



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	January 15, 2020
SUBJECT/REPORT NO:	Feasibility of Locating a New Arena on the Hamilton Mountain (PED20008) (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 “A”, “E” and “F” 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*:

- ◆ 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 staff be directed to take no further action on the unsolicited proposal attached as confidential Appendix “A” to report PED20008.

EXECUTIVE SUMMARY

At Council’s request, Michael Andlauer, who is the owner of the Hamilton Bulldogs, appeared at the October 2, 2019 General Issues Committee (GIC) meeting and presented the new arena proposal attached as Appendix “B” to Report PED20008. This unsolicited proposal, which was submitted by Cadillac Fairview and Michael Andlauer, outlined a development plan which included a new 6,000 seat arena and an 1,800-car parking garage on Cadillac Fairview’s Lime Ridge Mall site that is located at 999 Upper Wentworth Street. The estimated cost that was provided for the 6,000-seat arena was \$72 M (\$12 K per seat) and the estimated cost of an 1,800-car parking garage provided was \$52 M (\$30 K per stall). The proposal indicates that the estimated \$126 M in construction costs are to be borne by the City, with Cadillac Fairview and Michael Andlauer providing various financial contributions and offsets.

At the October 2, 2019 General Issues Committee, the Committee approved a motion titled “Feasibility of Locating a New Arena on the Hamilton Mountain (Lime Ridge Mall) (Item 11.4)” which directed staff to “review the feasibility of locating a new arena site on the Hamilton mountain (Lime Ridge Mall), internally and without the use of a consultant and at no additional cost to the City, and report back to the General Issues Committee.”

When authorizing previous strategic reviews of the City of Hamilton’s Entertainment Assets, including the Hamilton Entertainment and Convention Facilities Inc. review (completed by KPMG in 2011-2013) and the Sports, Entertainment and Convention Venues review (completed by Ernst and Young in 2019), Council has endorsed the following objectives:

- 1) Reducing or eliminating the City’s subsidization of the venues;
- 2) Fostering spin-off private investment;
- 3) Maintaining the core uses of each of the facilities in the downtown core;
- 4) Attracting a larger mix of high calibre sports and entertainment events; and,
- 5) Enhancing the quality of life of Hamiltonians.

Based on the direction provided by Council, staff is of the opinion that these broader objectives provide an appropriate lens for the evaluation of the proposal attached as confidential Appendix “A” attached to Report PED20008 and outlined in additional detail in Appendix “B” attached to Report PED20008.

When completing this analysis, staff focused on the following areas:

Financial Analysis Key Findings:

Net Budgetary Impact	<p>After considering the cost of financing this new arena project over a 20-year period, the City’s total cost would be as follows:</p> <p style="padding-left: 40px;">Total Cost (In \$2019): \$149,498,696 Net Present Value: \$101,608,984</p> <p>Estimated cost of operating and maintaining the existing FirstOntario Centre over a 20-year period (“Status Quo”):</p> <p style="padding-left: 40px;">Total Cost (In \$2019): \$92,081,440 Net Present Value: \$63,700,821</p>
Taxation Impact	<p>The proposed Lime Ridge Mall development would result in a significant amount of investment, assessment growth and net new taxes on the existing FirstOntario Centre and Lime Ridge Mall sites. However, moving a major amenity such as arena out of the downtown core could negatively impact the amount of investment that the City could expect to see in its downtown moving forward.</p>

Borrowing Implications	S&P expects that the City’s stable fiscal performance together with its high liquidity and low debt will allow the City to fund its capital projects without impairing its creditworthiness. However, significant debt issuance for consecutive years would severely constrain a municipality’s capital flexibility. The City of Hamilton, in its ten-year Capital forecast, has significant Capital investments which will require debt financing.
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Economic Development Key Findings:

Lime Ridge Mall Site	Cadillac Fairview has outlined an ambitious development plan for the mall property. A new arena on the site would likely accelerate the timing of these proposed investments. However, Cadillac Fairview staff was not able to commit to a timeline or their proposed phasing.
Downtown Implications	If major amenities such as an arena are to serve as an economic catalyst, it is best practice to locate these facilities in the downtown, where the zoning allows for the maximum amount of private sector follow-on investment.

