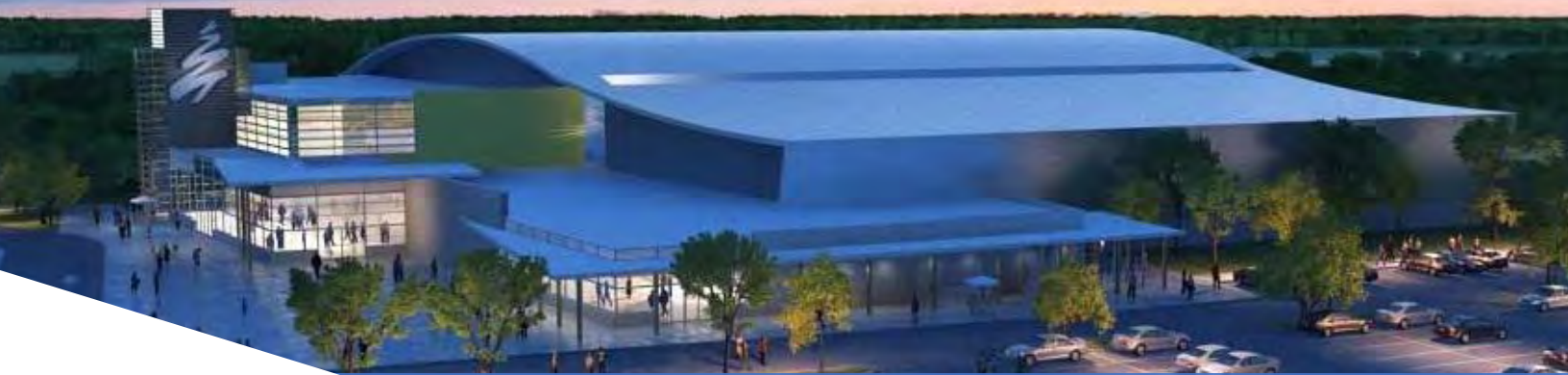


## Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

**Disclaimer:** This document provides a high-level overview of the Phase 1 Report. The contents of this document have been redacted to remove any proprietary or otherwise sensitive information relevant to commercial interests.

### Purpose

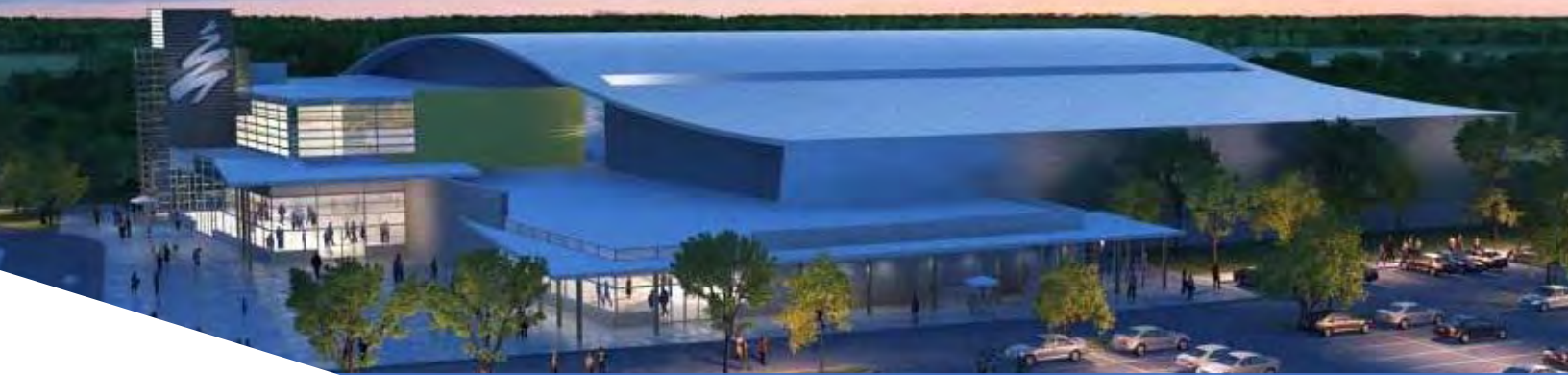
The Phase 1 Report comprises a market opportunities assessment for a regional multi-use event centre (also referred to as the multi-use sports and entertainment centre or MUSEC) located in the City of Spruce Grove, and specifically an assessment of the degree to which local and regional market dynamics support the individual components of a multi-use event centre. As such, the report establishes and tests the core purpose of the facility as both a venue for regional events which support the economic development objectives of the City, and a community facility which meets the needs of the resident community for recreation, leisure, and entertainment.

