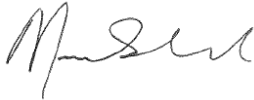





Hamilton

# INFORMATION REPORT

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	July 10, 2023
<b>SUBJECT/REPORT NO:</b>	Downtown Entertainment District Annual Status Update (PED23175) (Ward 2) ( <b>Outstanding Business Item</b> )
<b>WARD(S) AFFECTED:</b>	Ward 2
<b>PREPARED BY:</b>	Josh Van Kampen (905) 546-2424 Ext. 4592
<b>SUBMITTED BY:</b>	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
<b>SIGNATURE:</b>	
<b>SUBMITTED BY:</b>	Raymond Kessler Chief Corporate Real Estate Officer Planning and Economic Development Department
<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Council at its meeting of the General Issues Committee on March 23, 2022 approved the following recommendation:

That staff be directed to report back annually on the operations of the Hamilton Urban Precinct Entertainment Group L.P with regard to the lands known as the FirstOntario Centre, the Hamilton Convention Centre and the FirstOntario Concert Hall, and report back to the General Issues Committee.

## INFORMATION

This information report presents an overview of the milestones achieved with the City and Hamilton Urban Precinct Entertainment Group L.P. from March 2022 to June 2023. Over the course of these 15 months the following major project milestones have been achieved:

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.

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- Identification of the three venues as Municipal Capital Facilities;
- Signing and execution of leases for all three facilities with Hamilton Urban Precinct Entertainment Group L.P., effective January 1, 2023; and,
- Approval of Oak View Group as a non-Hamilton Urban Precinct Entertainment Group L.P. controlled entity that allows for Oak View Group to become the tenant of the leases for the FirstOntario Centre and First Ontario Concert Hall.

## **Background**

On June 9, 2021, Council approved a Master Agreement for the Downtown Entertainment Precinct Assets. The Master Agreement anticipates the City entering into lease agreements with Hamilton Urban Precinct Entertainment Group L.P. -controlled entities for the operation, management, and maintenance of each of the entertainment venues for 49 years. This is expected to result in cost avoidance to the City of \$155 million dollars over a 30-year period. Hamilton Urban Precinct Entertainment Group L.P. also committed to a comprehensive arena transformation of over \$50 million dollars, as well as an investment of a minimum of \$12.5 million dollars in capital upgrades, expansion, and aesthetic enhancements to the existing Hamilton Convention Centre and Concert Hall, as well as a one-time \$2 million contribution to the Art Gallery of Hamilton.

In exchange, the City will transfer the following City-owned properties to Hamilton Urban Precinct Entertainment Group L.P for the purpose of redevelopment (at its cost and for its benefit):

- York Boulevard Parkade;
- Surface parking lot located at 14 Vine Street; and,
- 191 York Boulevard.

In addition to preserving existing tax exemptions through a Municipal Capital Facility designation, the City's contribution to the Master Agreement also includes a new incentive program called the "Downtown Entertainment Precinct Advancement Program" in which the three development properties are eligible for a tax-increment based grant.

## **Municipal Capital Facilities Approval**

At the March 23, 2022 General Issues Committee, Council approved the three entertainment facilities (being FirstOntario Centre, Hamilton Convention Centre, and

FirstOntario Concert Hall) as municipal capital facilities which was contemplated in the Master Agreement.

Municipal Capital Facility designations for the FirstOntario Centre, Hamilton Convention Centre, and FirstOntario Concert Hall will allow Hamilton Urban Precinct Entertainment Group L.P. and/or its associated entities to maintain the existing tax exemption the City is entitled to under the *Assessment Act*, which would otherwise cease to apply once the entities are leased by a commercial entity. Maintaining the Municipal Capital Facility status was one of the terms of the Master Agreement and effectively maintains the “status quo” tax status of the three facilities.

The Municipal Capital Facilities designation applies to each of the buildings comprising the Downtown Entertainment Venues, excluding any areas not used for eligible purposes as well as any space subleased by the Hamilton Urban Precinct Entertainment Group L.P. entity. These exclusions are intended to ensure any commercial space within the facilities that is not related to the eligible purposes will not benefit from the exemption. For example, at the arena and the ice surface would benefit from the exemption, however any administrative space rented to or occupied by third parties would be excluded. The designation will also cease if the given lease is terminated for any reason.

