

**Municipality of Chatham-Kent**

**Chief Administrative Office**

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**To:** Mayor and Members of Council  
**From:** Don Shropshire  
Chief Administrative Officer  
**Date:** May 10, 2018  
**Subject:** Twin Pad Arena, Community of Chatham

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**Recommendations**

It is recommended that:

1. Administration be directed to develop plans to build a twin pad arena in the community of Chatham to replace Memorial Arena and William K. Erickson Arena.
2. Administration complete a site analysis and provide Council with a site recommendation.
3. Concurrent with the site analysis, administration develop specifications for the twin pad arena to be presented to Council.
4. Administration present a financing plan to Council, after exploration of funding options with senior levels of government, to address the costs associated with land procurement, site remediation, bidding, design, and construction of the arena.

**Background**

The 2010 Parks and Recreation Master Plan recommended the development of a new 2,200-seat twin pad arena that will replace Memorial Arena and William K. Erickson Arena in the Community of Chatham. Facility design parameters would allow seating to be increased to accommodate 4,000 to 6,000 visitors to meet demand for larger events. If outdoor sport fields are to be incorporated at the arena site, the Plan recommended a total parcel size of 45-50 acres.

On January 28, 2016, Council approved minimal upgrades only to Memorial Arena, based on findings from the International Coliseums Company.

On January, 29, 2018, administration informed Council of the updated capital and operating costs of twin pad arenas and stated administration will return to Council within the next few months with a recommendation on a twin pad arena size.

On January 29, 2018, administration also informed Council of future lifecycle expenditures expected at all Chatham-Kent arenas. The report concluded that arena closures would not be recommended unless the demand for a facility declines to the point where it is unsustainable to operate, or major repairs are required. At that point, staff will bring a report to Council to recommend either repurposing the facility or closure.

### **Comments**

Attachment A provides a direct comparison between project considerations for a 4,200-seat Event Centre and a 2,200-seat Community Facility. **Administration is seeking direction from Council if they support a 4,200 seat Event Centre or a 2,200 seat Community Facility.**

Council should be aware that other municipalities pursuing similar facilities have retained the professional services of a consultant to lead or assist with the project recommendations discussed in this report.

### **Site Selection and Criteria**

The site selected will impact the cost, timeline, and design of the facility. Sites may require extensive servicing, brownfield mitigation, zoning changes, or property may need to be acquired by the Municipality. It is for these reasons that a site should be determined prior to the initiation of any competitive bid process.

The arena, regardless of size, will require approximately 9 to 10 acres for the building and public parking. An initial analysis by staff has determined there are multiple options within the Municipality that would satisfy this requirement. Further criteria to be considered include:

- Cost
- Economic Impact
- Accessibility
- Development Timeframe
- Neighbourhood Revival
- Alignment with Community Plans and Strategy

It is recommended that administration complete a site analysis and provide Council with a site recommendation for the new arena. Criteria and scoring will be defined with all results included in the Report to Council.

Contrary to the Parks and Recreation Master Plan recommendations, the incorporation of acreage within the site analysis to accommodate outdoor recreational amenities (fields, etc.) would only be included if directed by Council.

Unless impacted by the site selection, Memorial Arena and William K. Erickson Arena will remain operational until the new arena is built.

### Specifications

The capital cost estimate for the Event Centre (4,200 seats), including industry standard amenities, is \$52 - \$56 million. The estimate for the Community Facility (2,200 seats) is \$25 - \$29 million. Neither estimate includes site acquisition, site remediation, servicing costs, or revenues such as grants and donations.

Capital cost estimates will be influenced by variables such as amenity sizes, layout, quality of architectural finishes, and additional amenities requested such as walking track, fitness area, concessions, and removable seats to accommodate concert stages, etc.

In order to expedite the project timeline, it is recommended staff define the specifications of the arena, concurrently with the site analysis. Arena specifications will be presented to Council.

### Operations

Research indicates the annual net operations cost of event centres range from \$400K to \$1M. The large range is impacted by the number of events hosted, the number and type of anchor tenants, and the success of revenue centres such as concessions, seat licensing, box suites, advertisements, naming rights, box office fees, etc.

It is estimated the annual net operations cost for the Community Facility range from \$100,000 to \$200,000. This net cost is comparable to the current combined operations cost of Memorial Arena and William K. Erickson Arena. It is also dependent upon the amenities and the success of the revenue centres.

