



**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
**Economic Development Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	August 8, 2022
<b>SUBJECT/REPORT NO:</b>	Downtown Entertainment Precinct Master Agreement Update (PED18168(h)) (Ward 2)
<b>WARD(S) AFFECTED:</b>	Ward 2
<b>PREPARED BY:</b>	Joshua Van Kampen (905) 546-2424 Ext. 4592
<b>SUBMITTED BY:</b>  <b>SIGNATURE:</b>	Judy Lam Acting Director, Economic Development Planning and Economic Development Department 
<b>SUBMITTED BY:</b>  <b>SIGNATURE:</b>	Raymond Kessler Chief Corporate Real Estate Officer Planning and Economic Development Department 

**RECOMMENDATION(S)**

- (a) That staff be authorized and directed to amend the Master Agreement such that a non-HUPEG controlled entity, under the control of Oak View Group, could become the Tenant of a head lease contemplated in the Master Agreement, on terms satisfactory to the General Manager of Planning and Economic Development Department or their delegate;
- (b) That the Mayor and City Clerk be authorized and directed to execute any and all necessary documents related to the amended Master Agreement, in a form satisfactory to the City Solicitor.

**EXECUTIVE SUMMARY**

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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.

On June 9, 2021, City Council approved the Master Agreement between the City and the Hamilton Entertainment Precinct Group (HUPEG), that among other things will see HUPEG take over all responsibility for the City's downtown entertainment assets, the FirstOntario Centre, the Hamilton Convention Centre, and the FirstOntario Concert Hall. In this regard, a HUPEG-controlled entity is to become the Head Tenant under a long-term lease for each of the Facilities.

HUPEG has been in discussions with Spectra/Global Spectrum (now owned by the Oak View Group), the current operators of the arena and concert hall, to form a partnership that would become the Tenant of the FirstOntario Centre and FirstOntario Concert Hall. This partnership will see the Oak View Group (OVG) inject a minimum of an additional \$50M, on top of the HUPEG \$50M investment, into the up-front arena renovations. However, due to the upfront investment and on-going operational management investment by OVG, the partnership will be controlled by OVG. In order for the City to enter into the subject head lease with such partnership, the Master Agreement will need to be modified to permit a non-HUPEG controlled entity to become the Tenant.

This Report seeks Council authorization to amend the Master Agreement accordingly.

### **Alternatives for Consideration – Not Applicable**

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: N/A

Staffing: N/A

Legal: Legal staff have been directly involved in the negotiations and preparation of the Master Agreement with the assistance of external legal expertise and will continue to support the subject amendment.

### **HISTORICAL BACKGROUND**

On December 1, 2017, Council approved a motion that directed staff to investigate the opportunities for a private sector-led redevelopment of the FirstOntario Centre, the Hamilton Convention Centre, and the FirstOntario Concert Hall.

On January 23, 2019, Council directed staff to commission an independent third party study which was to be guided by the Council-Approved Vision set out in the Downtown Secondary Plan, Economic Development Action Plan, Cultural Plan and Hamilton Tourism Strategy, which assessed various ownership and divestment models for the downtown entertainment assets.

On October 23, 2019, Council directed staff to identify suitable arena development opportunities, to speak to surrounding landowners and others about any new arena opportunities, which may arise, and to consider the potential renovation/redevelopment of the current FirstOntario Centre site/facility.

On February 5, 2020, Council authorized and directed staff to simultaneously negotiate MOUs with each of Vrancor Group Inc. and Hamilton Urban Precinct Entertainment Group L.P., with respect to the redevelopment of Hamilton's Entertainment Venues. Council further directed staff to identify the proposal(s) which eliminates the City's ongoing subsidization of all three venues and best aligns with the Council Approved Terms and report back to GIC.

On July 6, 2020, Council authorized and directed staff to execute the Downtown Entertainment Precinct MOU put forward by HUPEG and to negotiate a Master Agreement based substantially on the terms outlined in the MOU for Council's consideration.

