



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	September 4, 2019
SUBJECT/REPORT NO:	Sports, Entertainment and Convention Venues Review (PED18168(b)) (City Wide) (Outstanding Business List item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ryan McHugh (905) 546-2424 Ext. 2725
SUBMITTED BY:	Glen Norton Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

Discussion of Confidential Appendices “B”, “C” and “E” to report PED18168(b) in closed session is subject to the following requirement(s) of the City of Hamilton’s Procedural By-law and the *Ontario Municipal Act, 2001*:

- ♦ As the subject matters pertain to a proposed or pending acquisition or disposition of land
- ♦ A position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.

RECOMMENDATION

- (a) That the strategy outlined within the “City of Hamilton Entertainment Venues Review”, attached as Appendices “A” and “B” to Report PED18168(b), be approved;
- (b) That the recommendations outlined in confidential Appendix “C” to Report PED18168(b) be approved;
- (c) That Appendices “A” and “B” to Report PED18168(b), help to inform any Host City facilities strategy that staff consider when assessing the feasibility and potential benefits of a Hamilton bid for the 2030 Commonwealth Games;
- (d) That the entirety of Appendices “B” “C” and “E” to Report PED18168(b) remain confidential and not be released as a public document.

EXECUTIVE SUMMARY

Working closely with a cross functional team of City Staff, Ernst and Young (EY) has completed a comprehensive strategic review of the City's Sports, Entertainment and Convention Venues. This exercise consisted of, but was not limited to, a needs analysis, a market scan, a real estate review, an economic impact analysis and an extensive stakeholder consultation undertaking, consistent with the Council approved scope of work outlined in Appendix "D" to Report PED18168(b). The City's Sports, Entertainment and Convention Venues include the FirstOntario Centre, FirstOntario Concert Hall and Hamilton Convention Centre. Although the Art Gallery of Hamilton was consulted during this exercise, because they are not a City controlled entity, their venue was not the primary focus of this review. The ultimate goal of this Sports, Entertainment and Convention Venues Review was to identify options that best achieved the following outcomes:

- Incentivise the private sector to undertake the redevelopment and operation of any/all of the Entertainment Assets; and/or,
- Strategically divest of any/all of the Entertainment Assets.

In assessing the viability of options, priority was given to options which best:

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

As detailed in Appendix "A", attached to Report PED18168(b), EY's analysis indicates that the existing facilities provide the Hamilton economy with an estimated \$92.46 M in annual economic output and sustain 509 local jobs. \$69.56 M of this total economic output is related to the ongoing operations and maintenance of the facilities and \$22.9 M is related to economic output derived from tourism spending. These facilities also allow Hamilton to host major events such as the JUNOs and CCMA's, which showcase Hamilton on a national and international stage. According to economic impact reports commissioned by Culture and Tourism, the 2015 JUNOs and 2018 CCMA's alone, created \$10 M and \$5.3 M in economic impact respectively. In addition to this substantial economic uplift, the facilities add to the vibrancy of downtown, creating more animated streetscapes and foster a more "liveable" city.

Although it was determined that the City of Hamilton's Sports, Entertainment and Convention venues provide a substantial benefit to the community, the budgetary implications of operating and maintaining the existing facilities, particularly the FirstOntario Centre, were deemed to be increasingly challenging. Based on EY's findings, the combined cost of the City's operating subsidy and capital investment required to keep each of the facilities operational over the next five years are as follows:

5 Year Forecast	FirstOntario Centre	FirstOntario Concert Hall	Hamilton Convention Centre
Capital Forecast	\$34.3 M	\$8.831 M	\$4.035 M
Operating Subsidy/ Utility Contributions	\$8 M	\$3 M	\$1.25 M
Total	\$42.3 M	\$11.831 M	\$5.285 M

These forecasts were in-line with the forecasted operating subsidies outlined in a 2019 staff report titled “Downtown Entertainment Asset Operating Agreements (CM18013(a))” and the capital forecasts outlined in a 2017 staff report titled “Capital Lifecycle Renewal - First Ontario Centre Vertical Transportation (PW17095).” It is also presumed that the level of subsidy and capital investment required will only continue to increase as the venues age over a longer time horizon.

When conducting the needs analysis portion of this exercise, EY’s findings can be summarized as follows:

FirstOntario Centre:

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, a misalignment exists between market demand and the facility’s large capacity. Natural market growth alone is unlikely to create sufficient demand to ensure on-going commercial viability. Based on EY’s review of the current level of demand and comparable attendance levels for other arenas with an OHL lead tenants, an arena with a capacity of 10,000 seats would best support the needs of the Hamilton market.

FirstOntario Concert Hall:

Historical data suggests that the FirstOntario Concert Hall’s overall utilization is growing into a level of reasonable commercial viability, as both per-event attendance and the number of total annual events grows with viable per-ticket revenues across a variety of event segments. The current level of demand for the FirstOntario Concert compares favourably to attendance levels at comparable regional performing arts venues. The facility’s current capacity appears suitable to support the needs of the Hamilton market.

Convention Centre:

The current composition of events at the Hamilton Conference Centre does not completely align with a traditional conference centre business, as the facility hosts a disproportionate number of local events. While the demand for a renewed convention centre facility is uncertain at this time, in order to compete more directly for provincial and national business, a minimum floorplate of 35,000 sq. ft. of continuous exhibit space has been identified. Based on this minimum

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requirement, using an average exhibit space to meeting/ballroom space ratio of 0.5, a total requirement of 70,000 sq. ft. has been identified. Based on the growth in demand for the highest revenue-generating segments of programming, EY believes that sufficient market demand does exist to support a “right-sized” facility over the long-term.