Urban Development Key Findings:

Lime Ridge Mall Site	Under the Urban Hamilton Official Plan (UHOP), the Lime Ridge Sub-Regional Service Node has a persons and jobs per combined hectare (pjh) target of between 100 and 150.
Downtown Implications	Under the Urban Hamilton Official Plan (UHOP), the minimum density target of 250 persons and jobs per hectare directs 20% of City-wide residential intensification (which translates into 5,000-6,000 new residential dwelling units) over the time frame of the Official Plan (i.e. 2013 – 2031) to be accommodated in the Downtown UGC.

Transit Considerations Key Findings:

Lime Ridge Mall Site	The maximum seated capacity of all buses arriving to this destination within one hour prior to the start of a typical Bulldogs game is 700 passengers, while the post-game (within one hour) maximum seated capacity for buses departing this location is 500 passengers.
Downtown Implications	The maximum seated capacity of all buses arriving to this destination within one hour prior to the start a typical Bulldogs game is 3000 passengers, while the postgame (within one hour) maximum seated capacity for buses departing this location is 2300 passengers.

Tourism and Hospitality Considerations Key Findings:

Proximity to Hotel Rooms	Hotel Rooms Within Walking Distance: Lime Ridge Mall Site: 0 Hamilton Downtown: 877 Hotel Rooms Within A 10 Minute Drive: Lime Ridge Mall Site: 325 Hamilton Downtown: 1082
Venue Size	The proposal attach includes a 6,000-seat arena. The average Capacity of the venues which have hosted the following major events over the last 10 Years: JUNOS: 15,470 CCMAs: 16,389 Memorial Cup: 9,111

Upon completing the feasibility analysis, it is apparent that the Lime Ridge Mall node is an appropriate location for additional intensification. However, staff is recommending that no further action be taken with regards to the new arena proposal based on the following rationale:

- 1) This proposal is unlikely to provide savings versus the status quo scenario;
- 2) If major amenities such as an arena are to best serve as an economic catalyst, it is best practice to locate these facilities in the downtown, where the zoning allows for the maximum amount of private sector follow on investment;
- 3) Removing a major amenity such as arena out of Downtown would be viewed as counterproductive to Council approved strategic plans;
- 4) Building an arena of less than 10,000 seats would impede the City of Hamilton’s ability to compete for major events, shows and concerts; and,
- 5) The proposal is not consistent with the Council approved “New Arena Terms” listed in confidential Appendix “E” attached to Report PED20008.

Appendices “A”, “E” and “F”, attached to Report PED20008 set out a position, plans and criteria/instructions to be applied to negotiations and, therefore, is appropriate for discussion in closed session, pursuant to the *Ontario Municipal Act*.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: N/A

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

On August 14, 2019, the City received an unsolicited new arena proposal from Cadillac Fairview and Michael Andlauer, which is attached as confidential Appendix “A” to Report PED20008.

At the September 11, 2019 Council meeting, Council approved the following motion:

- (a) That the City Clerk be directed to invite Mr. Andlauer to appear before the GIC meeting to review the contents of his proposal and answer questions from the Committee; and,
- (b) That Mr. Andlauer be requested to provide his presentation in writing prior to the GIC meeting, so that it can be included in the public Agenda.

At the October 2, 2019 GIC Meeting, Michael Andlauer appeared before the Committee and presented the proposal attached as Appendix “B” to Report PED20008.

At the October 2, 2019 GIC Meeting, the Committee approved a motion titled “Feasibility of Locating a New Arena on the Hamilton Mountain (Lime Ridge Mall) (Item 11.4)” which directed staff to “review the feasibility of locating a new arena site on the Hamilton mountain (Lime Ridge Mall), internally and without the use of a consultant and at no additional cost to the City, and report back to the General Issues Committee.”

