

Memo

To: Mayor and Members of Council of the City of Peterborough
From: Jonathan Hack, Director, Sierra Planning & Management
CC: File
Date: 13/03/2018
Re: Major Sport and Event Centre Phase 1

Purpose of Report

Sierra Planning and Management in association with DIALOG and International Coliseums Company (ICC) have been retained by the City of Peterborough to determine the overall feasibility and costs-benefits of investment in a new Multi-Use Sport and Event Centre (MUSEC) in the City. This equates to a detailed assessment of the viability of a new facility from a number of perspectives: relative need for a new facility; market opportunity, design and capital costing magnitude, operational performance and locational options. In order to achieve all of this, and recognize that these issues are interwoven, the analysis is comprised of two (2) phases. Together, the resulting analysis will provide answers to all of these questions based on detailed research as well as the experience of the consulting team working closely with City administration. The resulting draft report will combine the results of Phase 1 and Phase 2 and will include the final recommendations of the consulting team for consideration by Council as well as a series of detailed next steps with respect to the implications of our findings, our recommendations and the priorities of the City of Peterborough.

Phase 1 versus Phase 2

There is no single measure of viability of a facility of this nature. Rather, it is determined through a combination of work streams that together address the relative merits of the project, the proposed capital spend and operational impacts (both financial and “below-the-line” economic benefits) and the tolerance toward the range of risks (cost, market, timing, and financial) that must be understood prior to embarking on a funding strategy to develop the facility.

Together, the questions at the head of the analysis are as follows:

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1. **Is the Peterborough Memorial Centre (PMC) worth re-investing in as the City's sports and entertainment (event) centre?**
2. **Should the City of Peterborough be involved in the entertainment and events business?**
3. **What is the current and future market for events in the City and at a major sports and entertainment facility?**
4. **What are the views of the Stakeholder community?**
5. **How will the viability of potential locations and sites be determined?**
6. **Should the PMC be unviable over the long-term as the City's multi-use sport and event centre, what are the potential alternative uses for the PMC?**

The attached reporting as a PowerPoint slide deck represents a summary of the research to date. It provides directional findings in regard to several of the core questions above. Phase 1 cannot address all of the questions as several are relevant to a more detailed exercise which is conceived as Phase 2.

The distinction between Phase 1 and Phase 2 is one of degree and level of detail in final reporting. Given the expedited timeframe of this study, both phases are necessarily overlapped.

The final report submitted in the Spring will comprise a full assessment of the following in general terms:

- A- Market Viability and Projected Event Days at a New Venue
- B- Operational Model and Financial Projections for a New Venue
- C- Broad estimation of scale and functional program uses for a new building
- D- Potential Re-use options for the PMC
- E- Estimated Capital Costs associated with a new building, as well as potential retrofit/repurposing costs associated with the existing PMC.
- F- Location and site evaluation including an estimate (order of magnitude) of capital costs associated with the selected preferred site (as identified by the consulting team)
- G- Estimates of Economic Impact and approaches to funding the potential range of capital costs

The attached Phase 1 report provides a baseline assessment of key issues to be addressed as part of the assignment namely:

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1. Is the Peterborough Memorial Centre (PMC) worth re-investing in as the city's sport and event destination? This includes consideration for the level of historic and required future investment in the existing facility and the extent to which the facility can feasibly be improved functionally compared to the opportunities associated with a new venue.
2. Is there a role for the City of Peterborough in the events market? This is based on a review of the performance of the existing PMC including historic trends in event hosting, attendance by type of event as well as associated revenues.
3. What is the nature of the market for events? This includes an assessment of the existing market draw to the PMC and which may support investment in a new MUSEC, as well as considerations as to how the market area is expected to change over time.

This reporting sets a directional picture of the opportunity for the development of a new facility based on the long-term limits of the PMC, as well as the likely future growth of the market. The draft report for Phases 1 and 2 combined will develop a projection of event days and patronage at the venue based on projected population growth in the primary trade area as well as the improved competitiveness of the City in attracting touring events to a new facility.

