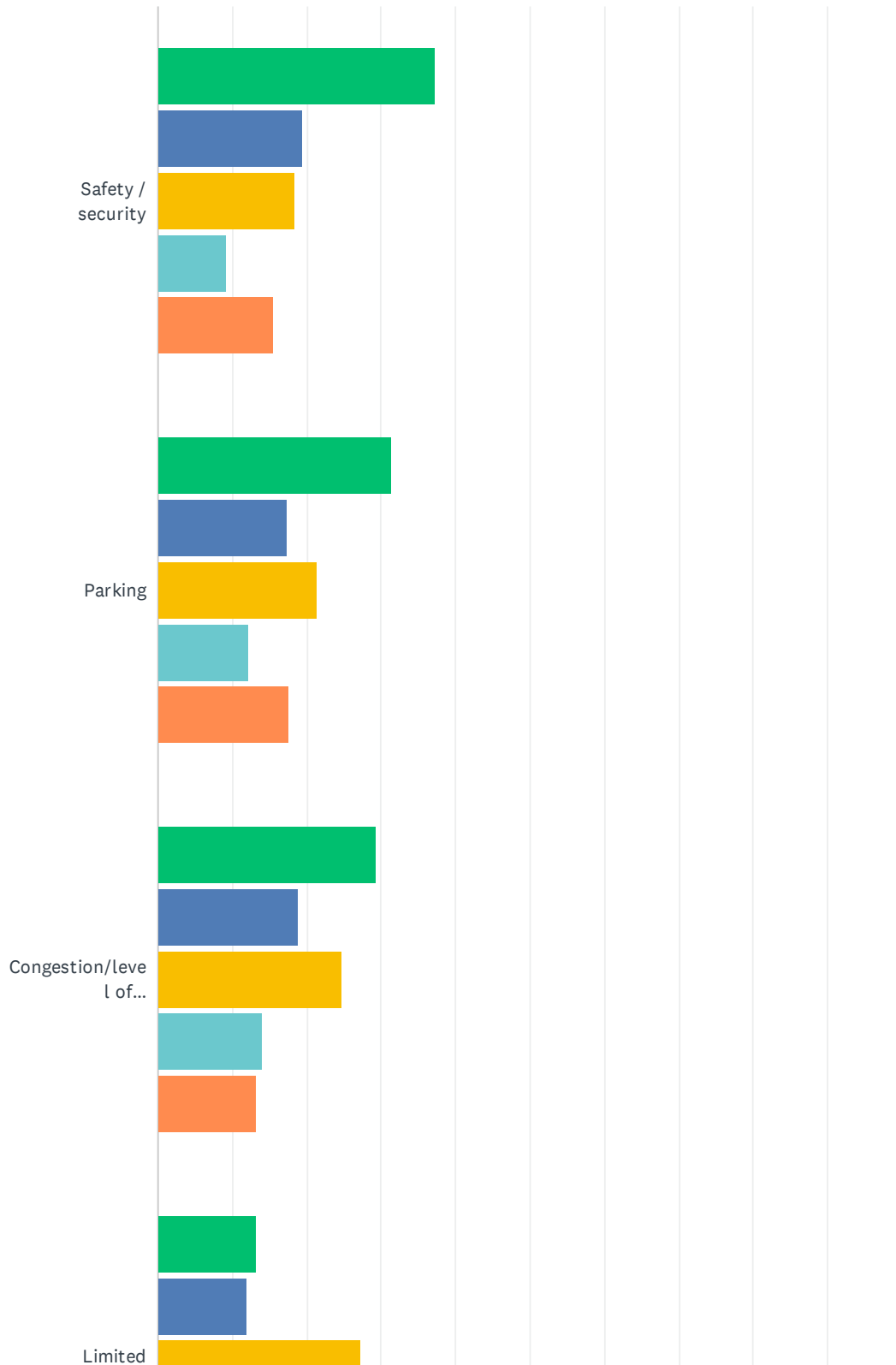
Answered: 418 Skipped: 2

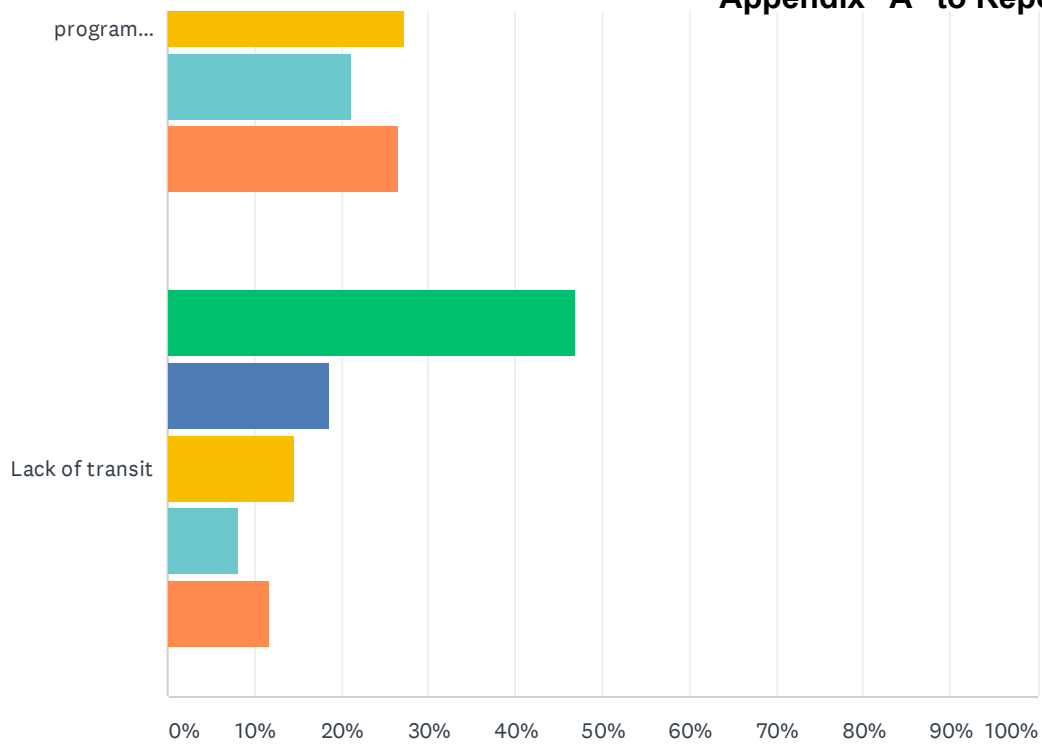


	1	2	3	4	5	6	7	8	TOTAL	SCORE
Art displays and exhibits	18.38% 66	12.26% 44	12.81% 46	14.21% 51	11.14% 40	8.08% 29	11.14% 40	11.98% 43	359	4.84
Major concerts in an arena stadium	15.80% 55	13.51% 47	7.18% 25	5.46% 19	8.05% 28	6.32% 22	17.24% 60	26.44% 92	348	4.03
Local community events (e.g. banquets, weddings, graduations)	21.88% 79	15.24% 55	16.34% 59	9.70% 35	7.20% 26	9.70% 35	8.31% 30	11.63% 42	361	5.14
Smaller, intimate concerts	7.93% 28	10.20% 36	13.03% 46	14.16% 50	18.13% 64	20.68% 73	11.90% 42	3.97% 14	353	4.46
Regional, national and/or international conferences	4.97% 18	14.92% 54	15.47% 56	18.51% 67	18.23% 66	12.43% 45	8.56% 31	6.91% 25	362	4.64
Sporting events (e.g. Bulldogs and/or Honeybadgers)	11.97% 45	6.65% 25	8.78% 33	10.37% 39	10.11% 38	13.56% 51	15.16% 57	23.40% 88	376	3.82
Major award shows	5.95% 22	8.65% 32	9.46% 35	15.41% 57	15.68% 58	21.08% 78	17.30% 64	6.49% 24	370	4.09
Trade shows	9.16% 36	13.99% 55	11.96% 47	11.45% 45	13.23% 52	11.45% 45	11.70% 46	17.05% 67	393	4.28

Q11 To what extent do the following considerations limit your likelihood of attending an event at these entertainment venues? Please score each from 1-5, with 1 being minimally limiting and 5 being highly limiting.

Answered: 416 Skipped: 4

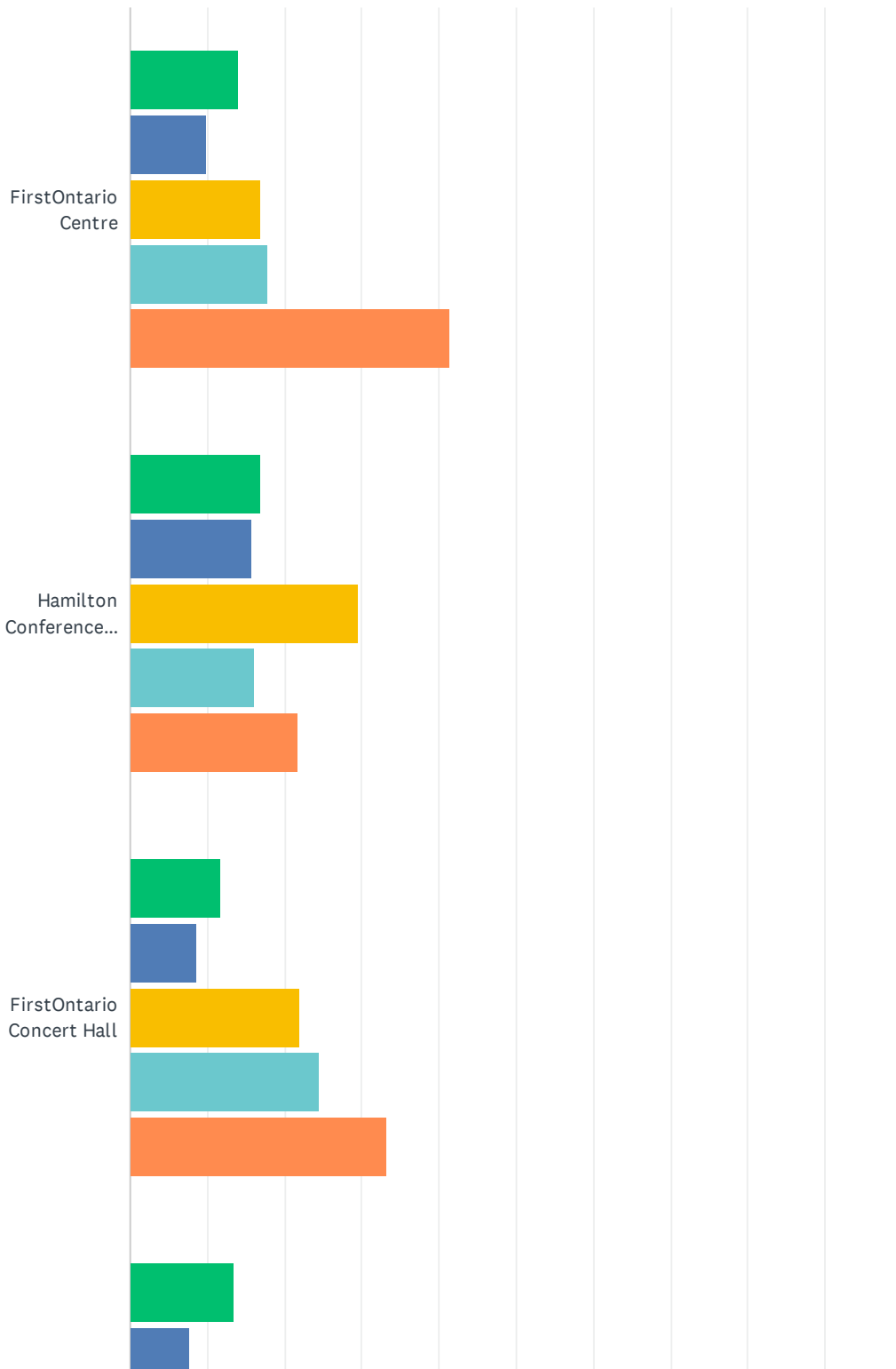


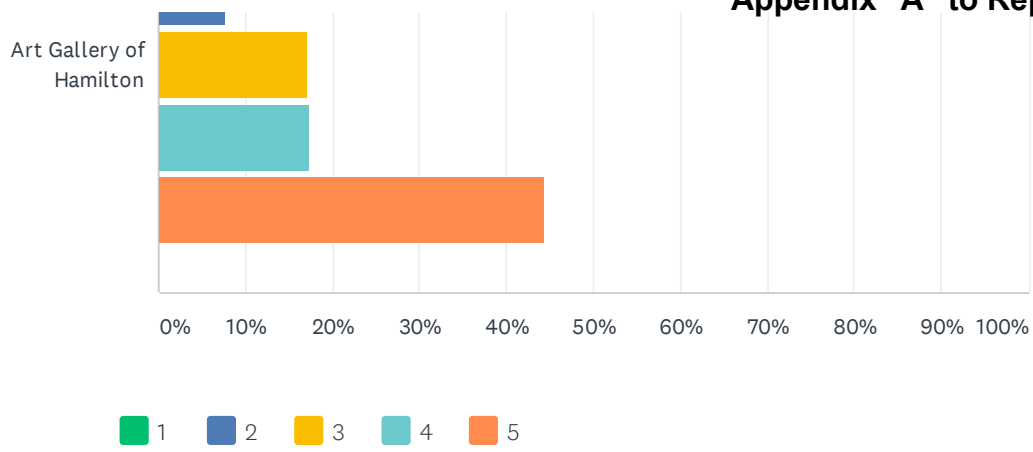


	1	2	3	4	5	TOTAL	WEIGHTED AVERAGE
Safety / security	37.23% 153	19.46% 80	18.49% 76	9.25% 38	15.57% 64	411	2.46
Parking	31.48% 130	17.43% 72	21.31% 88	12.11% 50	17.68% 73	413	2.67
Congestion/level of accessibility	29.34% 120	18.83% 77	24.69% 101	13.94% 57	13.20% 54	409	2.63
Limited program offering	13.14% 54	11.92% 49	27.25% 112	21.17% 87	26.52% 109	411	3.36
Lack of transit	46.81% 191	18.63% 76	14.71% 60	8.09% 33	11.76% 48	408	2.19

Q12 To what extent do you feel that the City of Hamilton should continue to financially support the operations of these entertainment venues with public funds? Please rank each from a scale of 1 to 5, with 1 being least supportive and 5 being most supportive.

