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Subject: Downtown Arts & Entertainment Precinct Update

Good Evening Mayor Eisenberger and Members of Council,

On behalf of a growing consortium of aligned and deeply invested community partners, we believe it's important to provide some significant updates related to our "*Hamilton Urban Precinct Arts & Entertainment Group*" planning around the City's downtown cultural, entertainment and hospitality assets. Detailed below is an update of our downtown precinct plan which would result in significant investment in the entertainment venues, the *elimination of ongoing subsidies for all three facilities*, and approximately **\$500M worth of directly associated development**, all with no monetary contribution from the City.

Downtown City Asset Development Opportunities

We recognize that City Council is in the process of contemplating what to do with its cultural, entertainment and hospitality assets in the downtown core, as referenced at the January 15th, 2020 council meeting. We aim to provide support to the City in maximizing what the solutions may look like, with the ultimate goal of enabling the city to exit from these businesses in a manner that positively impacts taxpayers and maximizes development opportunities. We would like to share a few notable updates related to our recent efforts:

- *Consortium Membership Expansion* – Notable organizations that are active funders and participants of our Limited Partnerships include Meridian Credit Union, LiUNA Pension Fund, Fengate Capital, Jetport Inc. (representatives from The Joyce Family), Carmen's

Group and newly added partner, Paletta International – a firm with deep ties to Hamilton. Many of these various members have been making substantial investments into funding and exploring solutions for the aging city assets for many years now – and remain motivated towards finding solutions that result in stable private sector investment returns while simultaneously giving birth to exciting new community assets that will fuel the vibrancy and economic engine of Downtown Hamilton for generations to come.

- *Strategic Alignment with Community Developers & Cultural Institutions* – Our Group has also signed a Letter of Intent with Darryl Firsten of IN8 Developments, the new owner of the 3.5-acre Hamilton City Centre location on James Street North, to maximize the development potential of his substantial investment in Hamilton. We believe our alignment with Mr. Firsten and his organization will result in the creation of substantial residential units coupled with the creation of new hospitality and entertainment assets that will engage Hamiltonians and attract new visitors and further investment into Hamilton for many years. Additionally, our Group has had positive, progressive discussions with the leadership of the Art Gallery of Hamilton, as we intend to support their expansion efforts through our potential redevelopment efforts – and explore the idea of possibly integrating elements of their expansion into newly development future facilities on the site of the current convention centre in a harmonious, fluid manner that ensures that the whole is greater than the sum of the parts. Our group has also commenced positive and cooperative dialogue with both McMaster University and David Braley around maximizing the potential of their land holdings adjacent to the Art Gallery to ultimately serve a much greater benefit to their respective organizations, the Art Gallery and to the City of Hamilton at the same time.
- *Significant Development Scope* - The totality of the investments into Downtown Hamilton that are currently underway by some of our current consortium members (for their own separate projects) and those that are also being proposed by both our current partners and other aligned partners are substantial – over the course of the next 5 to 10 years their collective investments will near **\$1 Billion**. The proposed scope of residential and commercial investments of our related “*Hamilton Urban Precinct Arts & Entertainment Group*” plans, including what the potential investment into community-use assets such as a new or renovated convention facility and significantly renovated arts and entertainment facilities (arena and concert hall), potentially totals another **\$500 Million**. The financial plan that our Group commissioned to PriceWaterhouseCoopers (PWC) for completion validates these estimates and demonstrates a very clear route for a safe return on investment for private sector parties. These numerous investments will also produce a substantial new tax base for Hamilton - conservatively in the range of a few millions of dollars per year.

Alignment with City Goals & Understanding of Process

Councillor Merulla, with Council’s official endorsement, made clear the city’s desire to exit the entertainment and hospitality businesses – and eliminate/minimize the need for ongoing operating and capital subsidies – by leveraging city-owned land and facilities and by providing

city regulatory authority. Based on this notion, we are extremely confident that we can enable this with the city but we seek to better understand what is most important to the City, as there are a few different scenarios that can manifest that will ultimately enable this outcome.

Simply, does the city want out of these businesses now, in 6 months, in 12 months, in 2 years or in 5 years to coincide with the current operating contract terms of these facilities? Does the city want to see modest investments into new infrastructure with modest development benefits and modest new taxes? Or does it want to see substantial new investments in infrastructure with tremendous developments and tremendous new taxes? One is doable in the short term (right away) – and the other in the medium to long term (a few years). One path has short term benefits, the other has long term benefits. We have now completed various internal models and permutations that enable the City to a) get out of these businesses and b) eliminate/minimize ongoing capital and operational subsidies, but we believe that it would be very presumptive and not in the spirit of community collaboration to make such a bold assumption as to dictate to the City what should be done with its own assets. We recognize that action needs to happen – but we seek modest direction by the City as to what it deems important: Immediacy in exiting these businesses, with simple facelifts and facility investments? Or pursuing the facilitation of grand new facilities that will take the country by storm – and yield the maximum long-term benefit in the form of a substantial new tax base and community vibrancy for the next generation?

Our group, who have collectively invested **over a half billion dollars** into Hamilton as individual/corporate entities over the past few decades, are prepared to submit an unsolicited offer - if that is the will of the city. We are also prepared to collaborate with other interested parties – if that is the will of the City. Or, we are prepared to participate aggressively in an RFP process - If that is the will of the city. We respectfully seek direction from the City of Hamilton as it relates to how it would like to us to proceed forward, and on what timetable.

We do have a vision for a new convention centre in downtown Hamilton – but if the city does not want that or believes it to be too risky or timely of a pursuit we also have a vision for a renovated/updated convention centre. We have a vision for a significantly renovated arena that facilitates both the needs of our local hockey franchise to have fan intimacy – while simultaneously having the flexibility to host 17,000 patrons for live music and cultural events. We did complete a **\$240,000 study** of the arena a few short years ago with BBB therefore we are extremely familiar with what is required to bring the facility to modern standards – and we have a financial plan to facilitate substantial renovations of the facility (that firmly aligns with the City’s stated objective of providing interested private sector partners with land and regulatory authority). We are prepared to further engage in discussions with the current hockey ownership – whom we have a great working relationship and a tremendous amount of respect for. We have purposely focused primarily on the convention plan and have not aggressively pursued plans around the arena out of courtesy to Mr. Andlauer and the Bulldogs organization but recognizing that solutions for all three assets must be pursued we are now prepared to explore what the best path forward is for each respective City asset – and to the ultimate benefit of ALL key stakeholders in Hamilton, including the Bulldogs.

On the previous topic of facilitating convention redevelopment, we have engaged in discussions with both the Province and the Federal government regarding 'starting the process' as it relates to completing the funding application for the construction of a new convention facility – something that has been done dozens of times in municipalities across the nation, with a very clearly defined process and precedent set towards such facilitation (much like there is a process of schools, hospitals, and other such significant institutional assets that contribute to 'community-building'). Conversations with Provincial MPP Donna Skelly and Federal MP and Cabinet Minister Filomena Tassi in the past few weeks were very encouraging, as both were enthusiastic and positively responsive to this initiative.

We have shared elements of our detailed plan with City Staff and look forward to participating in whatever process the City decides after the February 5th, 2020 council meeting. We are believers in this great City and we know that Hamilton's best is yet to come.

We look forward to your response and are grateful to you for the time you invested in thoroughly reviewing this note and in better understanding our collective intentions.

With the greatest of respect,

P.J. Mercanti,

As a member of the Hamilton Urban Precinct Arts & Entertainment Group