#### What the Purpose of Phase 1 is

The objectives of Phase 1 should be clearly understood:

1. This study represents the first structured assessment of market justification for the venue (referred to as Phase 1), the results of which will direct further assessment of the concept design, functional program, detailed financial feasibility, funding, and governance structure of the facility (referred to as Phase 2).
2. Phase 1 accordingly quantifies the market potential for individual uses in terms that can inform and represent agreed inputs to a detailed business plan in Phase 2. This includes a clear picture of the types of events which can be hosted, the potential for growth of these events, projections of potential scale of development: seating, types of space, gross floor area for individual uses and ancillary services, lease space opportunities, and projections of attendance. This represents potential opportunities and should not be viewed as an inflexible blueprint of how the centre would look and function. The latter will be the result of the necessary consideration of a range

## Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

of factors ranging from market opportunity to community need, affordability and economic benefits of the project. This forms the central task of Phase 2.

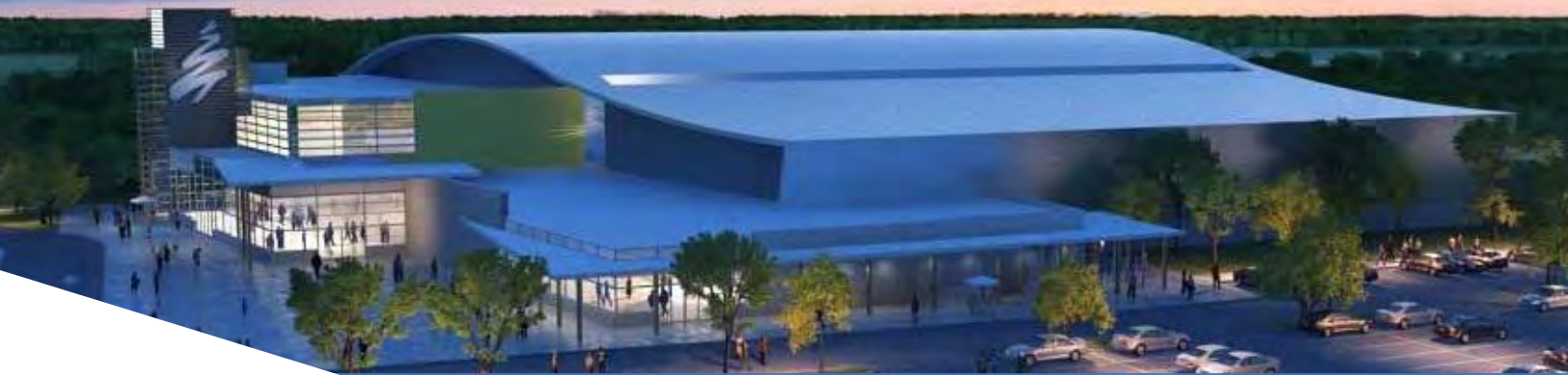
Specifically, the Phase 1 Report includes the following analysis:

1. Identification and quantification of individual components of a multi-use event centre;
2. The collective opportunities for the overall form and function of the centre based on these individual components;
3. An understanding of how “multi-use” can be translated into both significant regional event potential and meeting stated community use requirements;
4. An environmental scan of comparable facilities built recently across Canada to provide case study and best practice examples of facility use, design, scale, funding and delivery, operations and governance (appended for convenience and contained in separate presentation materials);
5. An understanding of the competitive environment within which the facility will operate and projections of market share and growth potential for a facility located in the City of Spruce Grove;
6. A directional assessment of revenues, key cost centres, and the capacity for partnership development with related commercial and tourist infrastructure – destination retail, hotel, banquet and convention space; and
7. Recommendations regarding concept viability, synergy with the proposed location and next steps in the development of a business plan and implementation strategy.