On November 13, 2019, the City received the revised concept plan attached as confidential Appendix “F” to Report PED20008.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

Internal Stakeholders:

- Planning and Economic Development Department, Economic Development, Building, Tourism and Culture, Planning, and, Transportation Planning & Parking Divisions;
- Public Works Department, Energy, Fleet & Facilities Management, and, Transit Divisions;
- City Manager’s Office, Strategic Partnership & Communications Division; and,

- Corporate Services Department, Legal and Risk Management Services, Financial Planning and Policy, and, Financial Services and Taxation Divisions;

External Stakeholders Consulted:

- Cadillac Fairview; and,
- Michael Andlauer.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

To review the feasibility of locating a new arena site at Lime Ridge Mall, staff used the following broader objectives that had been established by Council in the past, as the lens for evaluation of the proposal attached as Appendix “A”:

- 1) Reducing or eliminating the City’s subsidization of the venues;
- 2) Fostering spin-off private investment;
- 3) Maintaining the core uses of each of the facilities in the downtown core;
- 4) Attracting a larger mix of high calibre sports and entertainment events; and,
- 5) Enhancing the quality of life of Hamiltonians.

This analysis is focused on the following areas:

- Financial Analysis;
- Urban Development and Economic Development Implications;
- Tourism and Hospitality Considerations; and,
- Transit Considerations.

Financial Analysis:

The joint proposal put forward by Cadillac Fairview and Michael Andlauer estimated that the cost of a 6,000-seat arena is \$72 M (\$12 K per seat) and the estimated cost of an 1,800-car parking garage is \$52 M (\$30 K per stall). The proposal indicates that the estimated \$126 M in construction costs are to be borne by the City. Cadillac Fairview and Michael Andlauer would provide the following financial offsets:

- Michael Andlauer would make a one-time capital contribution of up to \$30 M towards a new arena;
- Michael Andlauer would take over the management of the new arena for an initial guaranteed term of 20 years, eliminating the need for a municipal operating subsidy;
- Cadillac Fairview would lease the lands where the new arena would be built to the City for \$1 per year, over a 20-year period;

- The construction of the new arena would allow for the City to close the existing FirstOntario Centre. It is proposed that the City divert the savings related to the forgone operating subsidy and capital expenditures towards financing the cost of the new arena and parking garage;
- With the existing FirstOntario Centre venue offline, it is proposed that the City dispose of the existing 3.98 ac site to help offset the cost of the initial capital contribution; and,
- The proposal also identifies the opportunity to enter into a partnership with Metrolinx, to establish a “Park and Ride” program that would provide connectivity from the mountain to the West Harbour GO station. Cadillac Fairview and Michael Andlauer estimate that the Federal and Provincial governments could cover up to 40% and 33.33% of the cost of the parking garage, respectively, as outlined in the Infrastructure Canada Funding formula.

The estimated cost of \$72 M (\$12 K per seat) outlined in the proposal for a new 6,000 seat arena is consistent with the Ernst and Young estimate which is based on an order-of-magnitude, per-seat cost analysis of the best of the comparable newly-built benchmark facilities indexed to 2019 dollars.

For the parking garage, staff is of the opinion that the estimated \$30 K construction cost per stall is low. Based on industry benchmarks for an above-ground parking garage, a cost of \$35 K - \$40 K per stall would be a more appropriate range. Since the cost of constructing the proposed parking garage would be borne by the City, staff used a \$37.5 K per stall as an estimate for their analysis. This assumption would increase the proposed cost of the parking garage from \$54 M to \$67.5 M and the total project cost from \$126 M to \$139.5 M.

Staff met with Cadillac Fairview and Michael Andlauer to learn more about the proposed “Park and Ride” program to assess the feasibility of securing funding from the Federal and Provincial governments. During these discussions, staff was made aware of preliminary discussions that Cadillac Fairview and Michael Andlauer have held with the Ministry of Transportation. Although Cadillac Fairview and Michael Andlauer have indicated they had a productive dialogue with the Provincial government on this subject, staff was not provided any evidence that this investment was imminent and was not able to get additional clarity from Metrolinx or the Ministry of Transportation.

Staff also noted that the City of Hamilton Council-approved Transportation Master Plan does not identify a “Park and Ride” program connecting the Mountain to the West Harbour GO station as strategic priority. When reviewing Metrolinx’s official Rapid Transit Network plan, there was no mention of this “Park and Ride” program. Given the uncertainty around the availability of this funding and the lack of Council direction to formally request these funds, staff is not able to include these cost offsets into the analysis of the proposal at this time.