Answered: 415 Skipped: 5

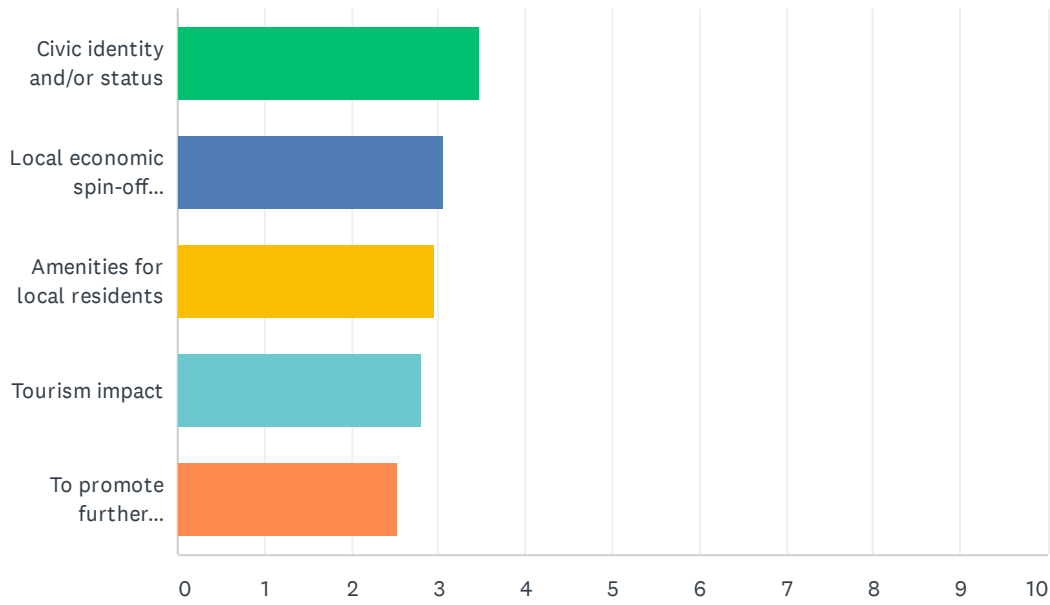




	1	2	3	4	5	TOTAL	WEIGHTED AVERAGE
FirstOntario Centre	13.98% 58	9.88% 41	16.87% 70	17.83% 74	41.45% 172	415	3.63
Hamilton Conference Centre	16.91% 69	15.69% 64	29.41% 120	16.18% 66	21.81% 89	408	3.10
FirstOntario Concert Hall	11.74% 48	8.56% 35	22.00% 90	24.45% 100	33.25% 136	409	3.59
Art Gallery of Hamilton	13.41% 55	7.80% 32	17.07% 70	17.32% 71	44.39% 182	410	3.71

Q13 If you do believe that public funds should be used to support the operations of entertainment venues in downtown Hamilton, which of the following considerations do you feel is most important? Please rank each from 1-5, with 1 being least significant and 5 being most significant.

Answered: 411 Skipped: 9



	1	2	3	4	5	N/A	TOTAL	SCORE
Civic identity and/or status	32.42% 118	17.58% 64	13.46% 49	10.99% 40	14.56% 53	10.99% 40	364	3.48
Local economic spin-off benefits for local businesses	15.83% 57	20.56% 74	18.89% 68	23.61% 85	12.22% 44	8.89% 32	360	3.05
Amenities for local residents	14.44% 53	18.53% 68	23.98% 88	18.53% 68	16.08% 59	8.45% 31	367	2.96
Tourism impact	9.81% 36	20.98% 77	19.62% 72	26.16% 96	15.80% 58	7.63% 28	367	2.81
To promote further redevelopment of the downtown core	14.65% 58	10.86% 43	16.92% 67	16.16% 64	33.08% 131	8.33% 33	396	2.54

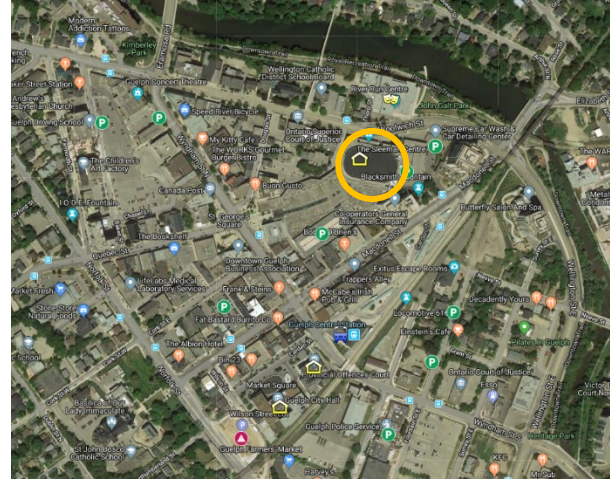
Q14 Please provide any additional comment(s) for our consideration.

Answered: 158 Skipped: 262



Appendix D

Sleeman Centre - Guelph, Ontario



Venue Background & Description

- ▶ Built in 2000 at a cost of ~\$21.0M, Sleeman Centre is currently owned by the City of Guelph. Initially, the venue was formed by a public-private partnership between the City and Nustadia Developments Inc.⁶⁵ It is estimated that the City contributed 50% of the construction costs and guaranteed a \$9M loan.
- ▶ The venue hosts family events, trade shows, conferences, large-scale concerts, public ceremonial events, and is home to the Guelph Storm (OHL) since 2000 and Guelph Nighthawks (CEBL) since 2019. It has 5,000 seats and includes private suites and private boxes.

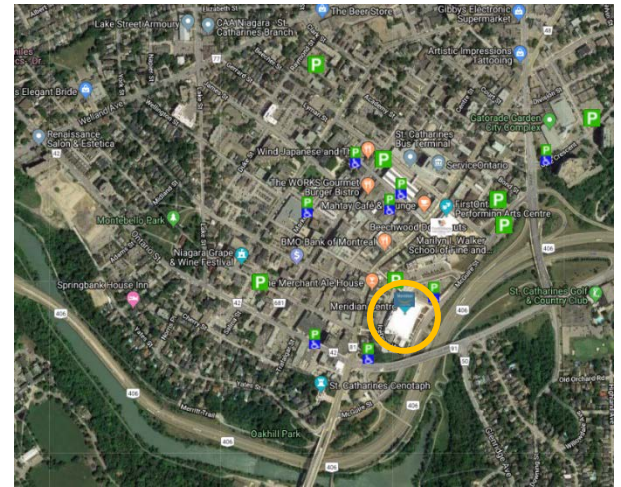
Location & Attendance

- ▶ The venue is at the heart of Guelph's downtown area between major arteries; Macdonell Street and Woolwich Street. Sleeman Centre benefits from 2,000+ third-party parking spaces near the venue, 3 hotels within 3 kilometers, and an abundant number of surrounding restaurants.
- ▶ Sleeman Centre hosted 60 events in 2018. Only four (4) of the total 60 events (7%) were small non-sporting events⁶⁶ indicating low appeal by global artists and performers. That is reasonable given Guelph's small population of ~131,000 and its proximity to large urban areas such as Mississauga and Toronto.⁶⁷ Guelph Storm's games show a three-year Utilization Rate average of ~81%, which is high.⁶⁸

Conclusion

- ▶ Sleeman Centre's high Utilization Rate can be attributed to the venue's central location and the 20-year long continuous support of Guelph Storm by local residents.
- ▶ Given Sleeman Centre's low Usage Ratio of 16%, low ratio of non-sporting events, yet high Utilization Rate; EY concludes that the venue is primarily used for local sporting events and functions as a poor entertainment destination spot.

⁶⁵ <http://thesleemancentre.com/about-us/>
⁶⁶ Sleeman Centre Events Calendar, accessed on 14-07-2019
⁶⁷ Statistics Canada, 2016 Census
⁶⁸ <http://www.hockeydb.com/nhl-attendance>



Venue Background & Description

- ▶ Built in 2014 at a cost of ~\$50.0M, Meridian Centre is currently owned by the City of St Catharines.
- ▶ The venue hosts concerts, celebrations, meetings, corporate events, cocktail or sit-down dinners, and is home to the Niagara IceDogs (OHL) since 2014 and Niagara River Lions (CEBL) since 2015. It has 5,300 seats and includes a full-service club lounge.

Location & Attendance

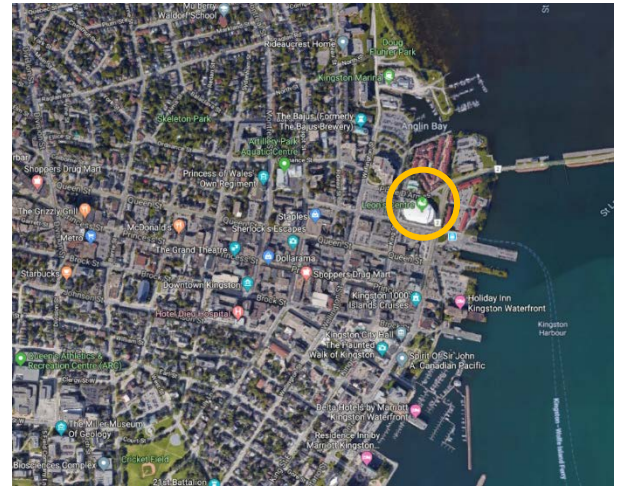
- ▶ The venue is in St Catharines' downtown area near major arteries; Ontario 406 Highway and Westchester Avenue. Meridian Centre benefits from many surrounding third-party parking spaces near the venue, 6 hotels within 3 kilometers, and an abundant number of surrounding restaurants.
- ▶ Niagara IceDogs' games show a three-year Utilization Rate average of ~92%, which is considered high.⁶⁹
- ▶ Meridian Centre hosted 128 events in 2018, of which 52 (41%) were non-sporting events.⁷⁰ Such events include Cirque du Soleil, the CITT/ICTS Conference & Trade Show, and international artists.

Conclusion

- ▶ St Catharines' long-distance from large Canadian urban areas such as Mississauga and Toronto contribute to the local needs of more total and non-sporting events.
- ▶ The Meridian Centre's high Utilization Rate can be attributed to the venue's central location and the support of Niagara IceDogs by local residents.
- ▶ Given Meridian Centre's low Usage Ratio of 35%, yet high ratio of non-sporting events and sport Utilization Rate; EY concludes that the venue is a local sports and entertainment destination spot.

⁶⁹ <http://www.hockeydb.com/nhl-attendance>

⁷⁰ Meridian Centre Events Calendar, accessed on 14-07-2019



Venue Background & Description

- ▶ Built in 2008 at a cost of ~\$46.5M, Leon's Centre is currently owned by the City of Kingston.
- ▶ The venue hosts concerts, special events, community activities, and is home to the Kingston Frontenacs (OHL) since 2008. It has 6,700 seats and includes 29 private suites and a club lounge.

Location & Attendance

- ▶ The venue is in Kingston's downtown core. Leon's Centre benefits from many surrounding third-party parking spaces near the venue, 15+ hotels within 3 kilometers, and an abundant number of surrounding restaurants.
- ▶ Kingston Frontenacs' games show a three-year Utilization Rate average of ~52%, which is considered moderate.⁷¹
- ▶ Leon's Centre hosted 83 events in 2018, of which 33 (40%) were non-sporting events.⁷² Such events include Cirque du Soleil and international artists.

Conclusion

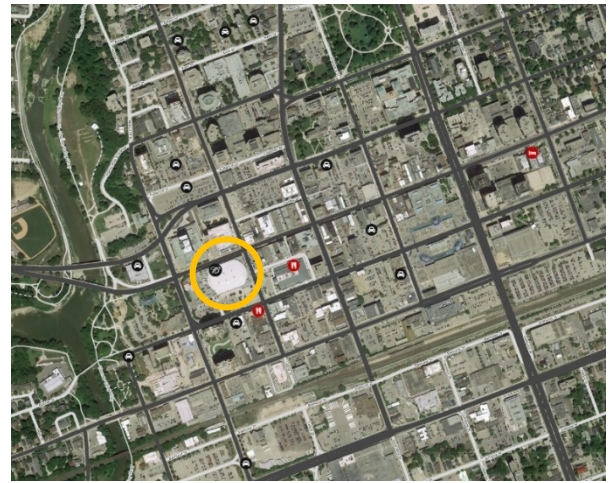
- ▶ Given the Kingston's small population size of ~117,000, medium Utilization Rate during sporting events, high ratio of sporting events (60%), and low Usage Ratio (23%), EY notes that Leon's Centre is underutilized.⁷³
- ▶ Based on Kingston's population size and the venue's seat capacity, 1 in 18 of Kingston residents can attend an event at Leon's Centre. Given the venue's underutilization, EY also notes that Leon's Centre is overbuilt in capacity.⁷⁴

⁷¹ <http://www.hockeydb.com/nhl-attendance>

⁷² Meridian Centre Events Calendar, accessed on 14-07-2019

⁷³ Statistics Canada, 2016 Census

⁷⁴ Statistics Canada, 2016 Census



Venue Background & Description

- ▶ Built in 2002 at a cost of ~\$28.3M, Budweiser Gardens is a public-private partnership between the City of London and Comcast Corporation through its subsidiary Global Spectrum.⁷⁵ It is estimated that Comcast contributed \$10M (~35%) of the construction costs and that the rest (~65%) was provided from the City of London.⁷⁶
- ▶ The venue hosts concerts, family shows, comedy shows, lectures, and is home to the London Knights (OHL) and London Lightning (NBL). It has close to 9,100 seats and 5 hospitality suites.