Through a structured investigation, the central question that the report seeks to answer is whether an event and multi-use facility located in the City of Spruce Grove has sufficient market support, and if so, what opportunities and risks should guide the form, function and likely scale of the facility.

## CITY OF SPRUCE GROVE

# Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

#### What the Purpose of Phase 1 is Not

The objectives of Phase 1 are laid out above, the most fundamental of which is does sufficient opportunity exist, relative to the likely range of risks, to warrant concept design, financial and implementation feasibility analyses – on the premise that this facility will create economic benefits, reputational success and represent a forward investment in the growth of the City that is expected to occur.

What Phase 1 therefore does not answer (although clear recommendations on the concept and framework for a viable business model are presented) are those questions which can only be answered through comprehensive assessment of design, capital cost estimation and fundability of the project: *namely the capital cost for a preferred concept and the precise level of operating deficit expected for that preferred concept. This is because the preferred concept will itself be an outcome of all of the work elements proposed in Phase 2.*

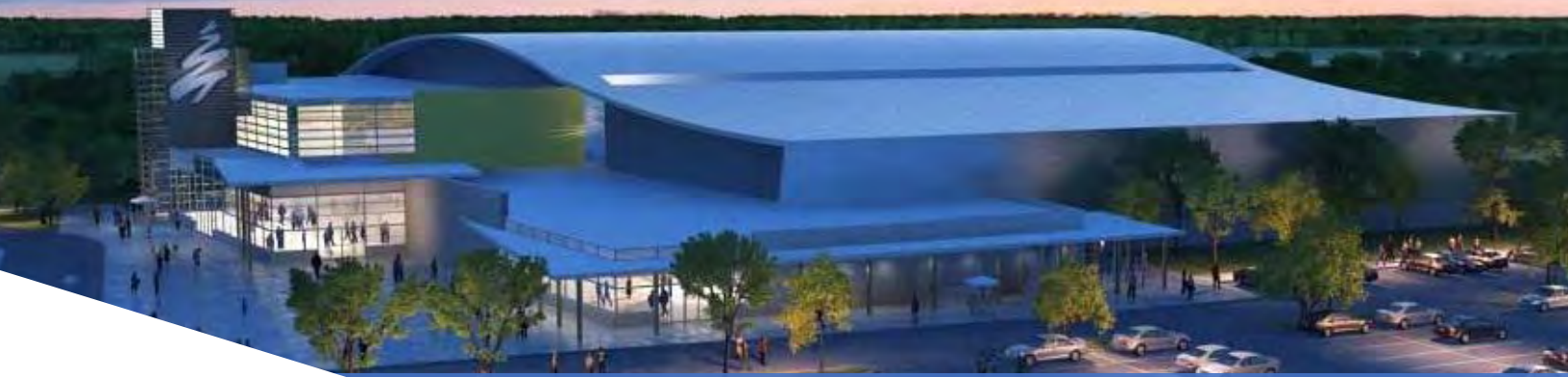
As such, the reader should not view the gross floor area of the project as described in the Phase 1 Report, nor the illustrative capital costs, as being definitive. These are working assumptions based on reasonable estimation. Similarly, the financial schedules contained in the report represent an illustration of potential performance of the venue under normal operating conditions and assuming that the management of the facility is both experienced and operates the commercial events operations on the basis of maximizing gross margins including maximising the number of events days which occur at centre.

The Phase 1 Report confirms the potential event days, it translates these into revenues and creates the overall picture of operating performance. The results of our financial analysis should be viewed as accurate to an order of magnitude (i.e. broad scale of deficit likely). Further work in Phase 2, as outlined in the Recommendations, should drill-down to specific risks and opportunities that can impact the financial assumptions of the business model.