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When completing the financial analysis of this new arena proposal, staff made the following assumptions after discussing the details of the proposal with Michael Andlauer and Cadillac Fairview staff:

- The total project cost of \$139.5 M, is to be borne by the City;
- Michael Andlauer would make an upfront capital contribution of \$30 M which reduces this amount to \$109.5 M;
- Michael Andlauer would take over the management of the new arena for the initial guaranteed 20-year term, eliminating the need for a municipal operating subsidy;
- The City would be responsible for the replacement costs of the major capital components that make up both the arena and parking garage (structural, mechanical, electrical, plumbing). To account for these costs, the analysis in Appendix "C" attached to Report PED20008 includes an annual contribution equal to 2% of the total construction costs of both the arena and parking garage to a reserve for this purpose;
- The term of the initial guaranteed term of the land lease with Cadillac Fairview would be 20 years (as indicated in their proposal);
- The existing FirstOntario Centre site would be decommissioned upon the new arena coming online after a three-year construction timeline;
- The existing 3.98 ac FirstOntario Centre site would be sold for the highest and best use upon the new arena opening in year three;
- After the net cost of demolition (approximately \$10 M), the FirstOntario site would net approximately \$10 M per ac if it were disposed of in three years' time;
- The existing FirstOntario Centre would remain operational during the three-year construction period; and,
- The City's onetime capital contribution would be financed over a 20-year period, at an estimated borrowing rate of 3%.

To assess whether the City could reasonably expect net savings under this proposal, staff completed a cost analysis of the proposal outlined above, versus the projected costs of the status quo. The status quo scenario assumes that the City continues to subsidize the operation and maintenance of the existing FirstOntario Centre for a period of 20 years. Under the status quo scenario it is assumed:

- That the average annual operating subsidy that the FirstOntario Centre received over the last three years, is a reasonable forecast of the subsidy amount that the City can expect to contribute to the facility in each of the next five years;
- That due to the FirstOntario Centre's age and the competitive nature of the sports and entertainment market place, this figure was forecasted to increase by 5%, every five years thereafter;

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- That the FirstOntario Centre’s \$34 M in “Priority 1” capital needs which were identified in V2PM’s facility condition assessment, will be addressed over a 10-year period (\$3.4 M per year); and,
- That after this initial 10-year window, 2% of the total asset value is a reasonable estimate for the projected capital expenditures required at the facility (in line with CIRC investment guidelines).

Based on the analysis conducted in Appendix “C” attached to Report PED20008, this new arena proposal would cost the City significantly more than the status quo scenario, as summarized in the table below:

	New Arena Proposal - 6,000 Seat Arena and 1,800 Car Parking Garage	Status Quo - Continued Operation and Maintenance of Existing FirstOntario Centre
Total Cost in \$2019 Over 20 years	\$149,498,696 Comprised of: Arena Cost: \$72 M Parking Garage Cost: \$67.5 M Interest on Debt: \$24 M Capital Reserve Arena: \$28.8 M Capital Reserve Garage: \$27 M Less: M. Andlauer’s Contribution: \$30 M FOC Site Sale Proceeds: \$39.8 M	\$92,081,440 Comprised of: Operating Subsidy: \$34.37 M Capital Repairs: \$57.7 M
Net Present Value	\$101,608,984	\$63,700,821

City’s Capacity to Debt Finance A One Time Capital Contribution:

In the S&P Global Ratings (S&P) Research Update dated October 18, 2019, S&P said that they expect the City to maintain its fiscal performance over the next two years. S&P expects that the City’s stable fiscal performance together with its high liquidity and low debt will allow the City to fund its capital projects without impairing its creditworthiness. Additionally, the rating agency expects the City of Hamilton to maintain its position as one of the most economically diversified cities in Canada over the next several years with growth in diverse industry and manufacturing sectors providing economic resilience for the City. The City has maintained top scores for the economy, liquidity and debt burden factors and second-best scores for the institutional framework, financial management and budgetary performance factors.

To maintain this debt rating and lower debt servicing fees, the City needs to allocate sufficient Tax Levy dollars towards the Capital Budget. As a result, additional levy dollars have been incorporated into the proposed 2020 Tax Supported Capital Budget. Significant debt issuance for consecutive years would severely constrain a municipality's capital flexibility. The City of Hamilton, in its 10-year Capital forecast, has significant Capital investments which will require debt financing.