After quantifying the financial challenges associated with keeping the facilities operating on an ongoing basis, EY began to assess the feasibility of the following courses of action:

- 1) The complete divestment of one or more of the Entertainment Assets with the condition that the facility/facilities continue to operate under the new owner;
- 2) Various renovation options; and,
- 3) New build scenarios, where the private sector could build and operate a “right-sized” facility on an ongoing basis.

When analysing these alternatives, it was determined that developing a sustainable business case for an arena was by far the most challenging of the facilities. As a result, it was determined that when shaping an “Entertainment Precinct” strategy, evaluating potential arena options before the development potential of any complementary entertainment venues would be most prudent. It was also determined that due to the facilities’ substantial capital backlogs and lack of profitability (in the absence of a municipal subsidy), it would be unlikely that the private sector would assume ownership of the existing facilities if it were conditional on their continued operation. As a result, Staff are recommending a three-phased Entertainment Renewal strategy, consistent with the course of action outlined in EY’s recommendations.

Staff would also like to note that on August 14, 2019, the City received an unsolicited new arena proposal which is attached as confidential Appendix “E” to Report PED18168(b).

Appendices “B”, “C”, and “E” attached to Report PED18168(b) proposes a potential disposition of land as well as setting out a position and criteria/instructions to be applied to negotiations and, therefore, is appropriate for discussion in closed session, pursuant to the *Ontario Municipal Act*.

Alternatives for Consideration – N/A

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: N/A

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

After 30 plus years of serving as the marquee Sports, Entertainment and Convention Venues in the community, the City of Hamilton's FirstOntario Centre (1985), FirstOntario Concert Hall (1973) and Hamilton Convention Centre (1981), are starting to show their age and reduced functionality (e.g. sub-optimal size, limited amenities).

Since the transition away from HECFI's operations in 2013, both Spectra and the Carmen's Group have had considerable success given the limitations of the aging facilities they operate. In addition to providing the City combined savings of approximately \$10 M since transitioning away from HECFI's operation in 2013, both Spectra and Carmen's Group have been exceptional stewards of the facilities and have been actively involved in the local community.

On December 1, 2017, Council approved the Motion attached as Appendix "D" to Report PED18168(a) providing staff the direction to explore the feasibility of various ownership, divestment and subsidy reduction models. General Issues Committee directed staff to move forward with the scope of work outlined in Appendix "D" to report PED18168(b) in January of 2019. The RFP for the Council approved scope of work, was officially awarded to EY and their sub-consultant, CSL International (CSL), on May 10, 2019.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

City Council, at its meeting of November 23, 2004, adopted the City's Portfolio Management Strategy Plan, which established a formalized process to be consistently applied across all areas of the City to guide the management of the City's real property. In accordance with the City's Portfolio Management Strategy, By-law 14-202, property no longer required for municipal programs is declared surplus by Council and is disposed of in accordance with this policy.

RELEVANT CONSULTATION

Internal Stakeholders:

Core Project Team:

Glen Norton, Director, Economic Development;
Raymond Kessler, Manager, Real Estate; and,
Ryan McHugh, Senior Development Consultant, Real Estate.

Steering Committee Members:

Public Works, Energy, Fleet & Facilities Management:
Director, Energy, Fleet & Facilities Management; and,
Manager, Strategic Planning, Capital & Compliance.

City Manager's Office, Strategic Partnerships:
Director, Strategic Partnerships and Communications.

Planning and Economic Development, Culture and Tourism:
Acting Manager, Tourism and Events.

Planning and Economic Development, Planning:
Director, Planning and Chief Planner;
Development Planning Heritage and Design; and,
Senior Project Manager, Development Planning Heritage and Design.

Planning and Economic Development Urban Renewal:
Manager, Urban Renewal; and,
Senior Business Development Consultant.

Corporate Services, Financial Planning Administration and Policy:
Director, Financial Planning Administration and Policy.

Safe and Healthy Communities, Recreation:
Director, Recreation; and,
Senior Project Manager.

Other Internal Staff Consulted:

- City Manager;
- General Manager, Planning and Economic Development;
- General Manager, Finance and Corporate Services;
- General Manager, Safe and Healthy Communities;
- General Manager, Public Works;
- Senior Director, Growth Management; and,
- Manager, Energy Initiatives.

Public Consultation:

Citizen Survey – 421 Responses;
Findings Summarized in Appendix “A” attached to Report PED18168(b).

External Stakeholder Consulted:

Global Spectrum;
Carmen's Group;
Art Gallery of Hamilton;
Hamilton Bulldogs;
Michael Andlauer;
Hamilton Philharmonic Orchestra;
Live Nation;
Hamilton Honey Badgers;
Downtown BIA;
International Village BIA;
Hamilton 100;
Vrancor Group;
Equal Parts Hospitality; and,
The Other Bird Restaurant Group.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Staff have reviewed the analysis EY has completed and believe that EY has successfully completed the Council approved scope of work outlined in Appendix "D" attached to Report PED18168(b). Staff are supportive of EY's recommendations outlined within.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

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

Economic Prosperity and Growth

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

Built Environment and Infrastructure

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

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OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Culture and Diversity

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

Our People and Performance

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

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" – City of Hamilton, Entertainment Venues Review, Ernst and Young

Appendix "B" – Confidential Information - Entertainment Venues Review, Ernst and Young

Appendix "C" – Confidential Recommendations and Real Estate Considerations

Appendix "D" – Sports, Entertainment and Convention Venues Scope of Work

Appendix "E" – Confidential Unsolicited Arena Proposal

RM/sd