# CITY OF SPRUCE GROVE

## Multi-Use Sports and Entertainment Centre (SEC)

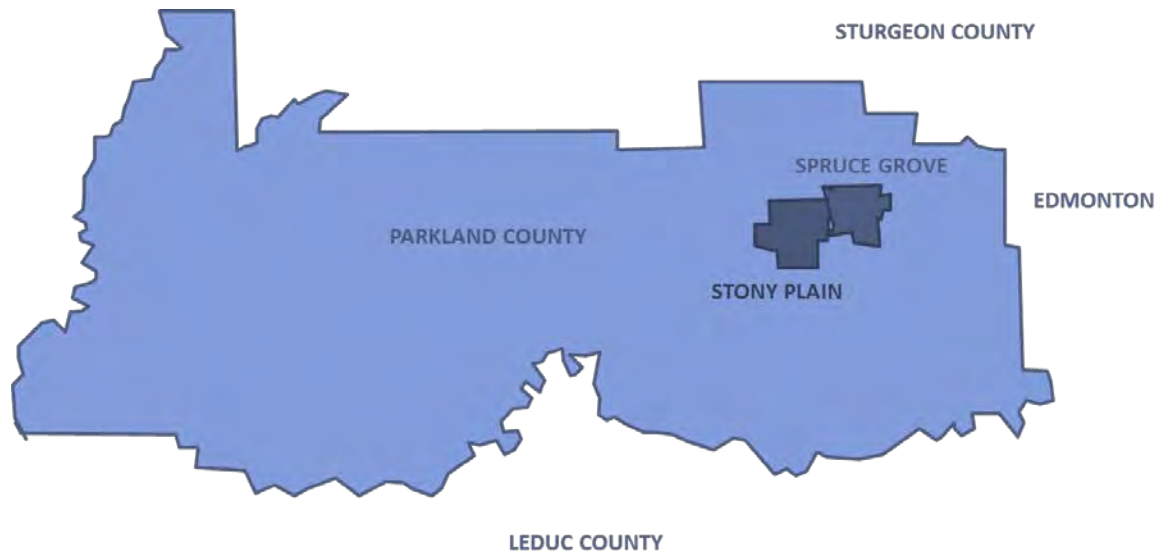


### PHASE I REPORT SUMMARY

### Trade Area Definition

The City of Spruce Grove is located 11 km west of the City of Edmonton in Alberta and is served by two major Provincial highways – Yellowhead Highway (Highway 16) to the north and Parkland Highway (Highway 16A) near the southern portion of the City.

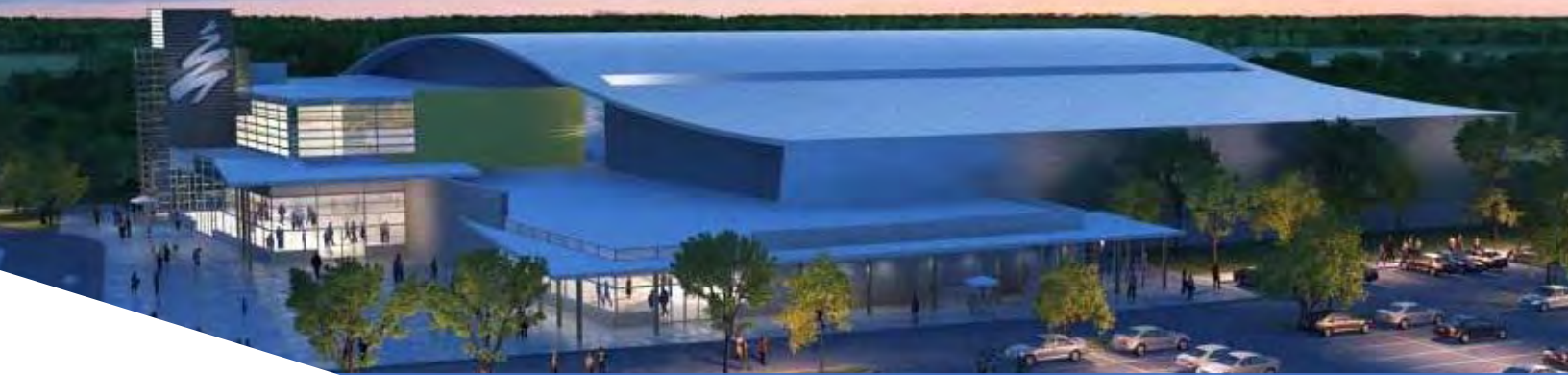
Exhibit 1: Trade Area for Multi-use Facility in Spruce Grove



As it relates to the potential development of a multi-use event centre in Spruce Grove, and one that should seek to meet the variety of *community recreational needs*, the primary trade area for such a facility is assumed to comprise the tri-regional geographic area of Spruce Grove, Stony Plain and Parkland County. As of 2011, the trade area had a population of approximately 72,000 people. However, the trade area for a commercial events centre is far larger and encompasses parts of the City of Edmonton and the Capital Region that are within a reasonable drive time of the City of Spruce Grove.