### Financing

A financing plan will need to be developed and presented to Council once the location details, size and amenities are known, and funding opportunities through senior levels of government are explored. While it is likely the facility will be primarily debt-financed, other sources to be explored include public-private partnerships, ticket surcharge/facility renewal fees, and other government grants.

### Economic Benefits

Administration believes that the Municipality will directly benefit economically from the construction and operation of a new twin pad arena. The scope of these benefits will depend on a number of factors; most critically, the location, construction specifications,

and how it is positioned in the broader economic development strategy of Chatham-Kent.

Potential economic benefits may also arise indirectly from the arena. These include an increased capacity for sport and event hosting, increased visitor/tourism spending, and complementary investment and development from the private sector around the arena such as hotels, restaurants, residential properties, and retail facilities.

### **Areas of Strategic Focus and Critical Success Factors**

The recommendations in this report support the following areas of strategic focus:

Economic Prosperity:

Chatham-Kent is an innovative and thriving community with a diversified economy

A Healthy and Safe Community:

Chatham-Kent is a healthy and safe community with sustainable population growth

People and Culture:

Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community

Environmental Sustainability:

Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendations in this report support the following critical success factors:

Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

Has the potential to support all areas of strategic focus & critical success factors

Neutral issues (does not support negatively or positively)

### **Consultation**

The Executive Management Team was consulted and provided direction on the report. Operators of several event centres were consulted to determine the projected operating costs.

**Financial Implications**

There are no financial implications resulting from the recommendations.

Prepared by:

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Don Shropshire  
Chief Administrative Officer

Attachments:

A – Arena Comparison Chart

c. Executive Management Team

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## Twin Pad Arena Comparison – 4,200 vs. 2,200 Seats

February 9, 2018

Item	4,200 Seats (4,000 + 200 seats)	2,200 Seats (2,000 + 200 seats)
Basic Description	<ul style="list-style-type: none"> <li>• To be economically justified, industry research suggests an entertainment-size arena requires an anchor tenant signed to a reasonable facility rental contract</li> <li>• Industry benchmark - approx. 80 nights per year required to be viable               <ul style="list-style-type: none"> <li>➢ Anchor Tenant - ~ 40 nights</li> <li>➢ Other - ~ 40 nights</li> </ul> </li> <li>• Entertainment capacity - ~ 5,000 (depending on type of event)</li> </ul>	<ul style="list-style-type: none"> <li>• Does not require an anchor tenant</li> <li>• Would accommodate the needs of minor sports, recreational user groups, and local residents - e.g. Maroons Jr. B Team; Minor Hockey; Figure Skating, etc.</li> <li>• Entertainment Capacity: 2,000 + 1,000 standing room around the top of the bowl + a few hundred on the floor</li> </ul>
Typical Amenities	<ul style="list-style-type: none"> <li>• Suites</li> <li>• Restaurants and Concessions</li> <li>• Large Multipurpose Room</li> <li>• Administrative area: Offices; conference rooms; kitchen</li> <li>• Large Box Office</li> <li>• Full Workout Room</li> <li>• Retail Spaces</li> <li>• Commercial Space</li> </ul>	<ul style="list-style-type: none"> <li>• Canteens</li> <li>• Meeting Rooms</li> <li>• Multi use recreation space</li> <li>• Fitness Track</li> </ul>
Considerations	<ul style="list-style-type: none"> <li>• Opportunity to host sports teams / events such as basketball, volleyball, curling, etc. - plus entertainment events (concerts, shows, etc.) for a larger audience</li> <li>• Economic spin-offs for the service industry (i.e. restaurants, hotels, etc.)</li> <li>• Consider potential impacts (both positive and negative) to the John D. Bradley Centre and the Capitol Theatre</li> <li>• Close proximity to the Windsor Family Credit Union Centre, Caesars in Windsor and Budweiser Gardens in London could affect the attraction of larger entertainment events</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to host events for a smaller audience</li> <li>• Possible economic spin-offs for the service industry (i.e. restaurants, hotels, etc.) during tournament/play-off play and entertainment events</li> <li>• Would not require entertainment bookings to be economically viable; however, it would accommodate space for over 3,000 people if bookings did occur</li> <li>• Sends a positive message to the Chatham Jr. B Maroon's team that they are valued</li> </ul>

