

# City of Hamilton Entertainment Assets Review

4 September 2019







1.

Understanding the Challenge

# City of Hamilton Entertainment Assets Review

## Introduction

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- ▶ The City of Hamilton's portfolio of Sports, Entertainment, and Convention Venues serve as a significant source of community use and enjoyment. This has included Canadian and international performances, major award shows, and sporting events which have drawn millions of attendees to the City. It is well understood that these venues also act as major catalysts for driving business to the surrounding restaurants, bars, retailers, and hotels
- ▶ After more than 30 years of operation, each facility faces its own unique physical and operational challenges that may limit their ability to adequately serve today's market.
- ▶ The aging of the facilities continues to create substantial and ever-increasing levels of capital investment and annual municipal subsidies.
- ▶ To better position the City to respond to these challenges, Ernst & Young Orenda Corporate Finance Inc. ("EY") was engaged in June 2019 to undertake an Entertainment Venues Review





# 2.

## Methodology

# City of Hamilton Entertainment Assets Review Engagement Overview

## Current State Assessment

- ▶ State of Entertainment Assets / Repair Backlog
- ▶ Current Utilization / Programming
- ▶ Economic Impact Analysis

## Needs Assessment

- ▶ Qualitative Results of Stakeholder Engagement
- ▶ Public Stakeholder Survey

## Market Assessment

- ▶ Economic Outlook (employment, development)
- ▶ Entertainment Venue Competitive Landscape
- ▶ Sports, Entertainment & Conference Demand
- ▶ Local Market Geographic Analysis

## Funding Models

- ▶ Case Studies
- ▶ Private vs. Public Contributions
- ▶ Leveraging Municipal Assets

Options  
Identification /  
Facility  
Hypothesis

## Final Recommendations

Evaluated through a series of:

- ▶ Financial Analysis;
- ▶ Economic Impact Estimates; and,
- ▶ Follow-on Investment Identification.







3.

Results

# City of Hamilton Entertainment Assets Review

## Final Recommendations

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### Phase I

- ▶ Acquisition of land parcel in the DT precinct for new sports & event centre (or consider existing city owned land)
- ▶ Development of a 10,000 seat new arena with a private sector partner
- ▶ Consider monetizing excess land adjacent to new sports & event centre.

### Phase II

- ▶ Demolition of existing First Ontario Centre
- ▶ Dispose of or enter into a partnership with private sector to expand the sports & entertainment precinct onto this site
- ▶ Include in the offering a requirement for a new 70,000 square feet, single level convention centre to be located as a part of the new mixed-use development

### Phase III

- ▶ Demolition of existing Hamilton Convention Centre
- ▶ Dispose of or enter into a partnership with private sector to develop the residual land of the former convention centre
- ▶ Consider the needs of the Art Gallery of Hamilton
- ▶ Include the needs of the adjacent Concert Hall in the offering or partnership with the private sector

# City of Hamilton Entertainment Asset Review

## Final Recommendations

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### Recommendation 1: Proceed with phased Entertainment Venue Renewal option

- Projected long-term net positive financial impact and elimination of current annual subsidy
- Estimated \$58M incremental GDP impact through capital investment and 51 new Tourism FTEs.
- Best potential to maximize private-sector investment in the Downtown Core



### Recommendation 2: Establish “Steering Committee” and “Project Manager” for Phase 1

- Establish Committee comprised of representatives from Economic Development, Tourism, Planning, Urban Renewal, Capital Works, and City Manager’s office to monitor Phase 1
- A Project Manager/Team of city staff to proceed with discussions with key stakeholders



### Recommendation 3: Determine preferred site new sports and entertainment venue

- Evaluate key considerations for viability of new site including land acquisition costs, deal and construction complexity, economic spin-offs, etc.
- Authorize confidential, time-sensitive commercial discussions between Project Manager/Team and ownership groups of potential sites



### Recommendation 4: Establish parameters for Project Manager/Team

- Determine timing and staff resources for time-sensitive commercial discussions with key stakeholders



# City of Hamilton Entertainment Asset Review

## Final Recommendations

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### Recommendation 5: Prepare for updating the Hamilton Tourism Strategy

- The Sports, Media & Entertainment precinct should form a part of the future tourism strategy for Hamilton.
- The current 2015 - 2020 Tourism Strategy will require update in the near-term



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

- Evaluate development priorities, such as James Street and LRT
- Consider the needs for dedicated parkland
- Consider desire for reimaged Jackson Square / City Centre and other planning goals