Location & Attendance

- ▶ The venue is strategically located in downtown London, near major arteries; Richmond Street and Queens Avenue. Benefitting from 8,000+ third-party parking spaces near the venue, 10 hotels within 3 kilometers, and an abundant number of surrounding restaurants,
- ▶ London Knights' games show a three-year Utilization Rate average of ~99%, which is considered high.⁷⁷
- ▶ Budweiser Gardens hosted 152 events in 2018, of which 75 (49%) were non-sporting events;⁷⁸ including big events such as Shania Twain's two (2) day concert at the venue in July 2018.

Conclusion

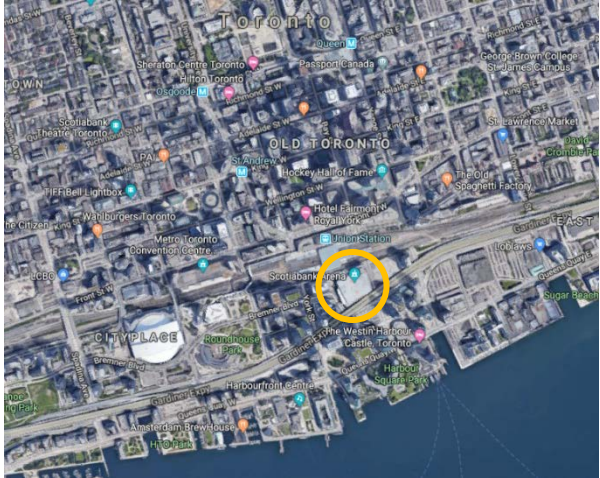
- ▶ Given the venue's location, its ~100% sporting events Utilization Rate, ratio of non-sporting events in 2018, and Usage Ratio of 42%, EY notes that Budweiser Gardens is a marquee destination spot in London's sports and entertainment scene.

⁷⁵ "John Labatt Centre, London, Ontario", Sports Business Journal, November 25, 2002. Retrieved from <https://sbjprod-cd.azurewebsites.net/Journal/Issues/2002/11/25/Special-Report/John-Labatt-Centre-London-Ontario.aspx>

⁷⁶ Special Report, Sports Business Journal, November 2002, <https://www.sportsbusinessdaily.com/Journal/Issues/2002/11/25/Special-Report.aspx>

⁷⁷ <http://www.hockeydb.com/nhl-attendance>

⁷⁸ Budweiser Gardens Events Calendar, accessed on 14-07-2019



Venue Background & Description

- ▶ Built in 1999 at a cost of ~\$288M, Scotiabank Arena is owned by Maple Leaf Sports & Entertainment.
- ▶ The venue hosts big concerts, and is home to the Toronto Maple Leafs (NHL) since 1999, Toronto Raptors (NBA) since 1999, and Toronto Rock (NLL) since 2001. It has close to 19,800 seats and premium seating such as suites, the Sher Club, and the Chairman’s Suite.

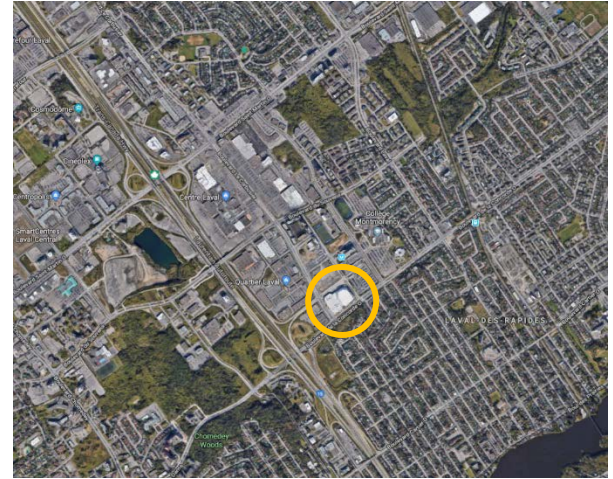
Location & Attendance

- ▶ The venue is in Toronto’s downtown core near major arteries; Gardiner Expressway and Spadina Avenue. Scotiabank Arena benefits from two (2) floors of indoor parking, 20+ hotels within 3 kilometers, and an abundant number of surrounding restaurants.
- ▶ Toronto Maple Leafs’ show a three-year Utilization Rate average of ~98%, which is considered high.⁷⁹
- ▶ Scotiabank Arena hosted 192 events in 2018, of which 75 (39%) were non-sporting events.⁸⁰ Such events include some of the biggest international names and artists.

Conclusion

- ▶ Scotiabank Arena hosted events more than half of the year with given its Usage Ratio of 53%.
- ▶ Given its high number of events, Utilization Rate, Usage Ratio, and number of non-sporting events; Scotiabank Arena attracts heavy traffic from nearby cities and acts as one of the Toronto’s major sports and entertainment destination spots.

⁷⁹ <http://www.hockeydb.com/nhl-attendance>
⁸⁰ Meridian Centre Events Calendar, accessed on 14-07-2019



Venue Background & Description

- ▶ Built in 2017 at a cost of ~\$200.0M, Place Bell is currently owned by the City of Laval. The City of Laval, the Quebec Government, and Evenko funded the project.⁸¹ The City and the Quebec Government contributed \$122M and \$46.3M, respectively, while Evenko and Bell (naming rights) funded the remaining \$31.7M.⁸²
- ▶ The venue hosts concerts, family entertainment, theatrical performances, community and corporate events, public events, and is home to the Laval Rocket (AHL) since 2017 and Les Canadiennes de Montreal (CWLH) since 2018. It has 10,000 seats and includes two (2) floors that can accommodate retail shops. Place Bell also includes a practice rink of 500 seats and an Olympic rink of 2,500 seats.

Location & Attendance

- ▶ The venue is in Laval's downtown area near major arteries; de la Concorde Boulevard and Le Corbusier Boulevard; as well as Montmorency metro station. Place Bell benefits from 700 interior parking spaces, 10+ hotels within 3 kilometers, and three (3) nearby retail power centres.
- ▶ Laval Rockets' games show a two-year Utilization Rate average of ~61%, which is considered high.⁸³

Conclusion

- ▶ Given that Place Bell recently opened its doors, the number of events was low in 2018.⁸⁴ In 2019, there are 19 events, of which 17 (89%) are non-sporting events.⁸⁵ Additionally, since the Laval Rockets moved from St. John's, Newfoundland and Labrador to Laval in 2017 and the venue's vintage, a Utilization Rate of ~61% is high.

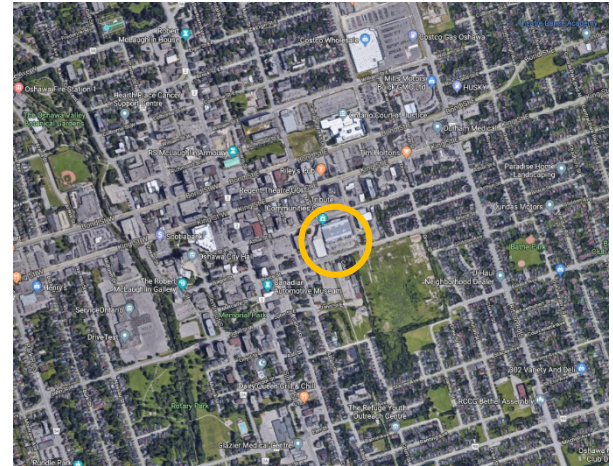
⁸¹ <https://www.laval.ca/Pages/Fr/Nouvelles/amphitheatre-place-bell-pelletee-de-terre.aspx>

⁸² <https://montrealgazette.com/news/local-news/laval-opposition-party-questions-economic-benefits-of-new-place-bell>

⁸³ <http://www.hockeydb.com/nhl-attendance>

⁸⁴ Place Bell Ticketing, Discussion on 17-07-2019

⁸⁵ Place Bell Events Calendar as of July 2019, accessed on 14-07-2019



Venue Background & Description

- ▶ Built in 2006 at a cost of ~\$45M, Tribute Communities Centre is owned by the City of Oshawa.
- ▶ The venue hosts concerts, family shows, and is home to the Oshawa Generals (OHL) since 2007, and the Oshawa Sports Hall of Fame. The seating capacity depends on the event and ranges from 1,502 seats to 6,418. During hockey games, the venue hosts up to 6,150 attendees and includes private and group suites.

Location & Attendance

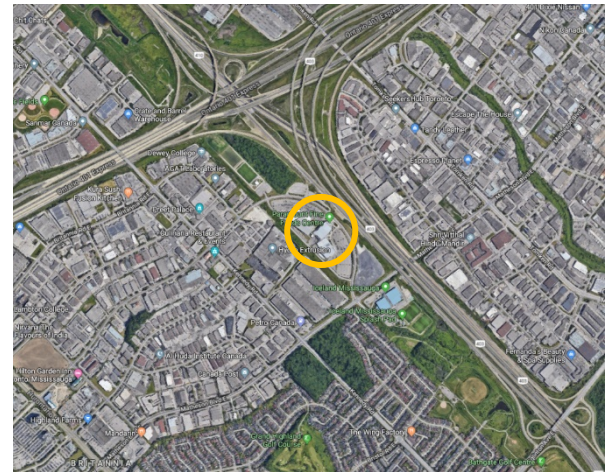
- ▶ The venue is in downtown Oshawa near major arteries; King Street West and Bond Street West. Tribute Communities Centre benefits from third-party parking spaces near the venue, 3 hotels within 3 kilometers, and a few surrounding restaurants.
- ▶ Oshawa Generals' games show a three-year Utilization Rate average of ~83%, which is high.⁸⁶
- ▶ Tribute Communities Centre hosted 89 events in 2018, of which 48 (54%) were non-sporting events.⁸⁷ The events were mostly local or small-scale community events and concerts,

Conclusion

- ▶ Given the Tribute Communities Centre's low Usage Ratio, high Utilization Rate, and high ratio of non-sporting events, such as university ceremonies and small concerts and conventions; EY notes that the underutilized venue serves as a local hub for sporting events and activities.

⁸⁶ <http://www.hockeydb.com/nhl-attendance>

⁸⁷ Tribute Communities Centre Calendar, accessed on 16-07-2019



Venue Background & Description

- ▶ Built in 1998 at a cost of ~\$22M, Scotiabank Arena is owned by the City of Mississauga.
- ▶ The venue hosts big concerts, community events, and is home to the Mississauga Steelheads (OHL) since 2012, Raptors 905 (NBA G League) since 2015, and Mississauga MetroStars (MASL) since 2018. Its hockey venue has close to 5,420 seats and suites.
- ▶ In addition, its Sportsplex expansion venue consists of an indoor soccer field, gymnasium, fitness centre, meeting space and licensed lounge with ~100,000 monthly visitors,⁸⁸

Location & Attendance

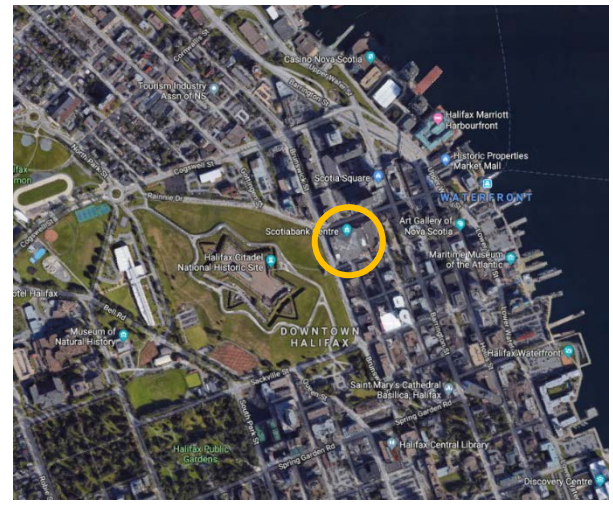
- ▶ The venue is in suburban Mississauga near major arteries; Ontario 403 Highway and Ontario 401 Expressway. Paramount Fine Foods Centre benefits from 1,900 parking spaces, 15+ hotels within 3 kilometers, and a limited number of surrounding restaurants.
- ▶ Mississauga Steelheads' games show a three-year Utilization Rate average of ~49%, which is considered moderate.⁸⁹
- ▶ The annual Carassauga Festival at the Paramount Fine Foods Centre draws ~100,000 visitors each year.

Conclusion

- ▶ Paramount Fine Foods Centre serves as one of the city's major destination spots for sporting events and activities.

⁸⁸ <http://paramountfinefoodscentre.com/about/>

⁸⁹ <http://www.hockeydb.com/nhl-attendance>



Venue Background & Description

- ▶ Built in 1978, Scotiabank Centre is owned by Halifax Regional Municipality.
- ▶ The venue hosts concerts, community events, conventions, and is home to the Halifax Mooseheads (QMJHL) since 1994, Halifax Hurricanes (NBL Canada) since 2005, and Halifax Thunderbirds (NLL) since 2009. It has close to 10,600 seats during hockey events and club seats, skybox, and executive suites. The venue can host up to 13,000 attendees during a concert.

