

# CITY OF PETERBOROUGH MULTI-USE SPORT AND EVENT CENTRE

## FEASIBILITY STUDY

SEPTEMBER 2018



**Sierra Planning and Management**  
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Appendix A: MUSEC Conceptual Program

Appendix B: Order of Magnitude Capital Costs

## Executive Summary

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 (capital cost, market, timing, and operational) that must be understood prior to embarking on a funding strategy to develop the facility.

### Key Questions Answered

- **Is the Peterborough Memorial Centre (PMC) worth re-investing in as the City’s sports and entertainment (event) centre?**

There is no capacity to add additional fixed seating to meet a modern standard of expectation for hosting major sporting events (5,000+ seats).

The increasing lack of functionality of the PMC, relative to its competition, is the most significant future risk. The required investment to maintain the building in essentially its current functional state is not supportable and is made more apparent when considering the likely future subsidies required to support annual

operations over and above the required capital expenditures to maintain it.

Future life cycle costs are based on a 2011 Building Condition Assessment which identified the remaining life of all building systems and FF&E (furniture, fixtures and equipment) and their replacement cost in current dollars (2011).

### Future Capital Investment Required for PMC

Estimated Replacement Year	Budget
2012 - 2020 <sup>1</sup>	\$3,369,467
2021 - 2030	\$4,850,643
2031 - 2040	\$4,750,647
2041 - 2050	\$7,364,754
2051 +	\$ 819,315
<b>Total</b>	<b>\$21,154,825</b>

*Source: Sierra Planning and Management based on Accent Building Science Inc. Memorial Centre Building Condition Report, 2011*

All of this additional capital spending, which in 2018 dollars is approximately \$26 million, is simply to maintain the **current** level of functionality. None of this spending improves the capacity or functionality of the building in a materially significant way or enables it to compete better against buildings in other centres in the region. Less charitably, it can be viewed as the spending required to maintain the same level of disfunction of the building. An analogy

<sup>1</sup> Short-term costs do not include expenditures planned and pre-approved for ice pad and dasher boards replacement of \$3.5 million. However, refrigeration plant upgrades planned for 2025 per this 2011 report have

been undertaken; and dasher boards, now part of the 2019 expenditures, were planned for 2023.

with treading water doesn't do justice to the fact that this can only occur for so long.

The operating gap – the gap between market potential and the performance of the building - is more than just a comparison of the current to future deficit of the PMC, it is between the future deficit in this building and the operating performance of a new building. That is likely to represent a wider gap still.

The resulting economic impacts of the building also can be expected to decline as the competitive position of the building in the market place further declines.

All together, these growing margins between what is possible and what is apparent, represent opportunity costs that are potentially every bit as important over time as capital costs are in terms of initial funding needs for a new building.

➤ **Should the City of Peterborough be involved in the entertainment and events business?**

The City of Peterborough, through its investment and operation of the PMC, has been a longstanding player in the events market in Central and 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 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 City of Peterborough is fully invested in the spectator events market in addition to the spectator market for hockey and lacrosse. 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 its 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.

The existing spending impact arising from the operations of the PMC and the spending of patrons in the City associated with visiting the PMC is not inconsiderable. The direct spending impact coupled with the wider impacts to the region is in the order of \$8 million to \$9 million annually.

### Profiling the Market Area for Concerts

2017 Concerts Attendance (excl. OHL and Lakers)		
General Area	Patrons	%
1 City of Peterborough	10,642	46.2%
2 Peterborough County and North Hastings County Lindsay, Kawartha Lakes, Haliburton, West	4,252	18.5%
3 Northumberland County Belleville, Trenton, Cobourg, Port Hope, Quinte	2,119	9.2%
4 Shores East	1,819	7.9%
5 Oshawa, Whitby, Pickering, Ajax	553	2.4%
6 Bowmanville, Newcastle, Courtice, East Durham	417	1.4%
7 Toronto	360	1.6%
8 International	257	1.6%
9 Other: Renfrew /Lanark, London	215	0.9%
10 Port Perry/Uxbridge, Keswick, Barrie	146	0.6%
Sub-Total	20,780	90.2%
Other	2,259	9.8%
<b>Total</b>	<b>23,039</b>	<b>100.0%</b>

- **What is the future market for events in the City and at a major sports and entertainment facility?**

### Tenants

- Clearly two tenants remains the aim with a goal to ensure stable enhancement in non-tenant events as well;
- The goal for tenant events is to increase attendance commensurate with the higher seat count in the new facility and ensure sustainability of this annual attendance. This

speaks to the responsibility of the teams to create an evergreen business planning framework which is capable of sustaining growth in the target audience market; and

- Comminute with this, new license agreements will reflect the importance of achieving higher attendance and patron spending at all events.