# CITY OF SPRUCE GROVE

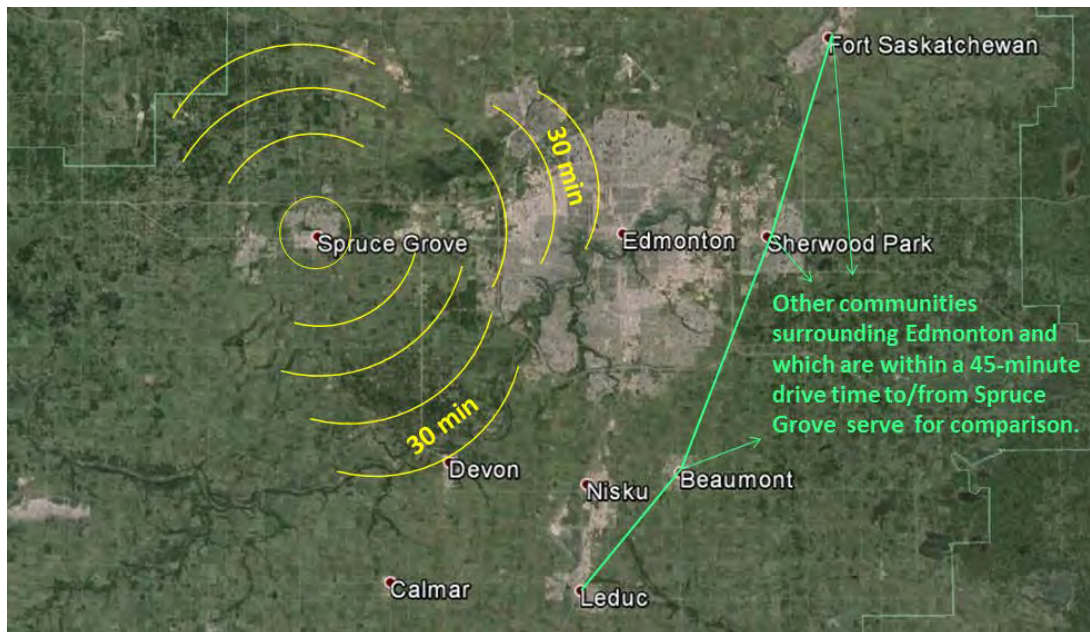
## Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

This market analysis for a multi-use sports and entertainment facility in Spruce Grove therefore takes into consideration growth in the immediate localities surrounding the trade area; recognizing that there will be opportunity for a potential market draw from these areas. The surrounding area is defined to be within a 30-minute drive time of the City of Spruce Grove to include the City of St. Albert to the north; the Town of Devon to the south; and the western portions of the City of Edmonton.

*Exhibit 2: Definition of Surrounding Market Area*



The trade area and surrounding vicinity within a 30 minute drive-time is estimated to have a population of approximately 764,000 persons. This is based on 2011 Census data to provide consistency among communities. We acknowledge that since the Census, the population of Spruce Grove has grown to 29,526 residents based on the most recent Municipal Census (at the time of the report).