Taxation Considerations:

If the City were to dispose of the existing FirstOntario Centre site for development purposes, the property would no longer be tax exempt under the Municipal Capital Facilities Tax Exemption By-Law. This would result in additional property taxes being paid to the City upon the disposition of the property. If the 3.98 ac site were to be sold for a "Highest and Best Use" development, staff assumed that the development would include the following uses upon full buildout:

- 2 towers encompassing a total of 525 Residential condominium units;
- 2 towers encompassing a total of 525 Multi-residential Apartment units;
- 26,000 sq ft of retail space; and,
- 26,000 sq ft of office space.

These estimates were based on comparable developments in the downtown core, adjusted for the scale of development that FirstOntario Centre site could reasonably accommodate under the Downtown Secondary Plan. Upon full buildout, staff estimates that the net new property taxes that this hypothetical development would generate on an annual basis, are as follows:

Total Annual Property Taxes Paid:	\$3.3 M
Total Municipal Portion:	\$2.8 M
Total Education Portion:	\$500 K

As summarized in the "Urban Development and Economic Development Implications" section of this report and outlined in detail in confidential Appendix "F", Cadillac Fairview, has outlined an ambitious development plan for their Lime Ridge Mall property. This development would result in a significant amount of additional density, assessment value and property taxes paid to the City. Upon full buildout, staff estimates that the net new property taxes that this development would generate on an annual basis, are as follows:

Total Annual Property Taxes Paid:	\$5.8 M
Total Municipal Portion:	\$4.6 M
Total Education Portion:	\$1.2 M

Cadillac Fairview staff advised that these development plans are not contingent on a new arena being built on the property but indicated that a new arena on the site would likely accelerate the timing of these proposed investments. However, Cadillac Fairview staff were not able to commit to a timeline or their proposed phasing.

Despite the opportunity for significant investment, assessment growth and net new taxes on the existing FirstOntario Centre and Lime Ridge Mall sites, moving a major amenity such as arena out of the downtown core could negatively impact the amount of investment that the City could expect to see in its downtown moving forward. Conducting the advanced macroeconomic analysis required to quantify the net taxation impact of moving forward with this new arena proposal would require the expertise of an external consultant.

Urban Development and Economic Development Implications:

Cadillac Fairview, has outlined an ambitious development plan for the mall property which could potentially include the following:

- An arena of 6,000- 7,500 seats;
- Proposed residential - 1,250,000 sq ft;
- Proposed residential units - 1,250;
- Proposed office - 200,000 sq ft;
- Proposed retail - 90,000 sq ft;
- Total densification - 1,540,000 sq ft; and,
- Proposed parking - 7,750 (1,250 required for arena).

This development would result in a significant amount of additional density, assessment value and property taxes paid to the City. To provide a sense of scale, the existing mall is approximately 800,000 sq ft, has 4,240 parking spots and pays approximately \$12 M in property taxes annually.

Based on the estimates provided by Cadillac Fairview, upon full buildout, this proposed development would result in:

- \$890 M in total investment;
- 3,080 new residents;
- 720 temporary construction jobs; and,
- 1,720 permanent jobs.

Cadillac Fairview staff advised that these development plans are not contingent on a new arena being built on the property. However, a new arena on the site would likely

accelerate the timing of these proposed investments. However, Cadillac Fairview staff was not able to commit to a timeline or their proposed phasing.

The Lime Ridge Mall site is contained within one of two Sub Regional Service Nodes, which are typically dominated by major retail, contain a transit hub and are linked to other areas of the City by a good road network. These areas are intended to continue to maintain their retail function. However, these areas are intended to shift to a more mixed-use focus and will require the addition of medium to high density residential uses. Residential uses can be accommodated in multi-storey buildings, either as a single use or in a mixed-use building, transforming the surface parking into structures to allow more area for other uses. The Lime Ridge Mall site's zoning does allow for uses similar to the Downtown Central Business District (D1) Zone uses including: Commercial Recreation, Commercial Entertainment, Conference or Convention Centre in addition to Retail, Restaurant, Office, Multiple Dwelling among others are all permitted.