### Non-Tenant Events

- The aim should be attendance growth leveraging the higher seat count, the greater functionality of the building, its renewed competitive position and the market that is growing;
- The aim should be continued diversification of event types and growth in all categories of event;
- If a second pad is an option the aim should be to maximize the trade show and convention market working with the hotel sector and, depending on the site capacity, utilizing the campus as a whole;
- Armed with a new building, actively seek a place in the market for major provincial and national sporting competitions / championships. This includes not only ice but dry floor sports as well (i.e. gymnastics, dance, court sports, even pool events - see Windsor's successful use of a 50-metre competition Myrtha pool in its sport and event centre); and
- A second pad adds significant potential for tapping new ice rental opportunities (for example, adult summer leagues, as is the case in Oshawa's Tribute Communities Centre), as well



as major tournaments. A second pad would be scheduled primarily as a community recreational facility to meet those future needs but with its complimentary use for major events. This is particularly the case if the community facility includes a number of meeting / break-out rooms for use during conventions.

The goal for a new MUSEC should be to attract, on a sustainable basis, between 25 to 30 commercial ticketed events in addition to the roughly 55 game days of the two tenants that typically occur each year. While yearly numbers vary, the 2017 calendar included 18 such events over and above the 56 tenant events.

It is estimated that the annual operating and visitor spending impact arising from a new MUSEC is an order of magnitude greater than at present – likely to be in the range of \$12 million to \$13 million.

### Proposed Concept and Capital Cost

Following the review of market opportunities, the balance of the report addresses the proposed concept which is recommended to be a new facility with approximately 5,500 to 6,000 fixed seats (our proposed concept is 5,500 to 5,800 fixed seats). The capital cost, potential approach to a funding strategy, as well as an estimate of the operating costs and revenues are also included.

### Order of Magnitude Capital Costs

Cost (Note: Costs exclude land, off-site servicing and extra-ordinary development costs.)	Event Centre (\$2018)		Plus Community Ice Pad (\$2018)	
	5800 Seats Approx. 155,000 sq. ft.	% of Total	Approx. 190,000 sq. ft.	% of Total
A. Hard Construction Costs	\$43,975,000	61.0%	\$55,756,000	64.9%
B. General Consultations & Selected Soft Costs	\$9,710,000	13.5%	\$9,710,000	11.3%
C. Other Soft Costs	\$4,570,000	6.3%	\$5,470,000	6.4%
D. FF&E	\$13,877,000	19.2%	\$14,971,000	17.4%
<b>Total</b>	<b>\$72,132,000</b>		<b>\$85,907,000</b>	

### Relationship with Community Ice Needs

The business case for a second ice surface lies in its relationship to the overall scale of capital cost and the constraints of site location. Other things being equal, we would recommend the active consideration of an integrated community ice surface as a second pad. There are significant benefits to the community and marketability of the centre for space extensive events. There are also obvious economics of scale in both capital and operating costs.

### Locational Opportunities

The choice of location is complex and represents an ongoing discussion, as it should. The benefits of a second ice pad and the successful search for a site to accommodate a larger footprint such as would result from a two-pad facility clearly intersect with the viability of a downtown versus a near-downtown location. Choices will have to be made. This report, as well as the location assessment report under separate cover, provides the range of choices and the implications of each.



The locational assessment is predicated on Council's endorsement of the search for a site within the existing Central Area planning boundaries (Official Plan Schedule J) which precludes the easy accommodation of a second ice surface. This is not to suggest that the ultimate project exclude a second surface; examples exist of two sheet buildings in the context of tight urban sites, including Oshawa's Tribute Communities Centre.

As required by the Council Motion in this regard, the locational assessment of sites outside of the Central Area is necessary given the constraints or otherwise of existing Central Area sites; regardless, the decision to accommodate a second sheet may represent an opportunity dependent on site and funding availability rather than a predetermined component of a new event centre.

### Understanding the Benefits and Costs of Status Quo Versus Change

A new Multi-Use Sport and Event Centre will in all likelihood return an annual deficit. Very few venues of this nature are operationally in surplus and even fewer account for additional costs such as necessary capital reserve funding as an annual charge.