# CITY OF SPRUCE GROVE

## Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

Exhibit 3: Population for Trade Area and Surrounding Market within a 30 minute drive-time

Locality	Population
Parkland County (2011 Census)	30,568
Spruce Grove (2011 Census)	26,171*
Stony Plain (2011 Census)	15,051
<b>Sub Total:</b>	<b>71,790</b>
Stony Plain Indian IRI (2011 Census)	987
Calahoo (2011 Census)	187
Onoway (2011 Census)	1,039
Devon (2011 Census)	6,510
St. Albert (2011 Census)	61,466
West Edmonton:	
Ward 1	64,547
Ward 2	68,558
Ward 3	64,987
Ward 5	66,600
Ward 6	72,281
Ward 8	66,999
Ward 9	80,664
Ward 10	60,475
Ward 12	77,338
<b>Sub Total:</b>	<b>691,651</b>
<b>Total:</b>	<b>763,441</b>

Source: Statistics Canada 2011 Census and the City of Edmonton 2012 Municipal Census

\*Note: The population of Spruce Grove, according to the 2014 Municipal Census is now 29,526. For consistency in reporting, we have used Statistics Canada data where possible.

## CITY OF SPRUCE GROVE

# Multi-Use Sports and Entertainment Centre (SEC)



## PHASE I REPORT SUMMARY

This broader population base is important for understanding the scale of opportunities for an event centre in Spruce Grove. If strategically located, such as at the Westwind site, an event centre would provide regionality in function. Operating with ease of access to a larger regional population, any event centre operated in Spruce Grove would not be oriented to the local market (predominantly rural county to the west) but would position itself to offer an appropriate product offer to the residents, tourists and businesses of the capital region as a whole.

The key in understanding the market potential is not about the size of market area – arguably for signature or otherwise specialized events at an event centre in Spruce Grove, the entire capital region offers market source. Rather the relative success or otherwise of a Spruce Grove Centre lies in meeting the unmet demand and facility needs from event organizers, tour promoters and others that seek to establish or strengthen the success of the Edmonton events market.

It is important to note that while an understanding of the end consumer of events is important, and population characteristics offer a proxy for such, the direct market for an events centre lies with the events industry. Event promoters are not a ubiquitous commodity neither are the tour flows and other events, and the economics of the industry drive the choice of location for events. Part of this equation is the quality, functional adequacy and overall suitability of the venues themselves. If a new event centre is pursued, Spruce Grove has the opportunity to set standards for the provision of a mid-size venue in the Western Canadian market place.

## Historic and Projected Population Growth: Trade Area

### The Tri-region Trade Area is Experiencing Strong Population Growth:

Spruce Grove has and is projected to continue to experience rapid population growth. Between 2001 and 2011, the City's population grew by approximately 64% from 15,983 residents in 2001 to 26,171 residents as of the 2011 national census. The City's 10-year historic rate of growth has far surpassed that of nearby Edmonton (31%) and the provincial average (11%) – with the average annual rate of population growth in Spruce Grove being approximately 2.5 times greater than that of Edmonton. Since the 2011 census, the City's population has grown further to 29,526 residents in 2014 – a rate of annual

# CITY OF SPRUCE GROVE

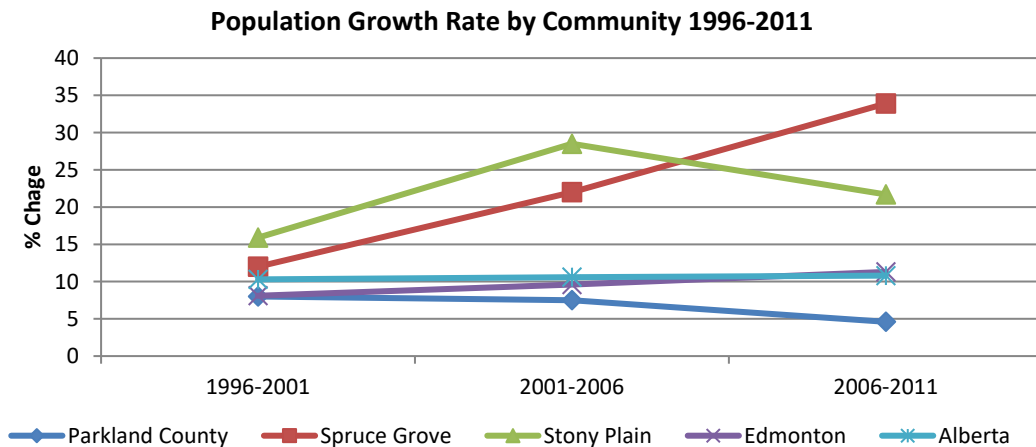
## Multi-Use Sports and Entertainment Centre (SEC)



growth of 4.3%. This rate exceeds that of nearby Edmonton which grew by 2.7% annually over this period.