The Urban Hamilton Official Plan (UHOP) is the long-range plan to guide growth and development in the urban area of Hamilton. Under the UHOP, the Lime Ridge Sub-Regional Service Node has a persons and jobs per combined hectare (pjh) target of between 100 and 150. In 2016, the density was estimated to be 74pjh. Comparatively, the UHOP identifies the Downtown as the Downtown Urban Growth Centre (UGC) Node, the pre-eminent node within Hamilton. The urban growth targets in the Province's Growth Plan shape the land use policies for this area. The Downtown UGC is to have higher densities and a broader range of uses than the rest of the City. While the Growth Plan directs the Downtown UGC to accommodate 200 persons and jobs per combined hectare, the UHOP policies establish a higher standard. The Plan establishes a minimum density target of 250 persons and jobs per hectare directs 20% of City-wide residential intensification (which translates into 5,000-6,000 new residential dwelling units) over the time frame of the Official Plan (i.e. 2013 – 2031) to be accommodated in the Downtown UGC. The UHOPs planned scale and intensity supports higher-order transit and provides services not only to residents within Downtown but also those residing in areas outside of the Downtown and in neighbouring municipalities.

The UHOP designates the UGC as "Downtown Mixed Use" on schedule E - 1 - Land Use Designations and establishes policies that support the function of the Downtown Urban Growth Centre Node. The Downtown Mixed-Use area is the historic centre of the City and is intended to support a full range of land uses, including a variety of retail, service commercial, institutional, cultural, entertainment, office, and a variety of higher density residential, including affordable housing. The Downtown Mixed-Use area is intended to serve as a central focus for the City; retail, office, and service commercial uses are a key element in maintaining that function and ensuring the continued vibrancy of the Downtown. The Downtown Mixed-Use area is to be designed as a pedestrian focused area with a high level of comfort and amenities.

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Based on 2016 census data, the City of Hamilton’s 2018 employment survey, and the City of Hamilton Building Division’s records, the following table compares the area located within a 1 KM radius of the Lime Ridge Mall site, with that of the Downtown on some key measures:

Measure	Lime Ridge Mall	Hamilton Downtown	Source
Population	26,052	11,478	2016 Census
Jobs	6,220	26,310	2018 Employment Survey
New Residential Units* (2014-2019)	50	1,345	City of Hamilton Building Division
New non-residential GFA* (sq m) (2014-2019)	540	56,041	City of Hamilton Building Division
Allowable Height/Density	40 Meters Approximately 12 stories	90+ Meters Approximately 30 stories	By-law No: 05-200

*Based on Issued Building Permits

Although the Lime Ridge Sub-Regional Service Node can adequately accommodate the uses and density being proposed, staff views the removal of a major amenity such as the arena out of Downtown UGC and TOC, as counterproductive to Council-approved plans and policies. This sentiment is further supported by EY’s Sports, Entertainment and Convention Venues Review findings:

“There is significant evidence which 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.”

And that:

“The current development trajectory in downtown Hamilton and the positive cultural spin-off effects and follow-on investment achieved in other Canadian municipalities, it was EY’s view that the added benefit of co-locating entertainment assets in a clustered, downtown precinct should be considered a top priority for the City.”

If major amenities such as an arena are to serve as an economic catalyst, it is best practice to locate these facilities in the downtown, where the zoning allows for the maximum amount of private sector follow-on investment.

Tourism and Hospitality Considerations:

Proposed Arena Capacity:

The proposal put forward by Cadillac Fairview and Michael Andlauer would result in the construction of a 6,000-seat arena. The Ernst and Young Sports, Entertainment and Convention Venues review analysis showed that a 10,000-seat arena would be “right-sized” for the Hamilton market. With a 10,000-seat arena, EY determined that Hamilton could still host major events such as the JUNO Awards, Canadian Country Music Awards (CCMA’s), Memorial Cups and larger concerts. Since these are the types of events that provide the most economic benefit to the community, EY’s ultimate recommendation stated that it is imperative that any new arena be large enough to serve this purpose.