The status quo is represented by the current deficit which has increased as a result of changes to the licensing agreements for the two teams and the sharing of revenues. A new building offers the potential to achieve the same goals of revenue generation for both the City and the tenants but with less risk assumed by the City.

### PMC Financial Position Summary (2017)

	2017 (Actuals)
<b>REVENUES</b>	
Administration	(1,028,716)
Operations	0
Events	(699,192)
Vending	(20,853)
Food & Beverage Services	(137,327)
Transit Advertising	(83,727)
<b>TOTAL REVENUES</b>	<b>(1,969,814)</b>
<b>EXPENSES</b>	
Administration	710,128
Operations	1,199,844
Events	851,168
Vending	18,411
Food & Beverage Services	7,911
Transit Advertising	0
<b>TOTAL EXPENSES</b>	<b>2,787,462</b>
<b>NET</b>	<b>817,648</b>

#### Revenues/Expenses of Note:

Ice/floor rentals: \$242,570  
Advertising: \$135,038  
License Fees: \$289,600  
Box Office: \$109,262

Admissions: \$293,320  
Contractual Rec.: \$363,780

Salaries/benefits: \$507,100

Salaries/benefits: \$425,806  
Utilities: \$538,173  
Building Mtce: \$122,477

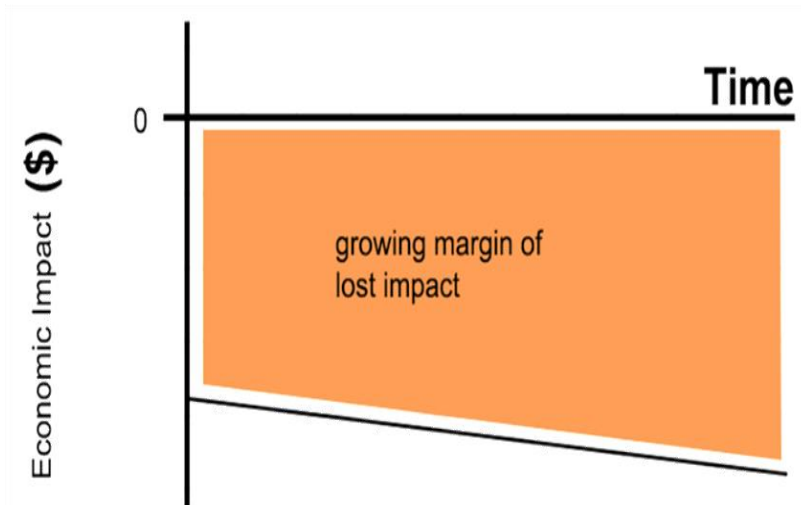
Salaries/benefits: \$509,177  
Contractual Services: \$310,489

A process to renew the principles of licensing arrangements at a new venue is important as a first step, creating a partnership of collaboration to maximize the success of the new facility. The Peterborough Petes and the Lakers are core partners to ensuring the success of the new business plan and a collaborative arrangement of revenue sharing to achieve growth and sustainable operations at a new MUSEC is a fundamental principle going forward.

Our estimates in this report are that a new facility can achieve a reduction in deficit compared to the current position. The amount of that deficit (approximately \$500,000 before consideration of any management fees for a third-party operator) is a conservative assessment. It is anticipated that, as the project moves forward, opportunity will exist to further consider the range of revenues but also costs to determine and reconfirm the expected nature of the deficit for a new building over the long term.



Regardless of the final projections, it is evident that the deficit in the current building will likely grow if the role of that building remains the premier sport and event centre in the City. We have witnessed this in other venues which, as they age and their functionality declines, see the more financially beneficial events decline, replaced with more local events, and the overall operating position deteriorates. This can reasonably be expected in the case of the PMC.

### Growing Gap of Lost Impact



The comparison of benefits and costs (the Benefit-Cost Ratio) firmly indicates that the status quo results in a net cost compared to embarking on an implementation plan to replace the PMC. The estimated Benefit-Cost Ratio (BCR) is 2.40, indicating substantial benefits from this project over the long-term.