### 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 a 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.

# City of Hamilton Entertainment Asset Review

## Asset Overview



### First Ontario Centre

#### Summary Stats

Land Size (Ac)	3.69
Year Built	1985
Capacity	17,400
2018 Event Count	98
Average Utilization Rate	28%

#### Financial Summary

2018 Income	\$2,733,782
Avg. Income per Attendee	\$5.59
Annual Municipal Subsidy	\$1,283,467



### First Ontario Concert Hall

#### Summary Stats

Land Size (Ac)	N/A
Year Built	1972
Capacity <sup>1</sup>	2,193
2018 Event Count	146
Average Utilization Rate	61%

#### Financial Summary

2018 Income	\$1,242,632
Avg. Income per Attendee	\$8.35
Annual Municipal Subsidy	\$635,520

<sup>1</sup> Excludes capacity of 350 for studio space which provides only marginal income to the facility



### Hamilton Convention Centre

#### Summary Stats

Land Size (Ac)	1.3
Year Built	1981
Capacity	Varies
2018 Event Count	143 (2017)
Average Utilization Rate <sup>2</sup>	57%

#### Financial Summary

2018 Income	\$3,813,605
Avg. Income per Attendee	N/A
Annual Municipal Subsidy	\$0





<sup>2</sup> Utilization rate for convention centre is calculated by operator as number of days per year holding events



# City of Hamilton Entertainment Asset Review

## Market Positioning - First Ontario Centre

### Sports and Entertainment Venue Landscape

				<b>FirstOntario Centre Comparable Markets</b>						
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 <sup>13</sup>	52%	9%	36%	25%	89% <sup>14</sup>	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 <sup>15</sup>	52%	81%	92%	67%	61%	95%	50%	24%	54%	98%
Venue Utilization <sup>16</sup>	23%	16%	35%	30%	N/A	42%	N/A	27%	N/A	53%

<sup>13</sup> Based on EY research, the Programming Ratio presents the proportion of cultural programming held at the venue based upon number of events.

<sup>14</sup> Based on 2019 YTD event programming.

<sup>15</sup> Based on EY research, the Anchor Utilization Ratio presents the annual anchor-tenant attendance for the facility against total capacity.

<sup>16</sup> Based on EY research, the Venue Utilization value presents the ratio of total number of events per calendar days per year.

# City of Hamilton Entertainment Asset Review

## Market Positioning - First Ontario Concert Hall

### Performing Arts Venue Landscape



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 <sup>20</sup>	45%	20%	N/A	20%	23%
Operating Subsidy	\$990,628	\$2.00 million	\$1.06 million	\$564,004 <sup>21</sup>	\$1,803,156 <sup>22</sup>
% of Operating Expenses	26%	20%	17%	29%	25%
Operating Structure	Not-For-Profit	Not-For-Profit	Not-For-Profit	Private Operator	Not-For-Profit

<sup>20</sup> Considers proportion of total attendance to total annual seat capacity.

<sup>21</sup> Estimated proportionate share of all total subsidy provided by City to Spectra.






<sup>22</sup> 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.



# City of Hamilton Entertainment Asset Review

## Market Positioning - Hamilton Convention Centre

### Tier 2 and 3 Conference Venue Landscape

					
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 <sup>24</sup>	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+ <sup>14</sup>
% Branded/Premium	59%	89%	73%	80%	75% <sup>25</sup>
2018 Average Daily Rate	\$120	\$120	\$148	\$128	\$160
Ownership	Municipality	Municipality	Municipality	Municipality	Municipality/Province

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

<sup>25</sup> Based on average values for the downtown Ottawa hotel market.

# Stakeholder Assessment

## Public Engagement Surveying

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- ▶ The general public's input was sought to gain insight into overall customer satisfaction for the venues, as well as contribution to quality of life in Hamilton
- ▶ A public surveying tool was used to gather 421 responses over a three-week period



*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.*



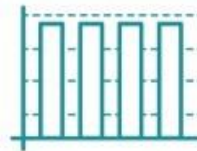
*The FirstOntario Centre was the most utilized venue of all, with 40% of respondents visiting 5+ times per year, and 37% of respondents visiting between 1 - 5 times per year.*



