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Committee of the Whole
April 5, 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
Mike Labrecque, P.Eng Director, Transportation and Public Works Services

DATE: March 30, 2005

SUBJECT: Feasibility Study - Expand WTCC and Replace HMC

INFORMATION REPORT

ORIGIN

Trade Centre Limited's (TCL) desire to explore the feasibility of expanding the World Trade and Convention Centre (WTCC).

BACKGROUND

Halifax is the major city in the Atlantic Provinces, the business centre, government centre, university centre, transportation hub, an important Canadian tourism destination, and the major eastern Canadian host city for national association and corporate meeting rotations.¹

The World Trade and Convention Centre (WTCC) contains 152,000 gross square feet of space, with a net function capacity of 58,000 square feet. This includes roughly 47,400 square feet in 21 meeting rooms, the largest of which can accommodate a seating capacity of 1,800 or a banquet capacity of roughly 1,400.

¹Source - ERA Study - Convention Centre Development Potential, February 2004. ERA was hired to do the study following the bid for 2010 Commonwealth Games.

Built in 1978, The Halifax Metro Centre (HMC), adjacent to the WTCC, contains 205,000 gross square feet of space, with 51,000 square feet of net useable space. The arena has a seating capacity of 11,054 .

This past year these two facilities, through event-hosting activity, generated \$ 99.8 million in direct economic impacts and \$ 72.6 million in spin-off impacts.

The WTCC is owned and operated by Trade Centre Limited, a provincial crown corporation. Pursuant to an Agreement dated March 28, 1981, between the Federal Government, the Province and the then City of Halifax, respecting the construction of the Convention Centre, HRM is required to make financial contributions toward the operating deficits of the convention centre. This was further detailed in an Agreement dated March 28, 1981, between the Province, the then City of Halifax, and Trade Centre Limited as follows:

Pursuant to the Financing Agreement, upon completion of the Convention Centre the City will pay in arrears the first of the per annum payments to the operating deficit of the Convention Centre excluding debt service costs, which payments shall not exceed the sum of Two Hundred and Fifty Thousand Dollars (\$250,000.00) calculated in 1981 dollars, as adjusted in accordance with the then existing All Items Consumer Price Index for Halifax.

The Metro Centre is owned by HRM and HRM is fully responsible for any operating deficits of that facility and is entitled to receive any operating surpluses. When the WTCC was constructed in 1981, it was decided between the then City of Halifax and the Province of Nova Scotia, that it made economic and operational sense that both facilities be managed by a single entity. As a result, pursuant to the March 28, 1981 Agreement between the Province, the then City of Halifax and Trade Centre Limited, clause 4 provided:

Upon the execution of this Agreement, Metro Centre shall be managed and operated by Trade Centre and the City shall continue to finance the operation of Metro Centre, and all profits from the Metro Centre shall accrue to the account of the City. Notwithstanding the foregoing, the financial records and accounts of Metro Centre will be kept separate from those of the Convention Centre.

This arrangement survives today with Trade Centre Limited managing and operating both the WTCC and the Metro Centre.

DISCUSSION

Staff will be working with the Province of Nova Scotia and ACOA to fund a feasibility study for the expansion of the WTCC and the replacement of the HMC. What follows is the discussion to support the requirement of a Request for Proposal.

Expansion of the WTCC

A recent study undertaken by TCL highlights that both US and Canadian meeting planners view Halifax very positively, except in terms of capacity for large events. The WTCC is optimal for delegations in the range of 500 to 800 and in some cases up to 1000. Beyond this number, the region is constrained in both hotel rooms and convention space. Interviews suggest that HRM is in danger of losing some regular convention business due to the deficiency in convention space. In fact, TCL has had to turn away some large conventions owing to capacity issues.

The WTCC has a relatively high occupancy level which makes it difficult to accommodate groups on their preferred dates. Currently at the WTCC, international and US convention business constitutes only 1 % - 4 % of the event intake, compared to roughly 16 % of business intake at comparative facilities elsewhere.

The opportunity for HRM exists for national and international events with delegations above 1000. It is fundamentally this purpose an expanded WTCC is intended to serve.