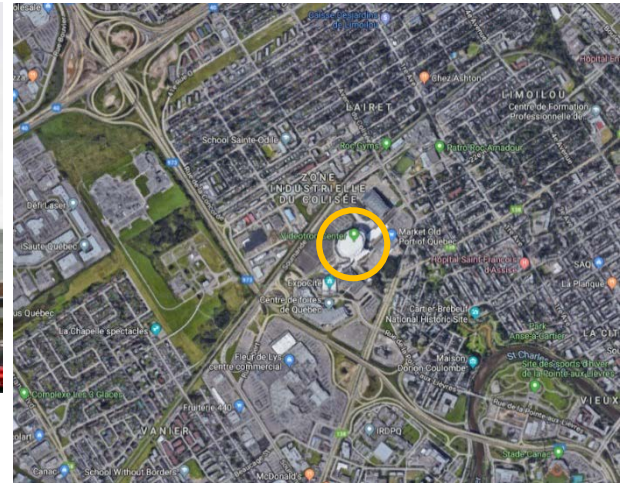
Location & Attendance

- ▶ The venue is in Halifax's downtown core near the Halifax Citadel. Scotiabank Centre benefits from third-party parking spaces near the venue, 20+ hotels within 3 kilometers, and surrounding restaurants.
- ▶ Halifax Mooseheads' games show a three-year Utilization Rate average of ~67%, which is considered moderate to high.⁹⁰
- ▶ Scotiabank Centre hosted 111 events in the 2017/2018 season, of which ~28 (25%) were non-sporting events.⁹¹ Such events include big international names and artists.

Conclusion

- ▶ Given the venue's medium to high Utilization Rate, high ratio of sporting events (75%), and low number of non-sporting events; Scotiabank Centre serves as a local destination spot for sport events and activities.
- ▶ Given the venue's very low Usage Ratio and based on the venue capacity 1 in 38 of Halifax's residents can attend an event at Scotiabank Centre; EY notes that it is overbuilt.

⁹⁰ Halifax Mooseheads website, Attendance Statistics
⁹¹ Scotiabank Centre 2017/2018 Annual Report



Venue Background & Description

- ▶ Built in 2015 at a cost of ~\$370M, Videotron Centre is owned by The City of Quebec. The construction costs were split equally between the City and the Provincial Government, as part of their efforts to bring back an NHL team to the city.⁹²
- ▶ The venue hosts big concerts from international artists, and is home to the Quebec Remparts (QMJHL) since 2015. It has a capacity of close to 18,300 seats and includes suites, bars, suites, and a business centre.

Location & Attendance

- ▶ The venue is in suburban Quebec City near major an industrial area. Videotron Centre benefits from 4,755 parking spaces, very limited number of hotels and restaurants nearby.
- ▶ Quebec Remparts' games show a three-year Utilization Rate average of ~50%, which is considered moderate.⁹³

Conclusion

- ▶ Videotron Centre serves as one of the city's major destination spots for entertainment, yet still stands to prove itself as a strong sporting complex given its low Utilization Rate and unsuccessful attempts to bring back an NHL team to the city.

End of Appendix C

⁹² <https://www.lecentrevideotron.ca/en/premiere-place/history>

⁹³ <http://www.hockeydb.com/nhl-attendance>



Appendix E

Status Quo Option Forecasting Assumptions		
Baseline Scenario		
Growth Assumptions		
All Income Growth		2.00%
All Expense Growth		2.00%
All Expense Growth		2.00%
Investment Analysis		
Discount Rate		4.50%
Spectra Net Loss Portion		30.00%
1985 Arena Construction Cost	\$33,500,000	
1985-2017 Inflation Factor		0.332
\$2019 Value	\$108,259,392	
CIRC Inv. Guideline		1.70%
Annual Structural Reserve	\$1,840,410	

Statistics Canada

Capital investments identified in Appendix A have been incorporated.

Status Quo Option - Operating Forecast																		
	2018 Actual	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Operating Forecast																		
First Ontario Centre																		
Direct Event Income	\$1,517,702	\$1,548,056	\$1,579,017	\$1,610,598	\$1,642,809	\$1,675,666	\$1,709,179	\$1,743,363	\$1,778,230	\$1,813,794	\$1,850,070	\$1,887,072	\$1,924,813	\$1,963,309	\$2,002,576	\$2,042,627	\$2,083,480	\$2,125,149
Ancillary Revenue	\$750,137	\$765,140	\$780,443	\$796,051	\$811,972	\$828,212	\$844,776	\$861,672	\$878,905	\$896,483	\$914,413	\$932,701	\$951,355	\$970,382	\$989,790	\$1,009,586	\$1,029,777	\$1,050,373
Facility Fees	\$437,790	\$446,546	\$455,477	\$464,586	\$473,878	\$483,356	\$493,023	\$502,883	\$512,941	\$523,200	\$533,664	\$544,337	\$555,224	\$566,328	\$577,655	\$589,208	\$600,992	\$613,012
Other Income	\$641,602	\$654,434	\$667,523	\$680,873	\$694,491	\$708,380	\$722,548	\$736,999	\$751,739	\$766,774	\$782,109	\$797,751	\$813,706	\$829,981	\$846,580	\$863,512	\$880,782	\$898,398
Total	\$3,347,231	\$3,414,176	\$3,482,459	\$3,552,108	\$3,623,150	\$3,695,613	\$3,769,526	\$3,844,916	\$3,921,815	\$4,000,251	\$4,080,256	\$4,161,861	\$4,245,098	\$4,330,000	\$4,416,600	\$4,504,932	\$4,595,031	\$4,686,931
Indirect Expenses	\$2,897,194	\$2,955,138	\$3,014,241	\$3,074,525	\$3,136,016	\$3,198,736	\$3,262,711	\$3,327,965	\$3,394,525	\$3,462,415	\$3,531,663	\$3,602,297	\$3,674,343	\$3,747,829	\$3,822,786	\$3,899,242	\$3,977,227	\$4,056,771
FirstOntario Concert Hall																		
Direct Event Income	\$928,059	\$946,620	\$965,553	\$984,864	\$1,004,561	\$1,024,652	\$1,045,145	\$1,066,048	\$1,087,369	\$1,109,116	\$1,131,299	\$1,153,925	\$1,177,003	\$1,200,543	\$1,224,554	\$1,249,045	\$1,274,026	\$1,299,507
Ancillary Revenue	\$149,354	\$152,341	\$155,388	\$158,496	\$161,666	\$164,899	\$168,197	\$171,561	\$174,992	\$178,492	\$182,062	\$185,703	\$189,417	\$193,205	\$197,069	\$201,011	\$205,031	\$209,132
Facility Fees	\$224,853	\$229,350	\$233,937	\$238,616	\$243,388	\$248,256	\$253,221	\$258,285	\$263,451	\$268,720	\$274,095	\$279,576	\$285,168	\$290,871	\$296,689	\$302,623	\$308,675	\$314,848
Other Income	\$186,068	\$189,789	\$193,585	\$197,457	\$201,406	\$205,434	\$209,543	\$213,734	\$218,008	\$222,368	\$226,816	\$231,352	\$235,979	\$240,699	\$245,513	\$250,423	\$255,431	\$260,540
Total	\$1,488,334	\$1,518,101	\$1,548,463	\$1,579,432	\$1,611,021	\$1,643,241	\$1,676,106	\$1,709,628	\$1,743,820	\$1,778,697	\$1,814,271	\$1,850,556	\$1,887,567	\$1,925,319	\$1,963,825	\$2,003,102	\$2,043,164	\$2,084,027
Indirect Expenses	\$1,914,638	\$1,952,931	\$1,991,989	\$2,031,829	\$2,072,466	\$2,113,915	\$2,156,193	\$2,199,317	\$2,243,304	\$2,288,170	\$2,333,933	\$2,380,612	\$2,428,224	\$2,476,788	\$2,526,324	\$2,576,851	\$2,628,388	\$2,680,955
Net Operating Income (Loss)	\$23,733	\$24,208	\$24,692	\$25,186	\$25,689	\$26,203	\$26,727	\$27,262	\$27,807	\$28,363	\$28,930	\$29,509	\$30,099	\$30,701	\$31,315	\$31,941	\$32,580	\$33,232
Management Fee	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000
Net Loss Subsidy	-\$278,480	-\$278,338	-\$278,192	-\$278,044	-\$277,893	-\$277,739	-\$277,582	-\$277,421	-\$277,258	-\$277,091	-\$276,921	-\$276,747	-\$276,570	-\$276,390	-\$276,205	-\$276,018	-\$275,826	-\$275,630
Utility Subsidy	-\$1,200,000	-\$1,199,999	-\$1,199,998	-\$1,199,997	-\$1,199,996	-\$1,199,995	-\$1,199,994	-\$1,199,993	-\$1,199,992	-\$1,199,991	-\$1,199,990	-\$1,199,989	-\$1,199,988	-\$1,199,987	-\$1,199,986	-\$1,199,985	-\$1,199,984	-\$1,199,983
Net City Proceeds	-\$1,904,747	-\$1,904,129	-\$1,903,499	-\$1,902,856	-\$1,902,200	-\$1,901,531	-\$1,900,849	-\$1,900,153	-\$1,899,443	-\$1,898,719	-\$1,897,980	-\$1,897,227	-\$1,896,459	-\$1,895,675	-\$1,894,876	-\$1,894,061	-\$1,893,230	-\$1,892,381
Hamilton Convention Centre																		
Sales	\$3,813,605	\$3,889,877	\$3,967,675	\$4,047,028	\$4,127,969	\$4,210,528	\$4,294,739	\$4,380,633	\$4,468,246	\$4,557,611	\$4,648,763	\$4,741,738	\$4,836,573	\$4,933,305	\$5,031,971	\$5,132,610	\$5,235,262	\$5,339,968
Cost of Sales	\$750,794	\$765,810	\$781,126	\$796,749	\$812,684	\$828,937	\$845,516	\$862,426	\$879,675	\$897,268	\$915,214	\$933,518	\$952,188	\$971,232	\$990,657	\$1,010,470	\$1,030,679	\$1,051,293
Materials	\$404,158	\$412,241	\$420,486	\$428,896	\$437,474	\$446,223	\$455,148	\$464,251	\$473,536	\$483,006	\$492,666	\$502,520	\$512,570	\$522,821	\$533,278	\$543,943	\$554,822	\$565,919
Event Costs	\$239,455	\$244,244	\$249,129	\$254,112	\$259,194	\$264,378	\$269,665	\$275,059	\$280,560	\$286,171	\$291,894	\$297,732	\$303,687	\$309,761	\$315,956	\$322,275	\$328,720	\$335,295
Total	\$1,394,407	\$1,422,295	\$1,450,741	\$1,479,756	\$1,509,351	\$1,539,538	\$1,570,329	\$1,601,735	\$1,633,770	\$1,666,445	\$1,699,774	\$1,733,770	\$1,768,445	\$1,803,814	\$1,839,890	\$1,876,688	\$1,914,222	\$1,952,506
Gross Profit	\$2,419,198	\$2,467,582	\$2,516,934	\$2,567,272	\$2,618,618	\$2,670,990	\$2,724,410	\$2,778,898	\$2,834,476	\$2,891,166	\$2,948,989	\$3,007,969	\$3,068,128	\$3,129,491	\$3,192,080	\$3,255,922	\$3,321,040	\$3,387,461
Corporate Expenses	\$2,272,189	\$2,317,633	\$2,363,985	\$2,411,265	\$2,459,490	\$2,508,680	\$2,558,854	\$2,610,031	\$2,662,232	\$2,715,476	\$2,769,786	\$2,825,181	\$2,881,685	\$2,939,319	\$2,998,105	\$3,058,067	\$3,119,229	\$3,181,613
Net Earnings	\$147,009	\$149,949	\$152,948	\$156,007	\$159,127	\$162,310	\$165,556	\$168,867	\$172,244	\$175,689	\$179,203	\$182,787	\$186,443	\$190,172	\$193,975	\$197,855	\$201,812	\$205,848
<i>Does not include the Hamilton Convention Centre's \$165,000 annual utility subsidy.</i>																		
Capital Investment Forecast																		
First Ontario Centre	-	\$730,000	\$7,270,000	\$7,800,000	\$6,750,000	\$7,250,000	\$4,500,000	-	-	-	-	-	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410
FirstOntario Concert Hall	-	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	-	-	-	-	-	-	-	-	-	-	-
Hamilton Convention Centre	-	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	-	-	-	-	-	-	-	-	-	-	-
Total	-	\$3,238,482	\$9,778,482	\$10,308,482	\$9,258,482	\$9,758,482	\$7,008,482	-	-	-	-	-	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67
Total Municipal Basecase Costs																		
Spectra Operating Subsidy	-\$1,904,747	-\$1,904,129	-\$1,903,499	-\$1,902,856	-\$1,902,200	-\$1,901,531	-\$1,900,849	-\$1,900,153	-\$1,899,443	-\$1,898,719	-\$1,897,980	-\$1,897,227	-\$1,896,459	-\$1,895,675	-\$1,894,876	-\$1,894,061	-\$1,893,230	-\$1,892,381
Capital Investment	\$0	-\$3,238,482	-\$9,778,482	-\$10,308,482	-\$9,258,482	-\$9,758,482	-\$7,008,482	-	-	-	-	-	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)
Annual City Cost	-\$1,904,747	-\$5,142,611	-\$11,681,981	-\$12,211,338	-\$11,160,682	-\$11,660,013	-\$8,909,331	-\$1,900,153	-\$1,899,443	-\$1,898,719	-\$1,897,980	-\$1,897,227	-\$3,736,869	-\$3,736,085	-\$3,735,286	-\$3,734,471	-\$3,733,639	-\$3,732,791
Total Operating Subsidy	-\$64,298,193																	
Total Capital Investment	-\$91,680,316																	
30-Year Total Cost	-\$155,978,510																	
30-Year Total Cost NPV	-\$90,783,849																	
<i>Does not include the Hamilton Convention Centre's \$165,000 annual utility subsidy.</i>																		
Net Loss Subsidy																		
Guarantee	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000
Operating Profit (Loss)	\$23,733	\$24,208	\$24,692	\$25,186	\$25,689	\$26,203	\$26,727	\$27,262	\$27,807	\$28,363	\$28,930	\$29,509	\$30,099	\$30,701	\$31,315	\$31,941	\$32,580	\$33,232
Balance	-\$1,378,267	-\$1,377,792	-\$1,377,308	-\$1,376,814	-\$1,376,311	-\$1,375,797	-\$1,375,273	-\$1,374,738	-\$1,374,193	-\$1,373,637	-\$1,373,070	-\$1,372,491	-\$1,371,901	-\$1,371,299	-\$1,370,685	-\$1,370,059	-\$1,369,420	-\$1,368,768
Spectra Operating Subsidy	-\$278,480	-\$278,338	-\$278,192	-\$278,044	-\$277,893	-\$277,739	-\$277,582	-\$277,421	-\$277,258	-\$277,091	-\$276,921	-\$276,747	-\$276,570	-\$276,390	-\$276,205	-\$276,018	-\$275,826	-\$275,630