The Region’s secondary urban core Stony Plain also experienced strong population growth. Between 2001 and 2011 the municipality’s population grew by 56% (from 9,624 residents in 2001 to 15,051 residents in 2011). Taken as a whole, the entire trade area grew by 36% over the last decade – at compounded annual growth rate of 2.83% exceeding that of the City of Edmonton (2.52%) and the provincial average (.94%).

Exhibit 4: Comparison of Historic Population Growth Rates in the Trade Area, Edmonton and Alberta



Source: Statistics Canada 2001, 2006 and 2011 Census Data

### Spruce Grove Is Densifying:

While Spruce Grove’s population has increased by two thirds between 2001 and 2011, and further grown to reach almost 30,000 as of the 2014 census, this growth has been accommodated through



# CITY OF SPRUCE GROVE

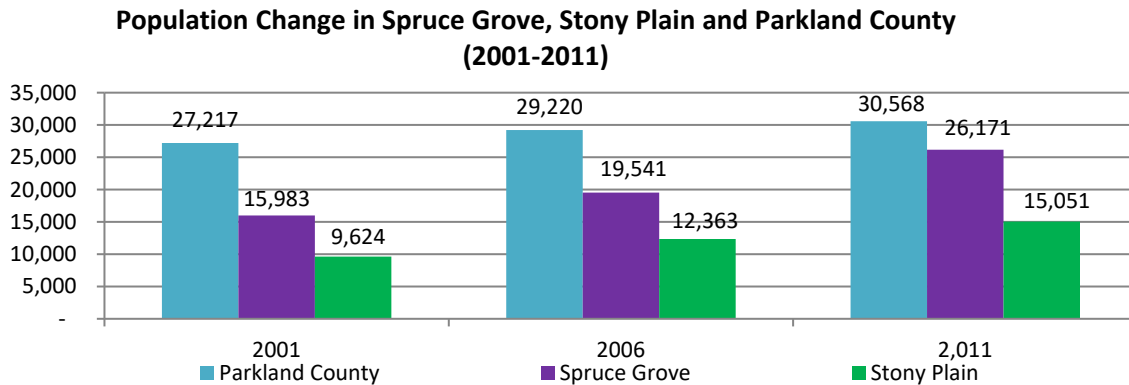
## Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

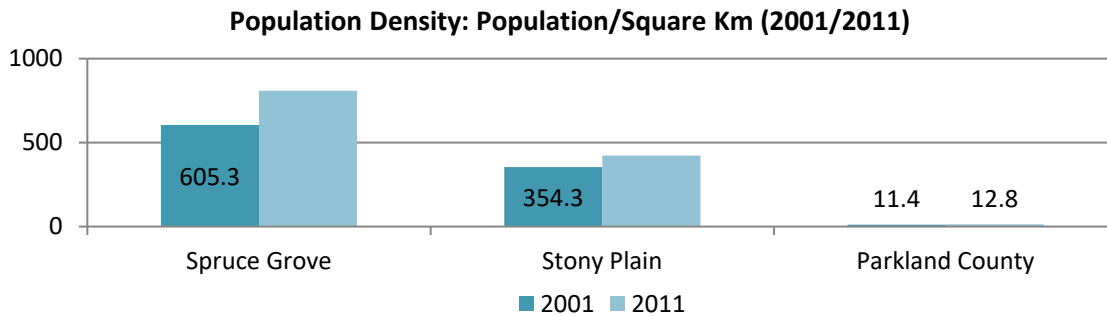
strong residential development on the outer ring of the City as well as through intensification efforts in the existing built-up areas.

Exhibit 5: Historic Population Change in the Tri-region Area



Source: Statistics Canada 2001, 2006 and 2011 Census Data

Exhibit 6: Change in Population Density in Spruce Grove, Stony Plain and Parkland County (2001 to 2011)



Source: Statistics Canada 2001 and 2011 Census Data

# CITY OF SPRUCE GROVE

## Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

In 2013 the City issued just over 1,100 building permits, more than 50% of which were for new residential developments (primarily single family residences). The remainder of permits were largely issued for residential improvements.