All of these projections are based on the assumption of a building design and location which enhances rather than hinders the capacity of the building to perform more effectively and attract a greater number of events and patrons.

As such, the work to date represents an input to the ongoing work of assessing potential locations, design concepts and capital and operating implications of investment in a new facility.

Relationship with Community Ice Needs

The opportunity to develop a second ice surface at a new multi-use facility as well as the other option to retain the PMC as community ice, or potentially twin that facility to help meet future community ice needs are all relevant questions. Our reporting will address these as part of the combined report in the Spring.

However, it is important to recognize that the merit of a single-bowl spectator facility needs to be established on the basis of the questions which drive this study, rather than on the potential to help solve the future deficit in community ice provision. This translates squarely into the question: should a new facility have a second ice surface?

The answer to this question lies in its relation to the overall scale of capital cost and the constraints of site location. The locational assessment thus far is predicated on Council's endorsement of the search for a site within the existing Central Area planning boundaries (Official Plan Schedule J) which preclude

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the easy accommodation of a second ice surface. This is not to suggest that the ultimate project exclude a second surface, and examples exist of two sheet buildings in the context of tight urban sites. This includes Oshawa's Tribute Communities Centre, but the decision to accommodate a second sheet may represent an opportunity dependent on site and funding availability rather than a predetermined component of a downtown event centre.

History of Investment in the PMC

Capital cost expenditures over the life of the Centre are estimated to be in the range of \$25.21 million¹.

The Peterborough Memorial Centre has served the City of Peterborough well over the years. However, like many facilities of its time, it is exhibiting a significant number of present-day challenges.

The Centre has been well used over its 61-year history, despite a major renovation in 2003, there are a number of systems and components that are at or nearing their end-of-life. Some of the more significant components that have been identified as requiring replacement through 2023 are:

- Exterior building envelope, windows, and doors;
- Interior millwork, floor, wall, and ceiling finishes;
- Domestic water, rainwater and sanitary plumbing systems upgrades; and
- Exterior site work, landscaping, and fencing.

An updated detailed building condition assessment is required to adequately determine the condition and remaining lifecycle of the building elements.

Given the order of magnitude of the functional and building condition currently facing the existing Peterborough Memorial Centre, the anticipated capital costs associated with addressing them in a substantial manner, and the local low density residential context, it is becoming increasingly timely for the City of Peterborough to consider a new special events facility to host Major/Junior sports, entertainment, and special events.

Given the robust nature of the Centre's concrete structure, and the placement of the executive suites, the total seat count is fixed for the foreseeable future.

¹ Not including capital expenditures from 1957 to 2002.

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The City's Involvement in the Events Market

The City of Peterborough, through its investment and operation of the PMC, has been a longstanding player in the events market in Eastern Ontario.

In general, the PMC has hosted a consistent number of sporting events and has seen steady growth in the concert market in the last few years.

A review of historic events indicates there is opportunity for growth in live shows, family events and the tradeshow/conventions market.

Trends in facility performance indicate the importance of the concert market at the PMC. Despite hosting comparably fewer of these events compared to tenant events, concerts generate a significant share of gross revenues for the facility. Additionally, on a per event basis, concerts generate the largest gross revenues compared to other activities.

A review of PMC **tenant** event ticket sales indicates the market for these activities is more local than regional. However, non-tenant events (for example concerts) tend to pull a larger share of attendees from beyond the local and county area. This can be expected to have both direct economic impacts through spending at the PMC as well as indirect economic impacts as out-of-area visitors can be expected to spend dollars outside of the PMC on food and beverage, accommodations and other items locally.

The build-out of highway infrastructure (407 bypass) is expected to support increased visitation to an MUSEC, while the anticipated population growth over the next two decades in the market area as a whole (not simply the City) will also improve the overall scale of market opportunity.

The Market for Events

Based on a sample of historic concert tour flows to the PMC, the market for non-sporting event is understood to support a mid-range line of North American based acts – largely in the country and western, pop-rock musical genres.