Status Quo Option - Operating Forecast																	
	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Operating Forecast																	
First Ontario Centre																	
Direct Event Income	\$2,167,652	\$2,211,005	\$2,255,225	\$2,300,330	\$2,346,336	\$2,393,263	\$2,441,128	\$2,489,951	\$2,539,750	\$2,590,545	\$2,642,356	\$2,695,203	\$2,749,107	\$2,804,089	\$2,860,171	\$2,917,374	\$2,975,722
Ancillary Revenue	\$1,071,380	\$1,092,808	\$1,114,664	\$1,136,957	\$1,159,697	\$1,182,890	\$1,206,548	\$1,230,679	\$1,255,293	\$1,280,399	\$1,306,007	\$1,332,127	\$1,358,769	\$1,385,945	\$1,413,664	\$1,441,937	\$1,470,776
Facility Fees	\$625,272	\$637,777	\$650,533	\$663,544	\$676,814	\$690,351	\$704,158	\$718,241	\$732,606	\$747,258	\$762,203	\$777,447	\$792,996	\$808,856	\$825,033	\$841,534	\$858,364
Other Income	\$916,366	\$934,693	\$953,387	\$972,455	\$991,904	\$1,011,742	\$1,031,977	\$1,052,616	\$1,073,668	\$1,095,142	\$1,117,045	\$1,139,386	\$1,162,173	\$1,185,417	\$1,209,125	\$1,233,308	\$1,257,974
Total	\$4,780,670	\$4,876,284	\$4,973,809	\$5,073,285	\$5,174,751	\$5,278,246	\$5,383,811	\$5,491,487	\$5,601,317	\$5,713,343	\$5,827,610	\$5,944,162	\$6,063,046	\$6,184,307	\$6,307,993	\$6,434,153	\$6,562,836
Indirect Expenses	\$4,137,906	\$4,220,665	\$4,305,078	\$4,391,179	\$4,479,003	\$4,568,583	\$4,659,955	\$4,753,154	\$4,848,217	\$4,945,181	\$5,044,085	\$5,144,967	\$5,247,866	\$5,352,823	\$5,459,880	\$5,569,077	\$5,680,459
FirstOntario Concert Hall																	
Direct Event Income	\$1,325,497	\$1,352,007	\$1,379,047	\$1,406,628	\$1,434,760	\$1,463,456	\$1,492,725	\$1,522,579	\$1,553,031	\$1,584,091	\$1,615,773	\$1,648,089	\$1,681,050	\$1,714,671	\$1,748,965	\$1,783,944	\$1,819,623
Ancillary Revenue	\$213,314	\$217,581	\$221,932	\$226,371	\$230,898	\$235,516	\$240,227	\$245,031	\$249,932	\$254,930	\$260,029	\$265,230	\$270,534	\$275,945	\$281,464	\$287,093	\$292,835
Facility Fees	\$321,145	\$327,568	\$334,120	\$340,802	\$347,618	\$354,571	\$361,662	\$368,895	\$376,273	\$383,799	\$391,475	\$399,304	\$407,290	\$415,436	\$423,745	\$432,219	\$440,864
Other Income	\$265,751	\$271,066	\$276,487	\$282,017	\$287,657	\$293,410	\$299,279	\$305,264	\$311,370	\$317,597	\$323,949	\$330,428	\$337,036	\$343,777	\$350,653	\$357,666	\$364,819
Total	\$2,125,707	\$2,168,222	\$2,211,586	\$2,255,818	\$2,300,934	\$2,346,953	\$2,393,892	\$2,441,770	\$2,490,605	\$2,540,417	\$2,591,226	\$2,643,050	\$2,695,911	\$2,749,829	\$2,804,826	\$2,860,922	\$2,918,141
Indirect Expenses	\$2,734,575	\$2,789,266	\$2,845,051	\$2,901,952	\$2,959,991	\$3,019,191	\$3,079,575	\$3,141,167	\$3,203,990	\$3,268,070	\$3,333,431	\$3,400,100	\$3,468,102	\$3,537,464	\$3,608,213	\$3,680,377	\$3,753,985
Net Operating Income (Loss)	\$33,897	\$34,574	\$35,266	\$35,971	\$36,691	\$37,425	\$38,173	\$38,937	\$39,715	\$40,510	\$41,320	\$42,146	\$42,989	\$43,849	\$44,726	\$45,620	\$46,533
Management Fee	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000
Net Loss Subsidy	-\$275,431	-\$275,228	-\$275,020	-\$274,809	-\$274,593	-\$274,373	-\$274,148	-\$273,919	-\$273,685	-\$273,447	-\$273,204	-\$272,956	-\$272,703	-\$272,445	-\$272,182	-\$271,914	-\$271,640
Utility Subsidy	-\$1,199,982	-\$1,199,981	-\$1,199,980	-\$1,199,979	-\$1,199,978	-\$1,199,977	-\$1,199,976	-\$1,199,975	-\$1,199,974	-\$1,199,973	-\$1,199,972	-\$1,199,971	-\$1,199,970	-\$1,199,970	-\$1,199,970	-\$1,199,970	-\$1,199,970
Net City Proceeds	-\$1,891,516	-\$1,890,634	-\$1,889,734	-\$1,888,816	-\$1,887,880	-\$1,886,925	-\$1,885,951	-\$1,884,958	-\$1,883,944	-\$1,882,911	-\$1,881,856	-\$1,880,781	-\$1,879,684	-\$1,878,567	-\$1,877,426	-\$1,876,264	-\$1,875,077
Hamilton Convention Centre																	
Sales	\$5,446,767	\$5,555,702	\$5,666,816	\$5,780,153	\$5,895,756	\$6,013,671	\$6,133,944	\$6,256,623	\$6,381,756	\$6,509,391	\$6,639,579	\$6,772,370	\$6,907,818	\$7,045,974	\$7,186,893	\$7,330,631	\$7,477,244
Cost of Sales	\$1,072,319	\$1,093,765	\$1,115,640	\$1,137,953	\$1,160,712	\$1,183,927	\$1,207,605	\$1,231,757	\$1,256,392	\$1,281,520	\$1,307,151	\$1,333,294	\$1,359,959	\$1,387,159	\$1,414,902	\$1,443,200	\$1,472,064
Materials	\$577,237	\$588,782	\$600,558	\$612,569	\$624,820	\$637,316	\$650,063	\$663,064	\$676,325	\$689,852	\$703,649	\$717,722	\$732,076	\$746,718	\$761,652	\$776,885	\$792,423
Event Costs	\$342,001	\$348,841	\$355,818	\$362,934	\$370,193	\$377,596	\$385,148	\$392,851	\$400,708	\$408,723	\$416,897	\$425,235	\$433,740	\$442,414	\$451,263	\$460,288	\$469,494
Total	\$1,991,557	\$2,031,388	\$2,072,015	\$2,113,456	\$2,155,725	\$2,198,839	\$2,242,816	\$2,287,672	\$2,333,426	\$2,380,094	\$2,427,696	\$2,476,250	\$2,525,775	\$2,576,291	\$2,627,817	\$2,680,373	\$2,733,980
Gross Profit	\$3,455,210	\$3,524,315	\$3,594,801	\$3,666,697	\$3,740,031	\$3,814,832	\$3,891,128	\$3,968,951	\$4,048,330	\$4,129,296	\$4,211,882	\$4,296,120	\$4,382,042	\$4,469,683	\$4,559,077	\$4,650,258	\$4,743,264
Corporate Expenses	\$3,245,245	\$3,310,150	\$3,376,353	\$3,443,880	\$3,512,758	\$3,583,013	\$3,654,673	\$3,727,767	\$3,802,322	\$3,878,369	\$3,955,936	\$4,035,055	\$4,115,756	\$4,198,071	\$4,282,032	\$4,367,673	\$4,455,027
Net Earnings	\$209,965	\$214,164	\$218,448	\$222,817	\$227,273	\$231,818	\$236,455	\$241,184	\$246,008	\$250,928	\$255,946	\$261,065	\$266,286	\$271,612	\$277,044	\$282,585	\$288,237
<i>Does not include the Hamilton Convention C</i>																	
Capital Investment Forecast																	
First Ontario Centre	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410	\$1,840,410
FirstOntario Concert Hall	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hamilton Convention Centre	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67	1,840,409.67
Total Municipal Basecase Costs																	
Spectra Operating Subsidy	-\$1,891,516	-\$1,890,634	-\$1,889,734	-\$1,888,816	-\$1,887,880	-\$1,886,925	-\$1,885,951	-\$1,884,958	-\$1,883,944	-\$1,882,911	-\$1,881,856	-\$1,880,781	-\$1,879,684	-\$1,878,567	-\$1,877,426	-\$1,876,264	-\$1,875,077
Capital Investment	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)	(1,840,409.67)
Annual City Cost	-\$3,731,926	-\$3,731,044	-\$3,730,144	-\$3,729,226	-\$3,728,290	-\$3,727,335	-\$3,726,361	-\$3,725,367	-\$3,724,354	-\$3,723,320	-\$3,722,266	-\$3,721,191	-\$3,720,094	-\$3,718,976	-\$3,717,836	-\$3,716,673	-\$3,715,487
Total Operating Subsidy																	
Total Capital Investment																	
30-Year Total Cost																	
30-Year Total Cost NPV																	
<i>Does not include the Hamilton Convention Ceni</i>																	
Net Loss Subsidy																	
Guarantee	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000
Operating Profit (Loss)	\$33,897	\$34,574	\$35,266	\$35,971	\$36,691	\$37,425	\$38,173	\$38,937	\$39,715	\$40,510	\$41,320	\$42,146	\$42,989	\$43,849	\$44,726	\$45,620	\$46,533
Balance	-\$1,368,103	-\$1,367,426	-\$1,366,734	-\$1,366,029	-\$1,365,309	-\$1,364,575	-\$1,363,827	-\$1,363,063	-\$1,362,285	-\$1,361,490	-\$1,360,680	-\$1,359,854	-\$1,359,011	-\$1,358,151	-\$1,357,274	-\$1,356,380	-\$1,355,467
Spectra Operating Subsidy	-\$275,431	-\$275,228	-\$275,020	-\$274,809	-\$274,593	-\$274,373	-\$274,148	-\$273,919	-\$273,685	-\$273,447	-\$273,204	-\$272,956	-\$272,703	-\$272,445	-\$272,182	-\$271,914	-\$271,640

Arena Renovation Option Forecasting Assumptions

Baseline Scenario

Growth Assumptions

All Income Growth	2.00%
All Expense Growth	2.00%
Post-Renovation Attendance Impact	15.00%
Post-Renovation Ancillary Revenue Impact	50.00%

Applied to attendance forecast and event incomes
Applied to attendance forecast and event incomes

Renovation Cost Estimate

2016 Arena Renovation Cost	\$68,000,000
Statscan Growth Factor	93.11%
2019 Cost	\$131,314,711

Investment Analysis

Discount Rate	4.50%
Spectra Net Loss Portion	30.00%
1985 Arena Construction Cost	\$33,500,000
1985-2017 Inflation Factor	0.332
\$2019 Value	\$108,259,392
CIRC Inv. Guideline	1.70%
Annual Structural Reserve	\$1,840,410

Statistics Canada

Renovation Revenue Buildup

Segment	2020 Attendance	2020 Revenue
Sporting Events	165,415	\$36,560
Major Concerts	75,622	\$995,186
Minor Concerts	10,801	\$57,245
Family/ Entertainment	133,448	\$916,788
Religious Events	27,000	\$44,517
Special Events	26,635	\$279,791
Consumer Shows	6,660	-\$14,990
Total Revenue	445,581	\$2,315,097

Adjusted for 2 lost events
Adjusted for 2 lost events
Adjusted for 2 lost events

2020 Lost Revenue	Attendance	\$/Seat	Revenue
Major Concert	10,803	\$13.16	\$142,167
Minor Concert	5,400	\$5.30	\$28,620
Family	5,560	\$6.87	\$38,197

Renovation Budget Timing

Year	Cost	Proportion
Design Phase		10%
Construction		45%
2019	\$13,131,471	
2020	\$59,091,620	
2021	\$59,091,620	
Total Cost	\$131,314,711	

Attendance Forecast

	2018 Actual	2019	2020	2021	2022	2023	2024	2025	2026
Total Attendance	489,107	498,889	445,581	454,493	573,723	585,197	596,901	608,839	621,016
			<i>Renovation</i>	<i>Renovation</i>	<i>Stabalization</i>				
	2027	2028	2029	2030	2031	2032	2033	2034	2035
	633,436	646,105	659,027	672,207	685,652	699,365	713,352	727,619	742,171
	2036	2037	2038	2039	2040	2041	2042	2043	2044
	757,015	772,155	787,598	803,350	819,417	835,805	852,521	869,572	886,963
	2045	2046	2047	2048					
	904,703	922,797	941,253	960,078					