<p>Estimated Capital Cost</p>	<p>~\$54M</p> <ul style="list-style-type: none"> <li>● Benchmark cost is \$13,700 per seat</li> <li>● Costs are dependent upon seating, capacity, location and amenities</li> <li>● Cost estimate does not include land acquisition, site servicing and site remediation costs</li> <li>● Land acquisition cost: ~\$25,000 per acre</li> <li>● Land Size: 10 acres (building plus parking) to 50 acres (includes outdoor sports facilities): \$250,000 - \$1.25M (a market survey would have to be initiated)</li> </ul>	<p>~\$27M</p>
<p>Grants for Capital Costs</p>	<ul style="list-style-type: none"> <li>● It is unknown if the new Federal / Provincial grant will fund an arena if the major tenant is not an amateur sports association</li> </ul>	<ul style="list-style-type: none"> <li>● Based on past experience, the “community” arena would be eligible for Federal / Provincial grants</li> </ul>
<p>Estimated Net Annual Operating Cost</p>	<p>\$400K - \$1M deficit</p> <ul style="list-style-type: none"> <li>● Estimates are dependent upon: <ul style="list-style-type: none"> <li>➢ securing an anchor tenant</li> <li>➢ the terms of the tenant agreement</li> <li>➢ securing additional non-anchor tenant events</li> </ul> </li> <li>● Standard agreements usually include all or a portion of these revenue streams going to the tenant: <ul style="list-style-type: none"> <li>▪ Ticket sales</li> <li>▪ Suite Leases</li> <li>▪ Concession and restaurant sales</li> <li>▪ Signage and Advertising</li> <li>▪ Merchandising</li> <li>▪ Alcohol pouring rights</li> <li>▪ Sponsorships</li> </ul> </li> <li>● Depending on the negotiated agreement, typically a large portion of the risk is assumed by the Municipality <ul style="list-style-type: none"> <li>➢ “Even with main tenants, many municipalities have struggled to generate enough revenue from ticket sales, facility rentals, etc. to cover annual operating costs, capital reserves and debt financing. Many municipalities have had significant problems with defaults on loans/partnership agreements, receiving payment for naming rights, loss of key tenants, and competition with other venues to attract major events.” (Cambridge Feasibility Study by IBI 2011)</li> </ul> </li> <li>● In contrast, the City of Kingston Rogers K-Rock Centre makes in excess of \$700,000. This is primarily due to booking over 100 nights per year plus high suite revenue</li> </ul>	<p>\$100,000 - \$200,000 deficit</p> <ul style="list-style-type: none"> <li>● The community arena would have the same number of seats as William K. Erikson and Memorial arenas. Their combined annual operating deficit is approximately \$100,000 (including Lifecycle). It is anticipated that the community Twin Pad deficit would be similar or less than the two stand-alone facilities, due to operating efficiencies, and with less immediate lifecycle repairs because of the facility’s age</li> </ul>

<p>Location Options</p>	<ul style="list-style-type: none"> <li>• Experts stipulate a downtown facility is important to ensure success, but purchasing enough property in downtown Chatham would be difficult to acquire and would add additional cost</li> <li>• Municipal property available: Memorial Arena site (12 acres); Area behind HFS Building (10 acres)</li> <li>• The following non-municipal properties are considered as possibilities: Areas around:             <ol style="list-style-type: none"> <li>1) Bloomfield / Hitchcock (preferred non-municipal site)</li> <li>2) Charing Cross Rd / English Line</li> <li>3) Charing Cross Rd / Indian Creek Rd. E</li> <li>4) Indian Creek Rd W, northeast of Howard Rd</li> <li>5) Several parcels in the Howard Rd / Park Ave W / Indian Creek Rd W area</li> <li>6) Navistar Property</li> </ol> </li> </ul>	
<p>Conceptual Drawings Cost</p>	<p>\$264,000</p>	<p>\$132,000</p>
<p>Who Will Operate?</p>	<ul style="list-style-type: none"> <li>• Large arenas are operated either by private companies or municipal staff</li> <li>• Examples of private Facility Management Companies include:             <ul style="list-style-type: none"> <li>- Global Spectrum (Windsor; London; Oshawa; Kingston)</li> <li>- SMT (St. Catharines)</li> </ul> </li> <li>• Municipally Operated:             <ul style="list-style-type: none"> <li>- Barrie</li> <li>- Sault St. Marie</li> </ul> </li> <li>• Sarnia and Guelph started with an operating company, but now run by municipal staff</li> </ul>	<ul style="list-style-type: none"> <li>• Typically operated by municipal staff</li> </ul>