Recent (2017) tour flows for acts visiting the PMC illustrate demand for mid-sized concert venues. PMC acts illustrate a tendency to play a larger number of venues – typically outside of the GTA and for which the PMC serves as a destination prior moving on venues belting the 401 to west to Windsor, east to venues in Nova Scotia and north through Sudbury to Western Canada.

A review of select concert tours that did not visit the PMC, depicts a roster of artists of international acclaim (e.g. Bob Dylan) and which play comparatively fewer but larger venues (6,000 to 20,000 capacity) in Toronto, the GTA, southern and western Ontario as well as Quebec (Montreal).

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A new MUSEC with a larger spectator capacity and the configuration efficiencies of modern venues is expected to attract artists and acts with a larger market base/draw. This will also serve to better position the PMC with other competitive venues in the Eastern GTA and near-Eastern Ontario market – namely Oshawa, Belleville and Kingston.

Further to the above, a larger seat count and capacity is expected to incrementally diversify the roster of live performances, concerts and other acts to Peterborough. The patron market within a 50-minute drive time of the existing PMC is shown to have a tendency toward greater spending on non-sporting events compared to markets for other competitive venues. An improved capacity to tap into the non-sporting event market is anticipated to generate greater appeal within the current market area.

Competitive venues in Oshawa and Kingston are understood to be ‘better-heeled’ in the tradeshow and convention market – an opportunity that is currently limited at the existing PMC given its largely residential surroundings and distance from the 400 series. Much of this is may be overcome over time in a new MUSEC and future Highway improvements/extensions.

As the existing PMC continues to age, it is expected that the PMC will see a gradual loss in its market share for events to other modern competitive facilities. This is an opportunity-cost if investment in a new MUSEC is not pursued.

Directional Findings

With respect to the key questions posed as part of our baseline (Phase 1 work), the following should be noted:

A) Functional Capacity of the PMC

- Functionally obsolete as a long-term multi-use sports and entertainment (events) facility;
- Significant capital costs to remediate existing structural issues suggests that decisions regarding long-term future should determine the approach to spending and the amount of investment;
- No capacity to add additional fixed seating to meet a modern standard of expectation for hosting major sporting events (5,000 seats);
- The comparison between the existing PMC and a new facility is not limited to the costs of a new facility. The existing facility will have increasing capital costs over time to maintain, rather than improve, its functionality. At the same time, despite these costs and investment, the competitiveness of the facility in the events market is expected to weaken, representing a further disincentive to invest in remedies for the PMC.

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B) City's Role in the Spectator Events Market

- The City of Peterborough is fully invested in the spectator events market in addition to the spectator market for hockey and lacrosse. This includes the Music Fest concert series which occurs on City parkland at the Waterfront during the summer as a free event series.
- The market draw for events to the PMC is expectedly broad for even the most typical of events – extending well beyond the City and into southern Durham Region and parts of the GTA to the west of Durham.
- The City of Peterborough is both the beneficiary of the proximity to the GTA market as well as a partial casualty in terms of enhanced competitive offer at other GTA venues.
- There is an emerging strong rationale for investing in renewed facilities to better access this market potential, with greater frequency and the potential for improved economic and reputational benefits for the City.

C) Future Market for Events

This represents a work in progress as we continue to establish the parameters of future viability. Nevertheless, it is apparent that the City is potentially able to increase its market share for the current events market, as well as improve the financial equation for the operations of a new sports and events centre based on the efficiencies and revenue potential associated with new modern, state-of-the-art MUSECs.

Locational Assessment and Site Selection

The consulting team has commenced a full assessment of site options for a new multi-use sport and event centre. Due to the sensitive nature of this work, the analysis is being conducted without public reporting in order for the consulting team and City Administration to provide the necessary drill down on potential pros and cons of all identified sites.

It should be noted that a full assessment and evaluation is in the process of being undertaken and will be shared with Council at the appropriate time during the course of this work.

Yours sincerely,

SIERRA PLANNING AND MANAGEMENT



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Director