



## COUNCIL REPORT

Report Date: June 14, 2023  
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Meeting Date: July 12, 2023  
[Submit comments to Council](#)

TO: Standing Committee on City Finance and Services

FROM: City Manager, City of Vancouver  
President and CEO, Pacific National Exhibition

SUBJECT: Hastings Park - PNE Master Plan Program: Amphitheatre Renewal Update

### Recommendations

- A. THAT Council approve the updated scope of the PNE Outdoor Amphitheatre project at Hastings Park as described in this report, and an increase in the Multi-year Capital Budget from \$64.8 million to \$103.7 million; sources of funding to be:
- \$98.9 million repayable loan from the Capital Financing Fund on terms and conditions to the satisfaction of the Director of Finance:
    - A base loan of up to \$77.8 million for the Amphitheatre, with an estimated repayment term of 11 years; and
    - A second loan of up to \$21.1 million for additional design elements to improve venue experience and generate additional revenue, with an estimated repayment term of 5 years; and
  - \$4.8 million from the Hastings Park Reserve previously approved for planning and design work.

Expenditures for 2023 will be managed within the current annual capital expenditure budget.

- B. THAT Council approve an increase in the Multi-year Capital Budget from \$4.6 million to \$6.0 million for the associated site-wide infrastructure renewal program at Hastings Park; source of funding to be the Hastings Park Reserve. Expenditures for 2023 will be managed within the current annual capital expenditure budget.

## Purpose and Executive Summary

The purpose of this report is to seek Council approval of the updated scope, budget and funding sources for the PNE Amphitheatre Renewal project and associated infrastructure upgrades to i) incorporate additional design elements to improve venue experience and generate additional revenue and ii) address cost escalation.

In June 2021, Council approved the Amphitheatre Renewal concept and budget as part of the implementation of the Hastings Park-PNE Master Plan, and directed staff to proceed with the planning and design phases. As the work advanced, and despite efforts made to limit the costs through design, the project has experienced construction and design cost increases, site configuration conflicts, soil remediation and additional equipment needs. This has resulted in a \$17.8 million increase from the original budget of \$64.8 million (approved in-principle by Council (RTS 14537)) to the current budget of \$82.6 million to deliver a minimum viable facility.

In addition, the PNE team has identified design elements that would generate additional revenue at a cost of \$21.1 million with a payback period of 5 years.

Further to Council's in-principle approval in 2021, the PNE Outdoor Amphitheatre was to be financed by a repayable loan from the Capital Financing Fund. With the updated budget of \$82.6 million (\$77.8 million from the Capital Financing Fund and \$4.8 million from the Hastings Park Reserve) to deliver the minimum viable facility, the base loan would have a repayment period of 23 years. Should Council approve the additional design elements of \$21.1 million, PNE leadership has committed to a repayment schedule of five years for the second loan. Further, the additional revenue generating capacity that has been incorporated into the updated design is projected to expedite repayment of the base loan from 23 years to 11 years.

In addition, Council previously approved \$4.6 million of site-wide infrastructure renewal works associated with the Amphitheatre to be funded from the Hastings Park Reserve. Due to cost escalation, an additional \$1.4 million is needed, bringing the total budget to \$6.0 million.

In summary, the overall budget is \$103.7 million (\$98.9 million repayable loan from the Capital Financing Fund and \$4.8 million from the Hastings Park Reserve) for the PNE Outdoor Amphitheatre, and \$6.0 million for associated site-wide infrastructure renewal works, with target completion by end of 2025.

## Council Authority/Previous Decisions

- In [December 2010](#), Council adopted the Hastings Park/PNE Master Plan, noting that implementation of the Plan was subject to future Capital Plans. The Hastings Park/PNE Master Plan proposed a transformation of Hastings Park into a significantly greener and more accessible public park while ensuring economic vitality and long-term sustainability. In the Master Plan, the amphitheatre project was conceived as an upgrade of the existing facility with a covered stage in a green setting.
- In [June 2016](#), Council approved in principle the Playland Redevelopment Plan to revitalize the amusement park within Hastings Park.
- In [June 2021](#), Council approved the Amphitheatre Renewal Project and associated budget, and direct staff to proceed with the planning and the design phase of the project. The concept approved by Council included a roof over the stage and seating area.

## City Manager's Comments

The City Manager concurs with the foregoing recommendations.

## Context and Background

Hastings Park is one of Vancouver's largest urban parks encompassing 66 hectares (165 acres) and draws visitors from across the region throughout the year. A Master Plan to guide redevelopment of the site was approved by Council in 2010.

Within Hastings Park, the Pacific National Exhibition (PNE) operates as a non-profit organization wholly owned by the City of Vancouver. The organization is financially self-sufficient through its revenue-producing business streams. The site hosts hundreds of events, performances and community programs each year, as well as Playland amusement park and the annual PNE Fair. In 2019 (from April 2019 to March 2020), the PNE hosted 209 events, over 2.5 million guests, and brought in \$61M in revenue to the local economy.