**Benefit-Cost Ratio (BCR)**

	Net Present Value (NPV at 5% discount rate)	New MUSEC	PMC – Maintain to 2040 then Build	Benefit-Cost Ratio (BCR) >1.0 =  <1.0 = 
A	PV Total Capital	(\$78 Million)	(\$57 Million)	
B	PV Total Net Operating	(\$10 Million)	(\$21 Million)	
C	PV Economic Impact Benefits	\$213 Million	\$130 Million	
<b>Total Benefit (Cost) (A+B+C)</b>		<b>\$125 Million</b>	<b>\$52 Million</b>	<b>2.40</b>

Source: Sierra Planning and Management

Among other positive social impacts, such as an increase in reputation for a community, multi-use facilities also play an influential role in creating vibrant areas that can attract higher income/higher educated households to the local environment. MUSECs can also act as anchors for regeneration efforts, based on the ability to draw a critical mass of visitors to the area for events, which can help support restaurants and retail shops. Additionally, these large-scale projects can stimulate infrastructure investment in the district and attract other development projects.

These broader regenerative impacts are difficult to predict but, based on case examples, there is a reasonable expectation that a

new MUSEC as part of a more comprehensive development framework for Peterborough can effect change.

As part of the decision-making process, it is important that City planning initiatives like the Official Plan Review continue to create a vision for the central areas of the City.

**Priorities Going Forward**

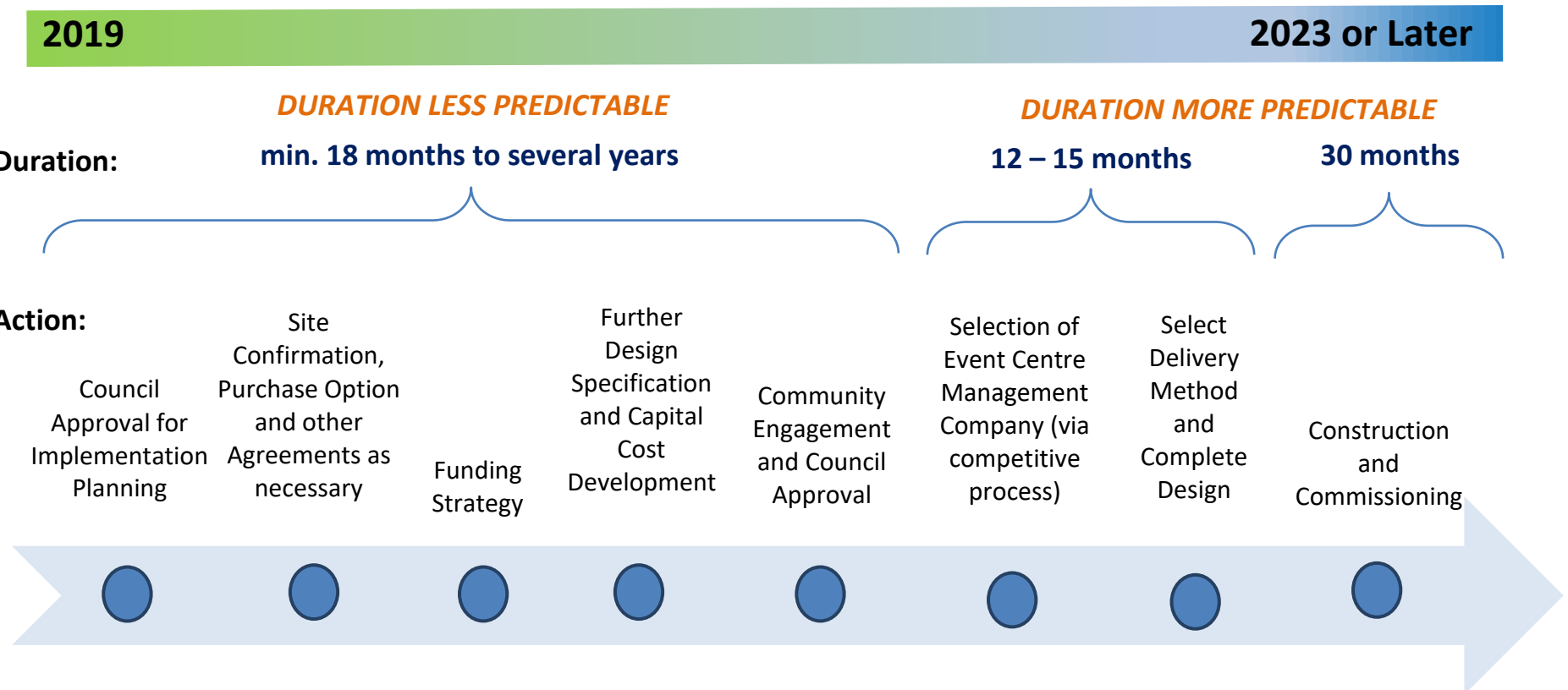
Based on the assumption of timely and concurrent work on the range of location, funding, and downtown planning work that is required, the following represents a schematic timeline to achieve development with 5 years. This is based on the assumption of a) Council approval to continue the work required toward implementation and b) funding is achieved within the timeframe prior to planned construction.