It is also noted that key strategic documents, such as the Economic Development Action Plan, the Hamilton Tourism Strategy and Hamilton’s Music Strategy are based on the assumption that the City of Hamilton maintains a Sports and Entertainment venue that is suitable for these types of major events and concerts. For example, one of the Economic Development Action Plan’s “Stretch Goals” was to “attract five major events (like the JUNOs) that generate a total combined economic impact of at least \$50 million.” Similarly, the Hamilton Tourism Strategy identified the following “Demand Generators” as crucial to the plans success:

- Meetings and Conventions;
- Sport Tourism; and,
- Arts, Culture and Entertainment.

Although an arena of 6,000 seats would provide an enjoyable fan experience for Ontario Hockey League (OHL) hockey, there is limited evidence that suggests that Hamilton could continue to consistently secure the large events which provide the most economic impact with an arena of this size. To illustrate this point, the tables listed in Appendix “D” attached to Report PED 20008 provide a summary of the host city, the host venue and the host venue’s capacity for each of the JUNOs, CCMA’s and Memorial Cups held over the past 10 years. The results of this table can be summarized as follows:

- The average maximum capacity of the venues which have hosted the JUNOs over the last 10 years was 15,470 and the smallest venue had a capacity of 7,000 seats. Based on the performance of the last few years, Tourism Hamilton estimates that the economic benefit is approximately \$11 M for the JUNOs host community which includes over 2,000 room nights, more than 15,000 attendees at multiple events held at local venues, along with national and international media exposure;

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- The average capacity of the venues which have hosted the CCMA’s over the last 10 years was 16,389 and the smallest venue had a capacity of 10,200 seats. Tourism Hamilton estimates that the 2018 Country Music Week hosted in Hamilton in 2017, generated an estimated \$5.3 M in economic impact for the City, including 1,725 hotel room nights; and,
- The average capacity of the venues which have hosted the Memorial Cup over the last 10 years was 9,111 and the smallest venue had a capacity of 5,102 seats. The estimated impact of City’s who have hosted a Memorial Cup has been as high as \$12 M.

Although it appears feasible that the City of Hamilton could contend for Memorial Cup bids with an arena that has a capacity of 6,000 seats, based on the figures outlined above, having a sports and entertainment complex with the capacity of at least 10,000 seats is imperative if it is the City’s desire to continue to regularly host other large non-hockey events and concerts.

It should be noted that both Michael Andlauer and Cadillac Fairview have expressed openness to an arena of up to 10,000 seats at the Lime Ridge Mall site. However, it was made clear that any additional costs associated with the construction of an arena larger than 6,000 seats, would have to be borne entirely by the City. Based on the \$12 K per seat benchmark provided in the proposal, the estimated cost of such an arena would be \$120 M before factoring in the cost of a parking garage (which would require additional capacity to the 1,800-stall garage currently being proposed). This would impact the projected costs of the proposed project as follows:

	6,000 Seat Arena	10,000 Seat Arena
Arena Cost (\$12 K per seat)	\$72 M	\$120 M
Cost of corresponding parking garage	\$67.5 M 1.8 K spots at \$37.5 K per spot	\$112.5 M 3 K parking at \$37.5 K per spot
Total Cost	\$139.5 M	\$232.5 M

Hospitality/Lodging Implications:

The City attracts over 4.5 million visitors annually and these visitors spend an estimated \$359.5 M per year. Tourism operators and small businesses throughout Hamilton benefit directly from visitor expenditure, and the economy overall is further stimulated from the ripple effect of new money entering the community. However, almost 80% of these visits did not involve an overnight stay; and of the 20% of overnight visits, slightly less than one-fifth used commercial accommodation. Only 4% of the visitors to Hamilton involve overnight stays in commercial accommodation. While day visitors are important to the overall economy and for many individual small businesses, there is an ongoing

need to identify ways of extending length of stay and increasing the number of overnight stays to ensure a healthy and sustainable industry that is maximizing economic benefit to the City.

Looking more closely at Hamilton’s accommodation sector, the occupancy (64% in 2018) and revenue per available room (\$88 in 2018) data are well above the Provincial average. However, the average room rate (\$137.54 in 2018) is considerably lower. An emphasis on enhancing the reasons to visit Hamilton and providing greater value for leisure market visitors in terms of the overall destination experience could give the commercial accommodation sector a stronger basis for increasing room rates. In addition, enhancements to sports facilities and a focused pro-active effort at attracting more convention business could create increased demand and opportunities to increase hotel rates.