As a not-for-profit organization, the PNE invests 100% of its proceeds back into the site, facilities and programs, and the care and maintenance of green spaces within Hastings Park. The PNE is responsible for facility maintenance and park upkeep at Hastings Park.

In June 2021, Council approved the design and funding of a new PNE Amphitheatre as well as required infrastructure upgrades at Hastings Park.

## *PNE Amphitheatre*

The Hastings Park-PNE Master Plan seeks to renew and transform a great City space, and create a destination area for the residents and visitors of Vancouver.

The existing open-air Amphitheatre is now in poor condition and no longer meets the needs of performers, artists and guests. The venue lacks permanent back-of-house facilities and cover for guests. The venue includes out-of-date concession areas, limited washrooms, and poor accessibility for guests, hindering the venue's ability to leverage the space to its potential. Temporary back-of-house facilities are installed which raises the costs to utilize the venue, pricing out many not-for-profit groups. Moreover, a lack of covered seating shortens the operational season and limits the financial return of the venue.

The renewal and upgrade of the Amphitheatre venue will create a world-class outdoor space enabling growth of community and commercial events, establish a vibrant, year-round cultural space, and increase revenues to make the site financially sustainable.

The Amphitheatre renewal project will serve as a catalyst for growth, provide increased access to arts, culture and musical groups to the space, build community, foster Reconciliation, and provide an opportunity for the events industry to recover from the COVID-19 downturn. Informed by industry feedback and the financial assessment, the design approved by Council included the following considerations:

- **Increased capacity:** Increasing seated and standing capacity to approximately 9,340 will allow the site to be utilized more frequently and provide financial opportunities for event producers and the PNE.

- **Weather protection and roof:** Providing a covered stage and covered seating will benefit ticket sales and enable an extended operating season for outdoor events.
- **Flexible venue format:** Having a scalable venue design will maximize use of the venue. Stage design and floor plans should be able to accommodate smaller formats in the 2,000-4,000 capacity while also serving events in the 8,000-9,000 capacity range.
- **Permanent back-of house (BOH) infrastructure:** Building permanent BOH facilities will lower event set-up costs (lowering a key barrier to entry for community and not-for-profit groups), provide modern facilities and amenities for artists and staff, and optimize venue use and financial performance. These amenities include storage, dressing rooms, box offices, production offices, security office, and catering area.
- **Improved front-of house (FOH) infrastructure:** Building improved FOH guest amenities will enhance the guest experience and provide greater financial opportunities for venue users and the PNE. These permanent facilities include washrooms, box offices, food and beverage concession areas, prep kitchens, bar service, and improved accessibility for guests.
- **Improved sound management:** Incorporating innovative sound management design and technology will minimize impact to the surrounding community. A variety of noise mitigation elements to consider include a backstage wall, noise wall at venue perimeters, suspended noise reduction panels, directional speakers, and continuing current policies for venue users and existing decibel monitoring systems.
- **Improved utility infrastructure:** Providing sufficient electricity, potable water, grey water disposal, and internet access will be included in the new venue.

Council approved in principle the design and \$64.8M for the Amphitheatre, to be funded in part by \$4.8M from the Hastings Park Reserve, with the remaining \$60M to be financed through the Capital Financing Fund with a payback period of 12 years.

Council directed staff to proceed to the planning and design phase of the Amphitheatre renewal project, and provide Council an update prior to construction.

### ***Infrastructure***

The works approved by Council include the design and construction of:

- Infrastructure to replace end-of-life assets serving the PNE site, including the electrical transformers at the Garden Substation; and
- Upgraded and relocated water mains, electrical and communications conduits, and sewers to service the new PNE Amphitheatre.

These infrastructure works are required upgrades for continued and future operations at the PNE. Council approved the use of \$4.6M from the Hastings Park Reserve fund to delivery of this work, and directed staff to proceed to detailed planning and implementation.

### **Discussion**

Since Council direction in 2021, staff have progressed the planning and design of the

Amphitheatre as well as the site-wide infrastructure works.

This detailed planning has identified issues that require further Council direction for both the infrastructure works and the Amphitheatre.

### Infrastructure

As discussed above, Council previously approved the use of \$4.6M of funding from the HP Reserve to address site wide infrastructure on the PNE/Hastings Park grounds. Since then, there has been an increase in the costs to implement the infrastructure works, due to the inflationary context in the engineering and construction industry overall. The revised estimates identify an additional \$1.4M in costs, due to:

- a) Construction cost estimate increases of ~30%; and
- b) Design consultant fee increases of 20-30%.

The \$1.4M are required costs. Staff have valued-engineered and prioritized the infrastructure project scope to reduce costs where possible. Staff are recommending that these additional costs are covered by the Hastings Park Reserve, for a total of \$6.0M.