Arena Renovation Option - Operating Forecast																
	2018 Actual	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Forecast					1	2	3	4	5	6	7	8	9	10	11	12
First Ontario Centre																
Direct Event Income	\$1,517,702	\$1,548,056			\$1,780,264	\$1,815,870	\$1,852,187	\$1,889,231	\$1,927,015	\$1,965,556	\$2,004,867	\$2,044,964	\$2,085,864	\$2,127,581	\$2,170,132	\$2,213,535
Ancillary Income	\$750,137	\$765,140	Renovation		\$1,147,710	\$1,170,664	\$1,194,077	\$1,217,959	\$1,242,318	\$1,267,164	\$1,292,507	\$1,318,358	\$1,344,725	\$1,371,619	\$1,399,052	\$1,427,033
Facility Fees	\$437,790	\$446,546			\$513,528	\$523,798	\$534,274	\$544,960	\$555,859	\$566,976	\$578,316	\$589,882	\$601,680	\$613,713	\$625,987	\$638,507
Total Event Income	\$2,705,629	\$2,759,742	\$2,315,097	\$2,361,399	\$3,441,502	\$3,510,332	\$3,580,538	\$3,652,149	\$3,725,192	\$3,799,696	\$3,875,690	\$3,953,204	\$4,032,268	\$4,112,913	\$4,195,171	\$4,279,075
Other Income	\$641,602	\$654,434	\$667,523	\$680,873	\$752,599	\$767,651	\$783,004	\$798,664	\$814,638	\$830,930	\$847,549	\$864,500	\$881,790	\$899,426	\$917,414	\$935,762
Total Income	\$3,347,231	\$3,414,176	\$2,982,619	\$3,042,272	\$4,194,101	\$4,277,983	\$4,363,543	\$4,450,813	\$4,539,830	\$4,630,626	\$4,723,239	\$4,817,704	\$4,914,058	\$5,012,339	\$5,112,586	\$5,214,837
Indirect Expenses	\$2,897,194	\$2,955,138	\$3,014,241	\$3,074,525	\$3,136,016	\$3,198,736	\$3,262,711	\$3,327,965	\$3,394,525	\$3,462,415	\$3,531,663	\$3,602,297	\$3,674,343	\$3,747,829	\$3,822,786	\$3,899,242
FOC Net Operating Income (Loss)	\$450,037	\$459,038	-\$31,621	-\$32,254	\$1,058,085	\$1,079,247	\$1,100,832	\$1,122,848	\$1,145,305	\$1,168,211	\$1,191,575	\$1,215,407	\$1,239,715	\$1,264,509	\$1,289,800	\$1,315,596
<i>Ex. Proportionate Share of MGMT Fee, Subsidy</i>																
FirstOntario Concert Hall																
Direct Event Income	\$928,059	\$946,620	\$965,553	\$984,864	\$1,004,561	\$1,024,652	\$1,045,145	\$1,066,048	\$1,087,369	\$1,109,116	\$1,131,299	\$1,153,925	\$1,177,003	\$1,200,543	\$1,224,554	\$1,249,045
Ancillary Revenue	\$149,354	\$152,341	\$155,388	\$158,496	\$161,666	\$164,899	\$168,197	\$171,561	\$174,992	\$178,492	\$182,062	\$185,703	\$189,417	\$193,205	\$197,069	\$201,011
Facility Fees	\$224,853	\$229,350	\$233,937	\$238,616	\$243,388	\$248,256	\$253,221	\$258,285	\$263,451	\$268,720	\$274,095	\$279,576	\$285,168	\$290,871	\$296,689	\$302,623
Other Income	\$186,068	\$189,789	\$193,585	\$197,457	\$201,406	\$205,434	\$209,543	\$213,734	\$218,008	\$222,368	\$226,816	\$231,352	\$235,979	\$240,699	\$245,513	\$250,423
Total	\$1,488,334	\$1,518,101	\$1,548,463	\$1,579,432	\$1,611,021	\$1,643,241	\$1,676,106	\$1,709,628	\$1,743,820	\$1,778,697	\$1,814,271	\$1,850,556	\$1,887,567	\$1,925,319	\$1,963,825	\$2,003,102
Indirect Expenses	\$1,914,638	\$1,952,931	\$1,991,989	\$2,031,829	\$2,072,466	\$2,113,915	\$2,156,193	\$2,199,317	\$2,243,304	\$2,288,170	\$2,333,933	\$2,380,612	\$2,428,224	\$2,476,788	\$2,526,324	\$2,576,851
FOCH Net Operating Income (Loss)	-\$426,304	-\$434,830	-\$443,527	-\$452,397	-\$461,445	-\$470,674	-\$480,088	-\$489,689	-\$499,483	-\$509,473	-\$519,662	-\$530,055	-\$540,657	-\$551,470	-\$562,499	-\$573,749
<i>Ex. Proportionate Share of MGMT Fee, Subsidy</i>																
Spectra Contract Stipulations																
Net Operating Income (Loss)	\$23,733	\$24,208	-\$475,148	-\$484,651	\$596,640	\$608,573	\$620,744	\$633,159	\$645,822	\$658,738	\$671,913	\$685,352	\$699,059	\$713,040	\$727,301	\$741,847
Management Fee	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000	-\$450,000
Net Loss Subsidy	-\$278,480	-\$278,338	-\$428,144	-\$430,995	-\$106,608	-\$103,028	-\$99,377	-\$95,652	-\$91,853	-\$87,978	-\$84,026	-\$79,995	-\$75,882	-\$71,688	-\$67,410	-\$63,046
Utility Subsidy	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000	-\$1,200,000
Net City Proceeds	-\$1,904,747	-\$1,904,130	-\$2,553,292	-\$2,565,646	-\$1,159,968	-\$1,144,456	-\$1,128,633	-\$1,112,493	-\$1,096,031	-\$1,079,240	-\$1,062,113	-\$1,044,643	-\$1,026,824	-\$1,008,648	-\$990,109	-\$971,199
Hamilton Convention Centre																
Sales	\$3,813,605	\$3,889,877	\$3,967,675	\$4,047,028	\$4,127,969	\$4,210,528	\$4,294,739	\$4,380,633	\$4,468,246	\$4,557,611	\$4,648,763	\$4,741,738	\$4,836,573	\$4,933,305	\$5,031,971	\$5,132,610
Cost of Sales	\$750,794	\$765,810	\$781,126	\$796,749	\$812,684	\$828,937	\$845,516	\$862,426	\$879,675	\$897,268	\$915,214	\$933,518	\$952,188	\$971,232	\$990,657	\$1,010,470
Materials	\$404,158	\$412,241	\$420,486	\$428,896	\$437,474	\$446,223	\$455,148	\$464,251	\$473,536	\$483,006	\$492,666	\$502,520	\$512,570	\$522,821	\$533,278	\$543,943
Event Costs	\$239,455	\$244,244	\$249,129	\$254,112	\$259,194	\$264,378	\$269,665	\$275,059	\$280,560	\$286,171	\$291,894	\$297,732	\$303,687	\$309,761	\$315,956	\$322,275
Total	\$1,394,407	\$1,422,295	\$1,450,741	\$1,479,756	\$1,509,351	\$1,539,538	\$1,570,329	\$1,601,735	\$1,633,770	\$1,666,445	\$1,699,774	\$1,733,770	\$1,768,445	\$1,803,814	\$1,839,890	\$1,876,688
Gross Profit	\$2,419,198	\$2,467,582	\$2,516,934	\$2,567,272	\$2,618,618	\$2,670,990	\$2,724,410	\$2,778,898	\$2,834,476	\$2,891,166	\$2,948,989	\$3,007,969	\$3,068,128	\$3,129,491	\$3,192,080	\$3,255,922
Corporate Expenses	\$2,272,189	\$2,317,633	\$2,363,985	\$2,411,265	\$2,459,490	\$2,508,680	\$2,558,854	\$2,610,031	\$2,662,232	\$2,715,476	\$2,769,786	\$2,825,181	\$2,881,685	\$2,939,319	\$2,998,105	\$3,058,067
Net Earnings	\$147,009	\$149,949	\$152,948	\$156,007	\$159,127	\$162,310	\$165,556	\$168,867	\$172,244	\$175,689	\$179,203	\$182,787	\$186,443	\$190,172	\$193,975	\$197,855
<i>Does not include the Hamilton Convention Centre's \$165,000 annual utility subsidy.</i>																
Capital Investment Forecast																
First Ontario Centre	-	\$13,131,471	\$59,091,620	\$59,091,620												
FirstOntario Concert Hall	-	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915									
Hamilton Convention Centre	-	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568	\$1,036,568									
Total	-	\$15,639,953	\$61,600,102	\$61,600,102	\$2,508,482	\$2,508,482	\$2,508,482									
Total Municipal Basecase Costs																
Spectra Operating Subsidy	-\$1,904,747	-\$1,904,130	-\$2,553,292	-\$2,565,646	-\$1,159,968	-\$1,144,456	-\$1,128,633	-\$1,112,493	-\$1,096,031	-\$1,079,240	-\$1,062,113	-\$1,044,643	-\$1,026,824	-\$1,008,648	-\$990,109	-\$971,199
Capital Investment	\$0	-\$15,639,953	-\$61,600,102	-\$61,600,102	-\$2,508,482	-\$2,508,482	-\$2,508,482	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual City Cost	-\$1,904,747	-\$17,544,083	-\$64,153,395	-\$64,165,749	-\$3,668,451	-\$3,652,938	-\$3,637,115	-\$1,112,493	-\$1,096,031	-\$1,079,240	-\$1,062,113	-\$1,044,643	-\$1,026,824	-\$1,008,648	-\$990,109	-\$971,199
Total Operating Subsidy	-\$34,155,832															
Total Capital Investment	-\$146,365,605															
30-Year Total Cost	-\$182,426,184															
30-Year Total Cost NPV	-\$146,813,588															
<i>Does not include the Hamilton Convention Centre's \$165,000 annual utility subsidy.</i>																
Net Loss Subsidy																
Gurantee	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000	-\$1,402,000
Operating Profit (Loss)	\$23,733	\$24,208	-\$475,148	-\$484,651	\$596,640	\$608,573	\$620,744	\$633,159	\$645,822	\$658,738	\$671,913	\$685,352	\$699,059	\$713,040	\$727,301	\$741,847
Balance	-\$1,378,267	-\$1,377,792	-\$1,877,148	-\$1,886,651	-\$805,360	-\$793,427	-\$781,256	-\$768,841	-\$756,178	-\$743,262	-\$730,087	-\$716,648	-\$702,941	-\$688,960	-\$674,699	-\$660,153
30% Spectra Portion (Less MGMT)	-\$278,480	-\$278,338	-\$428,144	-\$430,995	-\$106,608	-\$103,028	-\$99,377	-\$95,652	-\$91,853	-\$87,978	-\$84,026	-\$79,995	-\$75,882	-\$71,688	-\$67,410	-\$63,046

Arena Renewal Option Forecasting Assumptions

Baseline Scenario

Growth Assumptions

General Growth Factor	2.00%
FOCH Growth Post-Renovation	2.00%
Attendance Growth (Years 15-30)	1.00%
General Expense Inflation	2.00%

General Assumptions

New Arena Size	10,000
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Cost Analysis

2016 Arena Cost	\$68,000,000
Statscan Growth Factor	93.11%
2019 Cost	\$131,314,711

Investment Analysis

Discount Rate	4.50%
Spectra Net Loss Portion	30.00%
FOC Replacement Cost	\$133,562,805
FOCH Replacement Cost	\$54,825,000
HCC Replacement Cost	\$28,151,284
Convention Centre Reserve	\$422,269
Structural Reserve	1.50%

	City	MGMT
Profit Sharing (Years 1-5)	25.00%	75.00%
Profit Sharing (Years 6-10)	50.00%	50.00%
Profit Sharing (Years 11-50)	75.00%	25.00%
Management Fee	\$450,000	
CIRC Inv. Guideline	1.70%	
Annual Structural Reserve	\$2,270,568	

New Construction Revenue Buildup

Segment	2023 Attendance	Assumed Avg. Income	Inflated
Cultural Programming	268,576	\$9.96	\$10.78
Sports Programming	402,931	\$2.50	\$2.71
2023 Event Income		\$3,984,763	
Other Income Avg.		\$364	
2023 Other Income		\$3,636,051	
Expense Assumption		\$651	
2023 Expense		\$7,049,017	
Facility Fee Collection (Years 1 - 25)		\$0.50	
Facility Fee Collection (Years 25 - 51)		\$1.00	

\$10.78 Inflated 2018 value which compared to London's \$10.16

Average on Scotiabank Place, Halifax & Budweiser Gardens, London. Contracted revenues (naming rights) so not inflated.

\$705 Average on Scotiabank Place, Halifax & Budweiser Gardens, London.

Average per-ticket City proceeds based research compiled by EY on other Spectra-managed facilities.