The scope of the feasibility for the expansion of the WTCC would include:

- Building Program
- Concept Design
- Implementation Schedule
- Construction and Project Budgets
- Analysis of market potential for branding and sponsorship

The current concept, to be confirmed and validated through this feasibility study, would be to expand the WTCC into the HMC, and reclaim the current arena facility as convention space. This would in turn necessitate the relocation of the HMC.

Replacement of HMC

The HMC was built in 1978 and has a current seating capacity of just over 11,000.

The HMC was essentially built as an arena and over the years has been renovated to include the amenities sought after by the corporate sector and patrons taking in the events today. Despite having seating of just over 11,000, the arena configuration will only accommodate 7,000 - 8,000 seats for concerts. While modernizations have been effective, the HMC falls well short in what is expected today of a modern sports and entertainment complex. Coupled with the necessary facility recapitalization requirements required over the next ten years, it is reasonable to consider the planned replacement of this facility as a component of the expansion of the WTCC.

Some of the current facility and amenity deficiencies include:

- comfort of patrons;
- deficiency in washrooms;
- lack of concession stands;
- aged equipment, change rooms, and rinkboards.
- modern locker room facilities;
- additional points of sale;
- good site lines for viewing; and
- modern technology.

It is believed that a modern sports and entertainment complex with a seating capacity of 12,000 to 15,000, with the full array of modern amenities, will not only serve to reinforce HRM as an events and hosting destination, but will open other opportunities for the region.

The scope of the feasibility study for the replacement of the HMC includes:

- Building Program;
- Development Program;
- Evaluation of Alternative Development Sites;
- Concept Design;
- Implementation Schedule;
- Construction and Project Budgets; and
- Analysis of market potential for branding and sponsorship.

Indicative Facilities Cost and Funding Partnership

At this point the indicative construction costs for both facilities is \$ 200 M, \$ 50 M for the expansion of the WTCC into the current HMC, and \$ 150 M to build a replacement for the HMC. Currently, no value has been placed on the HMC should ownership be transferred; however, it is clear that the responsibility for expansion of the convention centre is TCL/Province, while the responsibility for a new HMC would be that of HRM. Given the order of magnitude, other sources of funds will be required. This information will come forward following the results of the feasibility study.

The cost of this study will be roughly \$ 240 K, funded by the Province, HRM, and ACOA. Both the province's share and ACOA's share have been confirmed.

Staff recognize the potential enormity of this undertaking, given the many capital and other infrastructure challenges faced by HRM. However, the feasibility phase of this project will help 'build the case for action' around these two projects. Council should also understand that this feasibility study should not be interpreted as a funding priority for the project. This analysis will simply serve to better understand the scope and detail of the enterprise and help us better understand where the project will fit relative to other capital infrastructure projects.

BUDGET IMPLICATIONS

As part of the 05/06 Budget, Council approved a \$ 500 K appropriation to support a capital reserve for public facilities. In addition, Council approved an increase in the Hotel Levy. This incremental revenue is also part of the 05/06 plan and is intended to support public facilities. The initial response by The Hotel Association of Nova Scotia on the matter of an increase to the Levy, has been positive.

These two revenue sources will fund the new Public Facilities Reserve, the purpose of which is to serve the future development of cultural and public facilities, such as a new Metro Centre, a performing arts centre, or other facilities as determined by Council.

The project described in this report and HRM's participation, both operationally and financially, was specifically intended as part of the work achieved by these funds.

The reserve business case will come forward in the next two months.

HRM's share of the funding (80 K) will be funded from the \$ 500 K appropriation, which is part of the 05/06 Budget. The net amount of \$ 420 K (\$ 500 K- \$ 80 K) will be transferred to the reserve as part of the reserve business case recommendation.

The budget for this feasibility study is \$ 240 K, split equally three ways between ACOA, the Province of Nova Scotia, and HRM.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve Budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

None at this time.

ATTACHMENTS

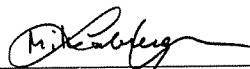
None

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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