### **Finalization of Lease Agreements**

The Master Agreement with Hamilton Urban Precinct Entertainment Group L.P. anticipates the City entering into lease agreements with Hamilton Urban Precinct Entertainment Group L.P. controlled entities for the operation, management, and maintenance of each of the entertainment venues for 49 years.

The Master Agreement is implemented through leases for each of the three entertainment assets. The City and Hamilton Urban Precinct Entertainment Group L.P. completed lease negotiations in November 2022, and effective January 1, 2023, Hamilton Urban Precinct Entertainment Group L.P. entered into 49-year leases for each of the FirstOntario Concert Hall, FirstOntario Centre, and Hamilton Convention Centre, on an as-is, and fully net and carefree, including all capital and operational responsibilities.

### **Public Release of Master Agreement:**

At the March 23, 2022 General Issues Committee, the following motion was approved:

“That Staff be directed to review what, if any, portions of the agreement between the City of Hamilton and the Hamilton Urban Precinct Entertainment Group L.P, with regard [to] the lands known as the FirstOntario Centre, the Hamilton

Convention Centre and the FirstOntario Concert Hall may be publicly released, and report back to the General Issues Committee.”

Staff reviewed the Master Agreement and assessed what could be publicly released, considering the contractual obligations set out in the Master Agreement and the statutory obligations set out in the *Municipal Freedom of Information and Protection of Privacy Act (MFIPPA)*. As a result, the Master Agreement between Hamilton Urban Precinct Entertainment Group L.P and the City of Hamilton was made a public document, with a few redactions on June 8, 2023, which is attached as Appendix “A” to Report PED23175.

### **Oak View Group Partnership**

In 2022, Hamilton Urban Precinct Entertainment Group L.P brought forward Oak View Group as a lead partner for the development and operations of the FirstOntario Centre and FirstOntario Concert Hall. Oak View Group will increase the anticipated renovation to the arena of \$50M to at least \$100M, as well as bring in world class operations, concerts, and events. On August 12, 2022, Council approved an amendment to the Master Agreement that allows for a non- Hamilton Urban Precinct Entertainment Group L.P controlled entity, under the control of Oak View Group, to become the tenant of a lease contemplated in the Master Agreement.

Oak View Group 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. Oak View Group has finished multiple redevelopment or new construction arena projects within 16 months of construction start. Recently, Oak View Group has redeveloped CFG Bank Arena in Baltimore, which included renovations that feature overhauled concourses, new suites, new concessions, a new exterior, and new seating. This is a \$200M USD project and was opened in February 2023 and took 11 months to complete.

Oak View Group’s multi-purpose arena development projects of significance in the last few years include:

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

The City is finalizing negotiations with Oak View Group and Hamilton Urban Precinct Entertainment Group L.P on lease terms that would see obligations for the development and operations of the FirstOntario Centre and FirstOntario Concert Hall shift from Hamilton Urban Precinct Entertainment Group L.P to a non- Hamilton Urban Precinct Entertainment Group L.P controlled entity under the control of Oak View Group.

### **Next Steps**

The proposed development plans for the three venues, as per the Master Agreement, include the following:

- FirstOntario Centre – a minimum \$50M (\$100M with Oak View Group participation) transformation of the concourses and seating of the Arena into a “modern facility” that provides lower bowl seating for approximately 9,000 customers, including club suites, private boxes and state of the art amenities while also maintaining access to the upper balcony for larger scale events;
- Hamilton Convention Centre – renovations, upgrades and enhancements with a commitment to ongoing “modernization”, including an expanded ballroom, budgeted at not less than \$10M; and,
- FirstOntario Concert Hall – a minimum commitment of \$2.5M focused primarily on enhance food and beverage opportunities, cosmetic refreshes and technological upgrades.

Upon finalization of all necessary leases and agreements with Oak View Group and Hamilton Urban Precinct Entertainment Group L.P, it is anticipated that the required Building Permits and any related approval applications will be submitted for City approvals. It remains the expectation that the arena will be the initial priority for development, with construction anticipated to commence subsequent to the completion of events in the arena already committed for December 2023.

Hamilton Urban Precinct Entertainment Group L.P also intends to launch a website and related communication materials later this summer to keep the public informed about the scope and timing of construction works at all three facilities.

### **APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report PED23175 – Public Master Agreement (Redacted)