### Amphitheatre

#### *Minimum viable facility*

Through more detailed planning and design work, and given the current significant inflationary context, the PNE Amphitheatre has also seen additional costs arise since approval in 2021.

These include:

1. General cost escalation due to market conditions
2. Soil remediation for contaminated soil on build site
3. Archeological Impact Assessment
4. Relocating an underground pipe to address site configuration conflicts.

In order to reduce costs, the version of the Amphitheater design that was presented to Council in 2021 incorporated value-engineering efforts, which included the following:

1. Reduced structural depth of glulam beams
2. Reduced area of slab on grade
3. Deleted shell space under stage
4. Reduced exterior courtyard
5. Reduced loading zone area.

In addition, some of the design considerations from the original Council approval could not be incorporated within the \$64.8M funding envelope.

Staff believe that there are no further value-engineering opportunities that would not have an adverse impact on the revenue generation capability of the Amphitheatre (e.g. reducing seats, removing revenue generating design elements).

In total, the updated budget for the minimum viable facility would be \$82.6M, up from \$64.8M.

*Additional design elements to generate additional revenue and improve venue experience*

The PNE has identified the following set of additional investments to improve the venue experience, generate additional revenue, and address neighbours' concerns:

- House sound equipment & additional stage rigging equipment
- Larger Back of House (more dressing rooms, etc.)
- Three permanent concessions including full production kitchen
- Additional VIP Suites (4) and VIP suite fit out
- Additional 25 washrooms
- Sound containing wall
- Misc. Items – additional landscaping, entrance feature, signage.

With soft costs (consultant fees, development and building permit charges, and project management fees) and construction contingency, the total additional cost would be \$21.1M.

The PNE has developed incremental revenue projection based on a combination of the following:

- Sponsorship of newly funded amenities, based on the PNE's recent sponsorship RFP, which is still in progress but has generated significant interest
- Higher Food and Beverage spend per capita than the original business case based on PNE's recent sales figures
- Increased producer charges for the use of the sound system
- Sales and ticketing at a higher rate for the new VIP Suites, based on their perception of market demand.

In total, the PNE estimates that these additional design elements would generate up to \$4.75M in additional net annual revenue, based on 30 large events per year. For context, by year 5, the Amphitheatre is predicted to have 78 shows per year (48 commercial/corporate, 30 community).

In addition to additional revenue opportunities, these design elements would help to address the noise concerns of the neighbours, and provide better amenities for community users of the space.

**Financial Implications**

Should Council approve the updated scope of the PNE Outdoor Amphitheatre project and associated infrastructure works at Hastings Park as described in this report, the Multi-year Capital Budget would increase from \$64.8 million (approved in-principle by Council in June 2021) to \$103.7 million; sources of funding to be as follows:

- \$98.9 million repayable loan from the Capital Financing Fund:
  - A base loan of up to \$77.8 million for the Amphitheatre, with an estimated repayment term of 11 years, and
  - A second loan of up to \$21.1 million for additional design elements to improve venue experience and generate additional revenue, with an estimated repayment term of 5 years; and

- \$4.8 million from the Hastings Park Reserve previously approved for planning and design work.

Should Council approve the updated cost of the associated site-wide infrastructure renewal program at Hastings Park, the Multi-year Capital Budget would increase from \$4.6 million to \$6.0 million, to be funded from the Hastings Park Reserve.

The 2023-2026 Capital Plan will be adjusted accordingly. Expenditures for 2023 will be managed within the current overall annual capital expenditure budget.

The revenue projection, including potential sponsorship opportunities, used to estimate the loan repayment term was developed by PNE’s external consultant for the base loan (\$77.8 million) and PNE staff for the second loan (\$21.1 million). Staff from PNE and the City have agreed that those additional design elements that are expected to be funded from sponsorship funding will not proceed unless and until applicable sponsorship agreement(s) are executed.

On a standalone basis and without investing in additional design elements (second loan), the base loan is expected to be repaid over 23 years. It should be noted that a repayment term beyond 15 years could pose additional financial challenge as the facility will start to incur certain capital reinvestment costs (e.g. replacement of equipment and components that have a shorter lifespan). PNE leadership is confident that investing in the additional design elements will generate higher revenue and support repayment of the second loan within five years. Once the second loan is fully repaid, the higher revenue will expedite repayment of the base loan from 23 years to 11 years.

As a matter of due diligence, staff have conducted a sensitivity analysis on the PNE revenue projections and possible loan repayment terms, and below is the summary for Council’s reference.

Scenario	Second Loan repayment (\$21.1m)	Base Loan repayment (\$77.8M)
No additional design features (second loan)	N/A	23 years
Actual revenue from additional design features <b>same</b> as PNE projection	5 years	11 years
Actual revenue from additional design features <b>33% lower</b> than PNE projection	6 years	14 years
Actual revenue from additional design features <b>66% lower</b> than PNE projection	13 years	19 years

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