On June 9, 2021, Council approved the Master Agreement for the Downtown Entertainment Precinct Assets and directed staff to negotiate any agreements required to fulfil the objectives of the Master Agreement.

On September 29, 2021, Council approved The Revitalizing Hamilton's Commercial Districts Community Improvement Plan and the associated the Downtown Entertainment Precinct Advancement Program to approve tax-based incentives per the Master Agreement.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

City Council, at its meeting of November 24, 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. The Recommendations of this Report are consistent with the City's Real Estate Portfolio Management Strategy Plan, as approved by Council on November 24, 2004, and the Sale of Land Policy By-law 14-204.

## **RELEVANT CONSULTATION**

**SUBJECT: Downtown Entertainment Precinct Master Agreement Update  
(PED18168(h)) (Ward 2) - Page 4 of 5**

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- Planning and Economic Development Department, Economic Development Division; and,
- Corporate Services Department, Legal and Risk Management Services Division, Financial Planning and Policy Division.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

As directed by Council, staff negotiated a Downtown Entertainment Precinct Master Agreement (Master Agreement) with the Hamilton Entertainment Precinct Group L.P. (HUPEG), which agreement was approved by Council on June 9, 2021. The Master Agreement anticipates the City entering into head lease agreements with HUPEG-controlled entities for the operation, management, and maintenance of each of the entertainment assets. It also anticipates HUPEG partnering with others in fulfilling its obligations under the Master Agreement and/or the Lease Agreements. Currently the FirstOntario Centre and the FirstOntario Concert Hall are operated by Spectra/Global Spectrum (Spectra), and the Convention Centre is operated by Carmen's Group (Carmen's). The Operating Agreements for these venues will be assumed by HUPEG under the head leases.

Subsequent to the Master Agreement being executed, two events transpired: HUPEG began to enter into discussions with Spectra with a view to the future management and operations of the arena and hall; and, Spectra was acquired by the Oak View Group (OVG). OVG is a development and investment company for sports and live entertainment industries and is considered the global leader in this field. In assessing the growing opportunities in the Hamilton marketplace, OVG expressed an interest in playing a larger role in the redevelopment of the FirstOntario Centre.

The Master Agreement obligates HUPEG to invest a minimum of \$50 Million into the redevelopment of FirstOntario Centre, involving the development and activation of street level commercial operations and opportunities on the north and west York/Bay street level retail spaces, and the significant predominantly event level and lower bowl transformation. HUPEG is seeking to partner with OVG for the redevelopment of FirstOntario Centre and FirstOntario Concert Hall, whereby OVG will increase the minimum investment of HUPEG's original \$50 Million to a minimum of \$100 Million for the redevelopment of the FirstOntario Centre, and will bring its considerable financial and more importantly market clout to the renovation and operation of the renovated facilities. While HUPEG will maintain a significant equity interest, the nature of the partnership between OVG and HUPEG necessitates that the head lessee be an OVG-controlled entity, which is currently not available to HUPEG under the Master Agreement. Staff are recommending a change in the Master Agreement to accommodate the proposed arrangement. The proposed new arrangement will significantly increase the investment into the arena. More importantly, the City will

benefit from what is anticipated to be increased levels of economic activity generated from the events attracted to the newly improved facilities.

OVG was founded by Timothy Leiweke, the former CEO of Maple Leaf Sports Entertainment, and Irving Azoff, the former chairman and CEO of Ticketmaster Entertainment and executive chairman of Live Nation Entertainment.

OVG's latest multi-purpose arena development projects of significance in the last few years:

- Climate Pledge Arena - Seattle, Washington (Home of the Seattle Kraken) - \$1.15 Billion USD;
- UBS Arena - Elmont, New York (Home of the New York Islanders) - \$1.5 Billion USD; and,
- Moody Centre, Austin, Texas (University of Texas Basketball Programs) - \$380 Million USD.

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **Economic Prosperity and Growth**

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

## **APPENDICES AND SCHEDULES ATTACHED**

N/A

JVK/RK/AK: jrb