These two caveats – council approval to proceed and achievement of sufficient funding or a likelihood of achieving funding – are critical to the timeline. If a decision to proceed with further site selection work, funding assessment and project planning were immediate, it is likely that a minimum 5-year window is required before the building is completed. Evidence from elsewhere suggests the timeline may be longer by several years, with the delay not in the design and construction phase but in the project definition, location selection and funding approval stages.

Faced with this reality, implementation planning should commence in 2019, so as to ensure a replacement facility in the medium-term. Any delay and replacement becomes more akin to a long-term plan which, based on the findings of this report, represents a risk to the City operating successfully in the events market.

Potential Project Timeline

Potential Timing:



### Site Location

Alongside this report Council has received our analysis which effectively ranks several sites according to our preference based on a range of factors. However, every site has significant questions regarding its validity which can only be answered once the current study is complete and additional site investigation is conducted.

Site selection drill-down analysis for the preferred site(s) is a key next step which enables further consideration of all other aspects of the project. Site selection informs:

- Site development costs;
- Scale and capital cost of the facility;
- Funding Strategy; and
- Delivery Strategy and timing of implementation of a competitive process to select a design-build consortium.

Surrounding all of this is a need to frame the locational choice firmly in the context of the vision for downtown and the central area of Peterborough over the next 20 years. This involves an understanding of the big-moves in land use planning under consideration including the gateways and corridors which are positioned for increased density and redevelopment, planning for the open space system and its connections across downtown, along and across the river and how the future of the GE lands offers a new and innovative direction for the City.

### Design Work

The level of design work in the next phase is tied to the selected method of delivering the facility). At the very least, there is a need to develop the project from a concept plan, developed to articulate expected scale and capacity to fit on candidate sites, to a design which is capable of informing the specifications for a detailed design-build package.

### Funding Strategy

This is likely to involve the following:

1. Continued capital cost estimating based on design specifications work and increasing certainty as to overall scale of land-related acquisition and site development costs/extra-ordinary development costs, etc.;
2. Development of a funding strategy based on a range of potential sources, and a potential approach to itemizing and estimating the funding potential of each; and
3. Undertaking necessary risk analysis for each of the funding sources to determine the potential impact to the tax base arising from different combinations of funding.

The funding strategy should commence immediately in the next phase of work following any decision of Council to accept and approve the feasibility study.

### **New License Agreements**

New License agreements will be required. Work should commence in the shorter term following any approval of this feasibility study. This is because the nature of the license agreement is centrally relevant to the emerging operating model, business planning documents and revenue projections, and even the agreement with the third-party operator and its capacity to manage the building effectively. These agreements also impact the design assignment and functional space program, as well as the capital costs and the extent to which the tenants are expected to contribute capital dollars.

The principles of an agreement with each licensee should be established. More detailed discussion leading to an agreed license agreement can occur with the third-party operator involved alongside the consulting team.

### **Council Updates**

Throughout the process, Council will need to be kept apprised of the outcome of each substantive stage of the work so that decisions can be taken as to whether the project remains viable as the specifics of capital cost, timing, and funding are brought clearer into focus.

### **Future of the Peterborough Memorial Centre (PMC)**

The future use of the PMC should be part of this process. The current study identifies the principles on which any future planning should occur, recognizing the historic value of the PMC to the community. Key among those principles is the need to minimize municipal operating and capital costs for the facility if the City develops a new MUSEC to replace the PMC.

### **Implementation Planning Does Not Equate to Final Approval**

An Implementation plan is essential. There are, as described, a number of concurrent and sequential tasks involved in determining in the final manner whether the City can, or should, invest in the replacement of the facility now, or later. The City will need to address the long-term future of the asset but has a choice to continue the status quo or invest in the process leading to change.

An implementation plan must respect the Council's fiduciary responsibility to assess the feasibility and timing of the project relative to other needs and impacts on the City. Accordingly, there are a number of decision points which are provided in the implementation plan going forward where Council can assess the process of implementation.

The implementation plan is an immediate step to provide greater certainty to the project – its definition, location, cost and affordability to the City.