Historically, Hamilton has not had enough hotel rooms and this hindered the City’s ability to host major conventions, award shows and sporting events. However, over the past five to ten years, the City has had great success in increasing Hamilton’s accommodation capacity and a clustered entertainment precinct, which acts as a “demand generator”, has been identified as one of the major catalysts of this trend. The 2015 - 2020 Tourism Strategy speaks to the development of 600 hotel rooms in the downtown core and how this growth coincided with the success of the City of Hamilton’s entertainment venues under Global Spectrum and the Carmen’s Group. Currently, there are three more hotel projects in the works which is the equivalent of about 400 more rooms. One is on Upper James, one at King and Queen in the downtown core and one at McMaster Innovation Park.

Located just off the Lincoln Alexander Parkway, Lime Ridge Mall is within a reasonable distance of local hotels. The following table summarizes how many hotel rooms are within walking distance and within a 10-minute drive of the Lime Ridge and Downtown nodes.

Measure	Lime Ridge Mall	Hamilton Downtown
Hotel Rooms Within Walking Distance:	0	877
Hotel Rooms Within A 10 Minute Drive:	325	1082

With the Lime Ridge Transit Terminal conveniently located on the property, the site is easily accessible by HSR. However, given the fact that there are currently no hotels in the immediate vicinity, tourists could not reasonably be expected to access the site by foot.

Based on information provided by Cadillac Fairview, their proposed development plan for their Lime Ridge Mall site could potentially include a hotel with up to 250 rooms.

Transit Considerations:

Of the 32 home games that the Hamilton Bulldogs will play as part of the 2019/2020 season, 23 of these games are scheduled for either Saturday or Sunday. Hamilton Street Railway (HSR) has completed analysis detailing the level of service that Lime Ridge Mall typically receives on a weekend and found the following:

- Five routes service Lime Ridge Mall as a destination with 17 buses arriving to this destination point within one hour of the typical start time of a weekend game. Conversely, 12 buses will depart this location within one hour after the typical game is finished and the five routes will be reduced to four. The maximum seated capacity of all buses arriving to this destination within one hour prior to the start of the game is 700 passengers, while the post-game (within one hour) maximum seated capacity for buses departing this location is 500 passengers.

Comparatively, the Downtown arrivals/departures including MacNab Terminal, King/James and Main MacNab during this time-period would be:

- Twenty routes service the existing downtown destination with 74 buses arriving within one hour of the start of the game. Conversely 56 buses on the 20 routes will depart this area within one hour after the game is finished. The maximum seated capacity of all buses arriving to this destination within one hour prior to the start of the game is 3000 passengers, while the postgame (within one hour) maximum seated capacity for buses departing this location is 2300 passengers.

Relocating the arena to the Mountain would require the City to revisit its transit strategy to better service Lime Ridge Mall. Staff does not have an estimate of what the implications of this change would cost at this time.

Summary of Findings:

Based upon the preceding analysis of the terms and conditions of the Cadillac Fairview/Michael Andlauer's new arena proposal for Lime Ridge Mall, staff is not supportive. The rationale for this recommendation can be summarized as follows:

- 1) This proposal is unlikely to provide savings versus the status quo scenario and will require a significant up-front cost to the City;

- 2) If major amenities such as an arena are to best serve as an economic catalyst, it is best practice to locate these facilities Downtown, where the zoning allows for the maximum amount of private sector follow on investment;
- 3) Removing a major amenity such as arena out of Downtown, would be viewed as counterproductive to Council-approved strategic plans;
- 4) Building an arena of less than 10,000 seats would impede the City of Hamilton's ability to compete for major events, shows and concerts; and,
- 5) The proposal is not consistent with the Council-approved "New Arena Terms" listed in confidential Appendix "E" attached to Report PED20008.

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.

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" - Confidential New Arena Proposal

Appendix "B" - Michael Andlauer's October 2, 2019 GIC Presentation

Appendix "C" - Financial Comparison of New Arena Proposal vs. Status Quo

Appendix "D" - Venue Capacity Required for Major Events

Appendix "E" - Confidential New Arena Terms

Appendix "F" – Confidential Cadillac Fairview Revised Site Plan

RM:sd

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

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