Construction Cost

Years	Amount
2019	\$13,356,281
2020-2023	\$40,068,842
Total Cost	\$133,562,805
2019	10%
2020-2023	30%

Attendance Forecast

	2018 Actual	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sports Events	165,415	168,723	172,098	175,540	179,051	268,576	273,947	279,426	285,015	290,715	296,529	302,460
Cultural Programming	323,692	330,166	336,769	343,505	350,375	402,931	410,989	419,209	427,593	436,145	444,868	453,766
Total	489,107	498,889	508,867	519,044	529,425	671,507	684,937	698,635	712,608	726,860	741,398	756,225
		<i>Pre-Construction</i>	<i>Construction</i>	<i>Construction</i>	<i>Construction</i>	<i>Stabalization</i>						
	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
	8	9	10	11	12	13	14	15	16	17	18	19
	308,509	314,679	320,973	327,392	333,940	340,619	347,431	350,906	354,415	357,959	361,539	365,154
	462,841	472,098	481,540	491,170	500,994	511,014	521,234	526,446	531,711	537,028	542,398	547,822
	771,350	786,777	802,513	818,563	834,934	851,633	868,665	877,352	886,126	894,987	903,937	912,976
	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	
	20	21	22	23	24	25	26	27	28	29	30	
	368,805	372,493	376,218	379,981	383,780	387,618	391,494	395,409	399,363	403,357	407,391	
	553,300	558,833	564,422	570,066	575,767	581,524	587,340	593,213	599,145	605,136	611,188	
	922,106	931,327	940,640	950,047	959,547	969,142	978,834	988,622	998,508	1,008,494	1,018,578	

Bulldogs Increase	50%
Non-Sporting Increase	15%

Stabalized Sports Attendance	268,576	
Avg. / Event	5,481	OHL Avg. = 5,210
Additional Cultural Attendance	52,556	

London Example						
	2018		2017		2016	
Operations	122 # of Event		134 # of Event		147 # of Event	
	490,347 Paid Attendance		587,020 Paid Attendance		586,919 Paid Attendance	
	\$2,639,587 Event Income		\$3,228,051 Event Income		\$2,552,117 Event Income	
	\$3,736,290 Other Income	58.60%	\$3,470,796 Other Income	51.81%	\$3,482,830 Other Income	57.71%
	<u>\$6,375,877 Total Income</u>		<u>\$6,698,847 Total Income</u>		<u>\$6,034,947 Total Income</u>	
	\$6,230,807 Indirect Expenses		\$6,408,130 Indirect Expenses		\$5,645,886 Indirect Expenses	
	\$145,070 Net Proceeds		\$290,717 Net Proceeds		\$389,061 Net Proceeds	
City Proceeds						
Proceeds from Operations	\$117,660	81%	\$258,907	89%	\$243,553	63%
Ticket Sales (Facility Fee)	\$145,314	\$0.30	\$128,005	\$0.22	\$133,961	\$0.23
Avg. Ticket Revenues	\$5.38		\$5.50		\$4.35	
London Revenue Benchmarking	Revenue	Attendance	Income			
Knights	\$779,711	306,607	\$2.54	<i>Includes concessions</i>		
All Other Events	\$1,859,876	183,740	\$10.12	<i>Includes concessions</i>		
Basketball	\$83,675					
Concerts	\$766,907					
Family Shows	\$63,995					
Misc. Sports	\$279,814					
Other	<u>\$665,485</u>					
	\$4,499,463					
Current FirstOntario Arrangement						
2018 Attendance	107,104					
Total Event Income	-\$97,105					
Spectra Budgeted Loss	<u>\$168,795</u>					
Income	\$71,690					
Avg. Income	\$0.67					
Other Income Comparison						
	London	Per Seat	Halifax	Per Seat		
Event Income	\$2,603,645	\$286	\$3,300,000	\$292		
Other Income	<u>\$3,718,498</u>	\$409	<u>\$3,600,000</u>	\$319		
Total Income	\$6,322,143	\$695	\$6,900,000	\$611		
Indirect Expenses	\$6,319,745	\$694	\$6,869,982	\$608		
Capacity	9,100		11,300			

Entertainment Venue Renewal Option														
Operating Forecast	2018 Actual	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
First Ontario Centre	Pre-Con	Construction	Construction	Construction	Turnover	Stabalization	1	2	3	4	5	6	7	8
Direct Event Income	\$1,517,702	\$1,548,056	\$1,579,017	\$1,610,598	\$1,642,809	-	-	-	-	-	-	-	-	-
Ancillary Income	\$750,137	\$765,140	\$780,443	\$796,051	\$811,972	-	-	-	-	-	-	-	-	-
Facility Fees	\$437,790	\$446,546	\$455,477	\$464,586	\$473,878	-	-	-	-	-	-	-	-	-
Total Event Income	\$2,705,629	\$2,759,742	\$2,814,936	\$2,871,235	\$2,928,660	\$3,984,763	\$4,064,458	\$4,145,747	\$4,228,662	\$4,313,235	\$4,399,500	\$4,487,490	\$4,577,240	
Other Income	\$641,602	\$654,434	\$667,523	\$680,873	\$694,491	\$3,636,051	\$3,708,772	\$3,782,948	\$3,858,607	\$3,935,779	\$4,014,494	\$4,094,784	\$4,176,680	
Total Income	\$3,347,231	\$3,414,176	\$3,482,459	\$3,552,108	\$3,623,150	\$7,620,814	\$7,773,230	\$7,928,695	\$8,087,269	\$8,249,014	\$8,413,994	\$8,582,274	\$8,753,920	
Indirect Expenses	\$2,897,194	\$2,955,138	\$3,014,241	\$3,074,525	\$3,136,016	\$7,049,017	\$7,189,998	\$7,333,798	\$7,480,474	\$7,630,083	\$7,782,685	\$7,938,338	\$8,097,105	
Management Fee	-	-	-	-	-	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	
FOC Net Operating Income (Loss)	\$450,037	\$459,038	\$468,218	\$477,583	\$487,135	\$571,796	\$583,232	\$594,897	\$606,795	\$618,931	\$631,309	\$643,936	\$656,814	
Net Proceeds After MGMT Fee	-	-	-	-	-	\$121,796	\$133,232	\$144,897	\$156,795	\$168,931	\$181,309	\$193,936	\$206,814	
City Portion of Net Proceeds	-	-	-	-	-	\$30,449	\$33,308	\$36,224	\$39,199	\$42,233	\$90,655	\$96,968	\$103,407	
Operator Portion of Net Proceeds	-	-	-	-	-	\$91,347	\$99,924	\$108,673	\$117,596	\$126,698	\$90,655	\$96,968	\$103,407	
Facility Fee Revenue	-	-	-	-	-	\$335,753	\$342,468	\$349,318	\$356,304	\$363,430	\$370,699	\$378,113	\$385,675	
Total City Revenue	-	-	-	-	-	\$366,202	\$375,776	\$385,542	\$395,503	\$405,663	\$461,354	\$475,081	\$489,082	
FirstOntario Concert Hall														
Direct Event Income	\$928,059	\$946,620	\$965,553	\$984,864	\$1,004,561	\$1,045,145	\$1,087,369	\$1,131,299	\$1,177,003	\$1,224,554	\$1,274,026	\$1,325,497	\$1,379,047	
Ancillary Revenue	\$149,354	\$152,341	\$155,388	\$158,496	\$161,666	\$164,899	\$171,561	\$178,492	\$185,703	\$193,205	\$201,011	\$209,132	\$217,581	
Facility Fees	\$224,853	\$229,350	\$233,937	\$238,616	\$243,388	\$248,256	\$258,285	\$268,720	\$279,576	\$290,871	\$302,623	\$314,848	\$327,568	
Other Income	\$186,068	\$189,789	\$193,585	\$197,457	\$201,406	\$205,434	\$213,734	\$222,368	\$231,352	\$240,699	\$250,423	\$260,540	\$271,066	
Total	\$1,488,334	\$1,518,101	\$1,548,463	\$1,579,432	\$1,611,021	\$1,663,734	\$1,730,949	\$1,800,879	\$1,873,635	\$1,949,330	\$2,028,083	\$2,110,017	\$2,195,262	
Indirect Expenses	\$1,914,638	\$1,952,931	\$1,991,989	\$2,031,829	\$2,072,466	\$2,113,915	\$2,156,193	\$2,199,317	\$2,243,304	\$2,288,170	\$2,333,933	\$2,380,612	\$2,428,224	
FOCH Net Operating Income (Loss)	-\$426,304	-\$434,830	-\$443,527	-\$452,397	-\$461,445	-\$450,181	-\$425,244	-\$398,438	-\$369,669	-\$338,840	-\$305,851	-\$270,595	-\$232,962	
Hamilton Convention Centre														
Sales	\$3,813,605	\$3,889,877	\$3,967,675	\$4,047,028	\$4,127,969	\$4,210,528	\$4,294,739	\$4,380,633	\$4,468,246	\$4,557,611	\$4,648,763	\$4,741,738	\$4,836,573	
Cost of Sales	\$750,794	\$765,810	\$781,126	\$796,749	\$812,684	\$828,937	\$845,516	\$862,426	\$879,675	\$897,268	\$915,214	\$933,518	\$952,188	
Materials	\$404,158	\$412,241	\$420,486	\$428,896	\$437,474	\$446,223	\$455,148	\$464,251	\$473,536	\$483,006	\$492,666	\$502,520	\$512,570	
Event Costs	\$239,455	\$244,244	\$249,129	\$254,112	\$259,194	\$264,378	\$269,665	\$275,059	\$280,560	\$286,171	\$291,894	\$297,732	\$303,687	
Total	\$1,394,407	\$1,422,295	\$1,450,741	\$1,479,756	\$1,509,351	\$1,539,538	\$1,570,329	\$1,601,735	\$1,633,770	\$1,666,445	\$1,699,774	\$1,733,770	\$1,768,445	
Gross Profit	\$2,419,198	\$2,467,582	\$2,516,934	\$2,567,272	\$2,618,618	\$2,670,990	\$2,724,410	\$2,778,898	\$2,834,476	\$2,891,166	\$2,948,989	\$3,007,969	\$3,068,128	
Corporate Expenses	\$2,272,189	\$2,317,633	\$2,363,985	\$2,411,265	\$2,459,490	\$2,508,680	\$2,558,854	\$2,610,031	\$2,662,232	\$2,715,476	\$2,769,786	\$2,825,181	\$2,881,685	
Net Earning's for Operator	\$147,009	\$149,949	\$152,948	\$156,007	\$159,127	\$162,310	\$165,556	\$168,867	\$172,244	\$175,689	\$179,203	\$182,787	\$186,443	
<i>Does not include the Hamilton Convention Centre's \$165,000 annual utility subsidy.</i>														
Capital Investment Forecast														
New Arena Project Costs	-	\$13,356,281	\$40,068,842	\$40,068,842	\$40,068,842	-	-	-	-	-	-	-	-	
First Ontario Centre (Brine System)	-	\$730,000	\$6,570,000	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	-	-	-	-	-	-	
FirstOntario Concert Hall	-	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	\$1,471,915	-	-	-	-	-	-	
Hamilton Convention Centre	-	\$422,269	\$422,269	\$41,540,756	\$41,540,756	\$1,471,915	\$1,471,915	-	-	-	-	-	-	
Total	-	\$15,980,465	\$48,533,026	\$41,540,756	\$41,540,756	\$1,471,915	\$1,471,915	-	-	-	-	-	-	
Land Acquisition Costs	-	-\$35,000,000	-	-	-	-	-	-	-	-	-	-	-	
Total City Costs / Proceeds	-\$51,415,295	-\$48,976,952	-\$41,993,154	-\$42,002,202	-\$1,555,893	-\$1,521,383	-\$12,896	\$25,834	\$66,823	\$155,503	\$204,486	\$256,120		
<i>Does not include the Hamilton Convention Centre's \$165,000 annual utility subsidy.</i>														
Total Arena Facility Fee Proceeds	\$15,430,432	-	-	-	-	-	-	-	-	-	-	-	-	
Total Arena Operating Profit Collection	\$4,068,995	-	-	-	-	-	-	-	-	-	-	-	-	
Total Performing Arts Subsidy	-\$7,469,138	-	-	-	-	-	-	-	-	-	-	-	-	
Total Capital Costs	\$161,891,671	-	-	-	-	-	-	-	-	-	-	-	-	
Land Acquisition Costs	\$35,000,000	-	-	-	-	-	-	-	-	-	-	-	-	
30-Year Total Cost	-\$184,861,382	-	-	-	-	-	-	-	-	-	-	-	-	
30-Year Total Cost NPV	-\$166,372,238	-	-	-	-	-	-	-	-	-	-	-	-	

Does not include the Hamilton Convention Centre's \$165,000 annual utility subsidy.