*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.*



# Key Takeaways

## Sports & Event Centre

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- ▶ A “Right-sized” arena has strong commercial viability and should see a boost in attendance for sporting events
  - ▶ ~10,000 seats is optimal given OHL attendance in comparable markets, while not inhibiting future concerts or award shows
  - ▶ Evidence across the OHL indicated attendance may increase from 20%-50% following construction of new venue
  - ▶ Estimated cost of \$125-\$130 million for new facility based on recently constructed facilities
  - ▶ Assumed up to 30% of the capital costs can be funded from the private sector
  - ▶ A modern right sized arena will likely eliminate the on-going subsidy, and instead will likely result in a positive income stream to the city of approximately \$20 million over the 30 year study period
  - ▶ More revenue opportunities for premium box seats, F&B, sponsorship/naming rights and cross promotional ticket sales
  - ▶ The status quo option or retrofit option for this asset do not eliminate the need for ongoing operating subsidies and will likely not spur the additional add-on investment or have the broader economic impact as the “right-sized” option



# Key Takeaways

## Sports & Event Centre

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A successful sports and event centre which serves as a catalyst for significant additional add on private sector investment and establishment of a precinct must be located downtown to maximize economic benefits:

- ▶ Rogers Place (Edmonton) and Bell MTS Place (Winnipeg) are centrally located within their respective Downtown Cores and have seen significant follow-on private investment
- ▶ Place Bell (Laval) and Canadian Tire Centre (Ottawa) are non-centrally located and have not generated additional uses for the surrounding land except for parking

Canadian Tire Centre, Ottawa



ICE District, Edmonton



# Key Takeaways

## Convention Centre

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- ▶ The current Hamilton Convention Centre has significant limitations in its ability to attract convention business to the city, but the depth and strength of the convention market and the competitiveness of Hamilton as a destination doesn't currently warrant a sizeable investment today
  - ▶ Halifax as a prime example of the challenges of lower tier convention markets
  - ▶ Convention Centre currently operates more as a meeting and event space
  - ▶ Hotel stock doesn't adequately meet the needs for a major convention centre
- ▶ An optimally designed (single floor plate) and right sized (~70,000sf) convention centre will be necessary with improvements made to the tourism and destination appeal of Hamilton. The new arena/event centre can serve as a catalyst for this initiative
- ▶ A modern convention centre would be phase 2 of a SME district, with significant capital contributions from the private sector by leveraging city owned land and density





# Key Takeaways

## Concert Hall

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- ▶ The current Concert Hall is renowned for its acoustic qualities and the existing capacity does meet the needs of the Hamilton market
  - ▶ The facility does need some cosmetic updates and enhancements to improve the guest experience
  - ▶ Improvements are necessary to the outdoor space and connectivity to the surrounding area
- ▶ The ongoing subsidy will likely decrease as the number of events grows with the market and the establishment of a downtown entertainment district (but will likely continue based on review of other successful venues)



# City of Hamilton Entertainment Asset Review

## Key Takeaways- Need for a SME District

### Winnipeg's SHED adds new tower as development boom continues

Development    Downtown    Mixed-Use    



 **Joel Schlesinger**  
Commercial · Aug. 9, 2019

The count is up to five major new buildings for downtown Winnipeg's SHED.

The city's Sports, Hospitality and Entertainment District centred around Bell MTS Place – home of the NHL's Winnipeg Jets – will soon



Calgary, 22 July 2019

### City of Calgary, Calgary Sports and Entertainment and Calgary Stampede Agree to Create New Event Centre

\$550 million investment to spur development of Calgary's Culture and Entertainment District



### Ice District's Marriott hotel to open Thursday as boosters celebrate area payoff

DUSTIN COOK Updated: July 29, 2019



### BUDWEISER GARDENS

Jun 24, 2018 | London Community, Places

### DRIVING ARTS, CULTURE & BUSINESS IN DOWNTOWN LONDON



# City of Hamilton Entertainment Asset Review

## Financial Impact

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

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

Based upon on 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.

Anticipate an acceleration of \$300MM in additional private sector investment in DT Hamilton as a result of these municipal investments.





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**Next Steps**


## Next Steps

### Additional Stakeholder Consultation

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- ▶ Establish a Project Steering Committee and Project Manager for Phase 1, which includes additional market diligence and engagement with potential private sector partners/land owners.
- ▶ Engage in private discussions with the key stakeholders and landowners in the Downtown Core



A man in a dark suit and light blue shirt is seen from the back, surrounded by a crowd of reporters. Several microphones are held up towards him, indicating a press conference or media interview. The scene is brightly lit, suggesting an outdoor setting.

5.

**Questions**



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SCORE No. XX00  
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