Entertainment Venue Renewal Option													
Operating Forecast	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
First Ontario Centre	9	10	11	12	13	14	15	16	17	18	19	20	21
Direct Event Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Facility Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Event Income	\$4,668,785	\$4,762,160	\$4,857,403	\$4,954,552	\$5,053,643	\$5,154,715	\$5,257,810	\$5,362,966	\$5,470,225	\$5,579,630	\$5,691,222	\$5,805,047	\$5,921,148
Other Income	\$4,260,213	\$4,345,418	\$4,432,326	\$4,520,973	\$4,611,392	\$4,703,620	\$4,797,692	\$4,893,646	\$4,991,519	\$5,091,349	\$5,193,176	\$5,297,040	\$5,402,981
Total Income	\$8,928,998	\$9,107,578	\$9,289,729	\$9,475,524	\$9,665,035	\$9,858,335	\$10,055,502	\$10,256,612	\$10,461,744	\$10,670,979	\$10,884,399	\$11,102,087	\$11,324,128
Indirect Expenses	\$8,259,047	\$8,424,228	\$8,592,713	\$8,764,567	\$8,939,858	\$9,118,656	\$9,301,029	\$9,487,049	\$9,676,790	\$9,870,326	\$10,067,733	\$10,269,087	\$10,474,469
Management Fee	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
FOC Net Operating Income (Loss)	\$669,951	\$683,350	\$697,017	\$710,957	\$725,176	\$739,680	\$754,473	\$769,563	\$784,954	\$800,653	\$816,666	\$832,999	\$849,659
Net Proceeds After MGMT Fee	\$219,951	\$233,350	\$247,017	\$260,957	\$275,176	\$289,680	\$304,473	\$319,563	\$334,954	\$350,653	\$366,666	\$382,999	\$399,659
City Portion of Net Proceeds	\$109,975	\$116,675	\$123,508	\$142,133	\$144,976	\$147,875	\$150,833	\$153,849	\$156,926	\$160,065	\$163,266	\$166,531	\$169,862
Operator Portion of Net Proceeds	\$109,975	\$116,675	\$61,754	\$65,239	\$68,794	\$72,420	\$76,118	\$79,891	\$83,739	\$87,663	\$91,667	\$95,750	\$99,915
Facility Fee Revenue	\$393,389	\$401,256	\$409,281	\$417,467	\$425,816	\$434,333	\$438,676	\$443,063	\$447,493	\$451,968	\$456,488	\$461,053	\$465,663
Total City Revenue	\$503,364	\$517,931	\$532,790	\$559,600	\$570,792	\$582,208	\$589,509	\$596,912	\$604,420	\$612,033	\$619,754	\$627,584	\$635,525
FirstOntario Concert Hall													
Direct Event Income	\$1,434,760	\$1,492,725	\$1,553,031	\$1,584,091	\$1,615,773	\$1,648,089	\$1,681,050	\$1,714,671	\$1,748,965	\$1,783,944	\$1,819,623	\$1,856,015	\$1,893,136
Ancillary Revenue	\$226,371	\$235,516	\$245,031	\$249,932	\$254,930	\$260,029	\$265,230	\$270,534	\$275,945	\$281,464	\$287,093	\$292,835	\$298,692
Facility Fees	\$340,802	\$354,571	\$368,895	\$376,273	\$383,799	\$391,475	\$399,304	\$407,290	\$415,436	\$423,745	\$432,219	\$440,864	\$449,681
Other Income	\$282,017	\$293,410	\$305,264	\$311,370	\$317,597	\$323,949	\$330,428	\$337,036	\$343,777	\$350,653	\$357,666	\$364,819	\$372,115
Total	\$2,283,950	\$2,376,222	\$2,472,221	\$2,521,666	\$2,572,099	\$2,623,541	\$2,676,012	\$2,729,532	\$2,784,123	\$2,839,805	\$2,896,601	\$2,954,533	\$3,013,624
Indirect Expenses	\$2,476,788	\$2,526,324	\$2,576,851	\$2,628,388	\$2,680,955	\$2,734,575	\$2,789,266	\$2,845,051	\$2,901,952	\$2,959,991	\$3,019,191	\$3,079,575	\$3,141,167
FOCH Net Operating Income (Loss)	-\$192,838	-\$150,102	-\$104,629	-\$106,722	-\$108,856	-\$111,034	-\$113,254	-\$115,519	-\$117,830	-\$120,186	-\$122,590	-\$125,042	-\$127,543
Hamilton Convention Centre													
Sales	\$4,933,305	\$5,031,971	\$5,132,610	\$5,235,262	\$5,339,968	\$5,446,767	\$5,555,702	\$5,666,816	\$5,780,153	\$5,895,756	\$6,013,671	\$6,133,944	\$6,256,623
Cost of Sales	\$971,232	\$990,657	\$1,010,470	\$1,030,679	\$1,051,293	\$1,072,319	\$1,093,765	\$1,115,640	\$1,137,953	\$1,160,712	\$1,183,927	\$1,207,605	\$1,231,757
Materials	\$522,821	\$533,278	\$543,943	\$554,822	\$565,919	\$577,237	\$588,782	\$600,558	\$612,569	\$624,820	\$637,316	\$650,063	\$663,064
Event Costs	\$309,761	\$315,956	\$322,275	\$328,720	\$335,295	\$342,001	\$348,841	\$355,818	\$362,934	\$370,193	\$377,596	\$385,148	\$392,851
Total	\$1,803,814	\$1,839,890	\$1,876,688	\$1,914,222	\$1,952,506	\$1,991,557	\$2,031,388	\$2,072,015	\$2,113,456	\$2,155,725	\$2,198,839	\$2,242,816	\$2,287,672
Gross Profit	\$3,129,491	\$3,192,080	\$3,255,922	\$3,321,040	\$3,387,461	\$3,455,210	\$3,524,315	\$3,594,801	\$3,666,697	\$3,740,031	\$3,814,832	\$3,891,128	\$3,968,951
Corporate Expenses	\$2,939,319	\$2,998,105	\$3,058,067	\$3,119,229	\$3,181,613	\$3,245,245	\$3,310,150	\$3,376,353	\$3,443,880	\$3,512,758	\$3,583,013	\$3,654,673	\$3,727,767
Net Earnings for Operator	\$190,172	\$193,975	\$197,855	\$201,812	\$205,848	\$209,965	\$214,164	\$218,448	\$222,817	\$227,273	\$231,818	\$236,455	\$241,184
<i>Does not include the Hamilton Convention Cer</i>													
Capital Investment Forecast													
New Arena Project Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
FirstOntario Centre (Brine System)	-	-	-	-	-	-	-	-	-	-	-	-	-
FirstOntario Concert Hall	-	-	-	-	-	-	-	-	-	-	-	-	-
Hamilton Convention Centre	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Acquisition Costs													
Total City Costs / Proceeds	\$310,526	\$367,829	\$428,160	\$452,878	\$461,935	\$471,174	\$476,254	\$481,393	\$486,590	\$491,847	\$497,164	\$502,542	\$507,983
<i>Does not include the Hamilton Convention Cer</i>													
Total Arena Facility Fee Proceeds													
Total Arena Operating Profit Collection													
Total Performing Arts Subsidy													
Total Capital Costs													
Land Acquisition Costs													
30-Year Total Cost													
30-Year Total Cost NPV													
<i>Does not include the Hamilton Convention Cer</i>													

Entertainment Venue Renewal Option									
	2044	2045	2046	2047	2048	2049	2050	2051	2052
Operating Forecast									
First Ontario Centre	22	23	24	25	26	27	28	29	30
Direct Event Income	-	-	-	-	-	-	-	-	-
Ancillary Income	-	-	-	-	-	-	-	-	-
Facility Fees	-	-	-	-	-	-	-	-	-
Total Event Income	\$6,039,571	\$6,160,362	\$6,283,569	\$6,409,241	\$6,537,426	\$6,668,174	\$6,801,537	\$6,937,568	\$7,076,320
Other Income	\$5,511,040	\$5,621,261	\$5,733,686	\$5,848,360	\$5,965,327	\$6,084,634	\$6,206,326	\$6,330,453	\$6,457,062
Total Income	\$11,550,611	\$11,781,623	\$12,017,256	\$12,257,601	\$12,502,753	\$12,752,808	\$13,007,864	\$13,268,021	\$13,533,382
Indirect Expenses	\$10,683,958	\$10,897,637	\$11,115,590	\$11,337,902	\$11,564,660	\$11,795,953	\$12,031,872	\$12,272,510	\$12,517,960
Management Fee	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
FOC Net Operating Income (Loss)	\$866,653	\$883,986	\$901,665	\$919,699	\$938,093	\$956,855	\$975,992	\$995,511	\$1,015,422
Net Proceeds After MGMT Fee	\$416,653	\$433,986	\$451,665	\$469,699	\$488,093	\$506,855	\$525,992	\$545,511	\$565,422
City Portion of Net Proceeds	\$173,259	\$176,724	\$180,259	\$183,864	\$187,541	\$191,292	\$195,118	\$199,020	\$203,001
Operator Portion of Net Proceeds	\$104,163	\$108,496	\$112,916	\$117,425	\$122,023	\$126,714	\$131,498	\$136,378	\$141,355
Facility Fee Revenue	\$470,320	\$475,023	\$479,774	\$484,571	\$489,334	\$494,122	\$498,938	\$503,779	\$508,645
Total City Revenue	\$643,579	\$651,748	\$660,032	\$668,435	\$1,166,375	\$1,179,914	\$1,193,626	\$1,207,514	\$1,221,579
FirstOntario Concert Hall									
Direct Event Income	\$1,930,999	\$1,969,618	\$2,009,011	\$2,049,191	\$2,090,175	\$2,131,978	\$2,174,618	\$2,218,110	\$2,262,473
Ancillary Revenue	\$304,665	\$310,759	\$316,974	\$323,313	\$329,780	\$336,375	\$343,103	\$349,965	\$356,964
Facility Fees	\$458,675	\$467,848	\$477,205	\$486,749	\$496,484	\$506,414	\$516,542	\$526,873	\$537,411
Other Income	\$379,558	\$387,149	\$394,892	\$402,790	\$410,846	\$419,062	\$427,444	\$435,993	\$444,712
Total	\$3,073,896	\$3,135,374	\$3,198,082	\$3,262,043	\$3,327,284	\$3,393,830	\$3,461,707	\$3,530,941	\$3,601,560
Indirect Expenses	\$3,203,990	\$3,268,070	\$3,333,431	\$3,400,100	\$3,468,102	\$3,537,464	\$3,608,213	\$3,680,377	\$3,753,985
FOCH Net Operating Income (Loss)	-\$130,094	-\$132,695	-\$135,349	-\$138,056	-\$140,817	-\$143,634	-\$146,506	-\$149,437	-\$152,425
Hamilton Convention Centre									
Sales	\$6,381,756	\$6,509,391	\$6,639,579	\$6,772,370	\$6,907,818	\$7,045,974	\$7,186,893	\$7,330,631	\$7,477,244
Cost of Sales	\$1,256,392	\$1,281,520	\$1,307,151	\$1,333,294	\$1,359,959	\$1,387,159	\$1,414,902	\$1,443,200	\$1,472,064
Materials	\$676,325	\$689,852	\$703,649	\$717,722	\$732,076	\$746,718	\$761,652	\$776,885	\$792,423
Event Costs	\$400,708	\$408,723	\$416,897	\$425,235	\$433,740	\$442,414	\$451,263	\$460,288	\$469,494
Total	\$2,333,426	\$2,380,094	\$2,427,696	\$2,476,250	\$2,525,775	\$2,576,291	\$2,627,817	\$2,680,373	\$2,733,980
Gross Profit	\$4,048,330	\$4,129,296	\$4,211,882	\$4,296,120	\$4,382,042	\$4,469,683	\$4,559,077	\$4,650,258	\$4,743,264
Corporate Expenses	\$3,802,322	\$3,878,369	\$3,955,936	\$4,035,055	\$4,115,756	\$4,198,071	\$4,282,032	\$4,367,673	\$4,455,027
Net Earnings for Operator	\$246,008	\$250,928	\$255,946	\$261,065	\$266,286	\$271,612	\$277,044	\$282,585	\$288,237

Does not include the Hamilton Convention Cer

Capital Investment Forecast									
New Arena Project Costs					\$2,270,568	\$2,270,568	\$2,270,568	\$2,270,568	\$2,270,568
FirstOntario Centre (Brine System)					\$0	\$0	\$0	\$0	\$0
FirstOntario Concert Hall					\$0	\$0	\$0	\$0	\$0
Hamilton Convention Centre					\$0	\$0	\$0	\$0	\$0
Total					\$2,270,568	\$2,270,568	\$2,270,568	\$2,270,568	\$2,270,568
Land Acquisition Costs									
Total City Costs / Proceeds	\$513,486	\$519,052	\$524,683	\$530,379	-\$1,245,010	-\$1,234,287	-\$1,223,448	-\$1,212,490	-\$1,201,414

Does not include the Hamilton Convention Cer

Total Arena Facility Fee Proceeds

Total Arena Operating Profit Collection

Total Performing Arts Subsidy

Total Capital Costs

Land Acquisition Costs

30-Year Total Cost

30-Year Total Cost NPV



Appendix F

Sports and Entertainment Venues

Comparable Facility Construction Costs

Arena	Year Built	Cost	Capacity	Cost/Seat	\$2019	Comment
Meridian Centre	2014	\$53,300,000	5,300	10,057	\$11,766	OHL Facility without the technical requirements for modern shows.
KPMG Feasibility Study	N/A	\$79,200,000	6,000	13,200	\$13,200	OHL Facility with technical requirements for modern shows.
Place Bell	2017	\$130,000,000	10,000	13,000	\$13,702	Adjusted to reflect cost of building arena structure, and excludes parking and adjoining recreational centre.
Videotron Centre	2015	\$370,000,000	18,250	20,274	\$20,274	Built to NHL standards.
Rogers Place	2016	\$480,000,000	18,350	26,158	\$26,158	Built to NHL standards and costs include underground parking and other amenities.
Cost per Seat Average (Comparable Facility)					\$13,451	

- Using estimates of comparable facility construction costs inflated to \$2019 using Statistics Canada Non-Residential Construction Cost Index

Budweiser Gardens Inflated Construction Cost (2002-2019)

2002 Construction Cost	\$52,000,000	Arena Capacity	9,100
\$2017	\$88,285,229		
\$2019	\$94,818,336		
Cost per Seat	\$10,420		

- Using the 2002 construction cost of \$52,000,000, inflated using Statistics Canada Non-Residential Cost Index to the index year of 2017.

- Using the \$2017 cost estimate, the value has been further inflated to \$2019

Marshall & Swift Valuation Service

- Using the Marshall & Swift cost estimating guide, a per seat replacement cost was established. Please see "MVS" tab for more clarity.

Cost per Seat	\$13,262
Capacity	10,000

Final Cost Estimate

Avg. Comparable Per-Seat Cost	\$13,356
Capacity	10,000

Est. Arena Cost (\$2019) \$133,562,805.31

Performing Arts Cost

Comparable Facility Construction Costs

Arena	Year Built	Cost	Capacity	Cost/Seat	\$2019	Comment
Burlington Arts Centre	2011	\$29,000,000	1,000	29,000	\$31,590	

Marshall & Swift Valuation Service

- Using the Marshall & Swift cost estimating guide, a per seat replacement cost was established. Please see "MVS" tab for more clarity.

Cost per Seat	\$31,095
\$/Seat	\$25,000 <i>Downward adjustment to reflect inferior technical equipment to Burlington Arts Centre.</i>
Capacity	2,193

Est. Performing Arts Centre \$54,825,000

Convention Centre

Comparable Facility Construction Costs

Arena	Year Built	Cost	Size	Cost/SF	\$2019	Comment
Shaw Centre	2011	\$170,000,000	365,973	465	\$511	Significantly superior
Scotiabank Centre	2011	\$100,000,000	288,000	347	\$391	Similar quality, includes \$4M land acquisition

Marshall & Swift Cost Estimate

- Using the Marshall & Swift cost estimating guide, a psf replacement cost was established. Please see "MVS" tab for more clarity.

Cost per SF	\$305
Size Estimate	70,000

Est. Convention Centre Costs \$28,151,284

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Appendix "A" to Report PED18168(b)
Page 130 of 130

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