There were over 600 actual housing starts in Spruce Grove in 2013. As of October 2014, the City had already exceeded this figure for a total of 658 housing starts<sup>1</sup>. New residential starts have been concentrated in the communities of McLaughlin, Harvest Ridge and Greenbury<sup>2</sup>.

The city is expected to continue to experience greater growth in population and population density with ongoing intensification efforts and the continued build-out of planned residential areas. The city has already seen a one third increase in its population density 2001 – a much faster pace than other communities in the trade area.

Increased population density is a reflection of demand for housing in these well located, more affordable communities on the outskirts of the metropolitan area of Edmonton – most significantly so in the City of Spruce Grove. Between 2006 and 2011, the City saw a 36% increase in occupied dwellings.

*Exhibit 7: Growth in Occupied Dwellings in the Trade Area (2006-2011)*

	<b>Spruce Grove</b>	<b>Stony Plain</b>	<b>Parkland County</b>	<b>Total Trade Area</b>
<b>Occupied Dwellings (2006)</b>	7,070	4,615	10,230	21,915
<b>Occupied Dwellings (2011)</b>	9,620	5,820	10,930	26,370
<b>% Change in Occupied Dwellings</b>	36%	26%	7%	20%

*Source: Statistics Canada 2006 and 2011 Census Data*

<sup>1</sup> Source: CMHC Housing Market Information Portal

<sup>2</sup> City of Spruce Grove 2013 Development Activity Report

# CITY OF SPRUCE GROVE

## Multi-Use Sports and Entertainment Centre (SEC)

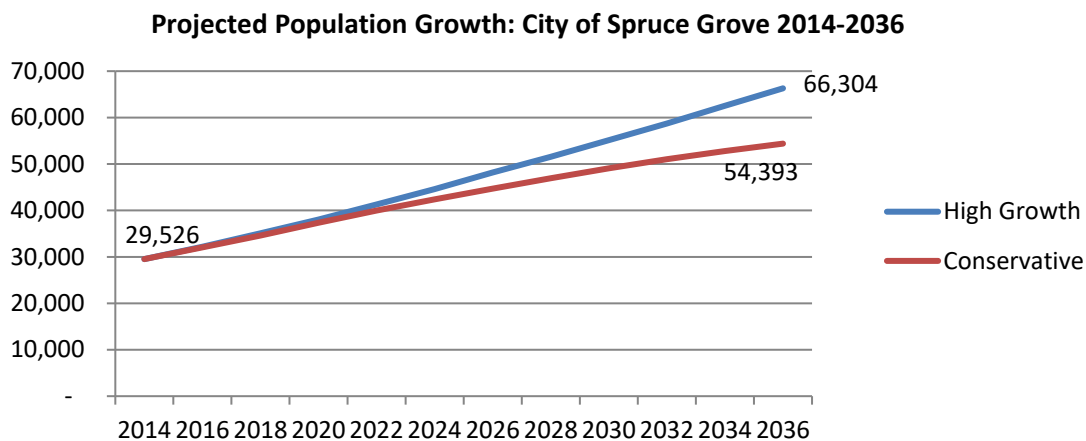


### Spruce Grove and Trade Area is Projected to Continue to Grow Rapidly:

Spruce Grove, Stony Plain and portions of Parkland County have been identified as priority growth areas by the Edmonton Capital Region Board. Population projections provided by the Edmonton Capital Region predict a 75% increase in the City's 2014 population to account for 49,700 residents by the year 2044. Based on this, Spruce Grove is expected to accommodate an additional 21,300 residents over the next 30 years.

The City of Spruce Grove's Planning Department has identified that the population projections provided in the Capital Region Growth Plan are fairly conservative as the city has experienced much higher rates of growth over the last 5 years than has been predicted in past forecasts by the Region. The following projections from the City of Spruce Grove Planning Department reflect a more aggressive rate of growth based on the actual population growth the municipality has witnessed over the last 5-10 years.

Exhibit 8: City of Spruce Grove Population Projections

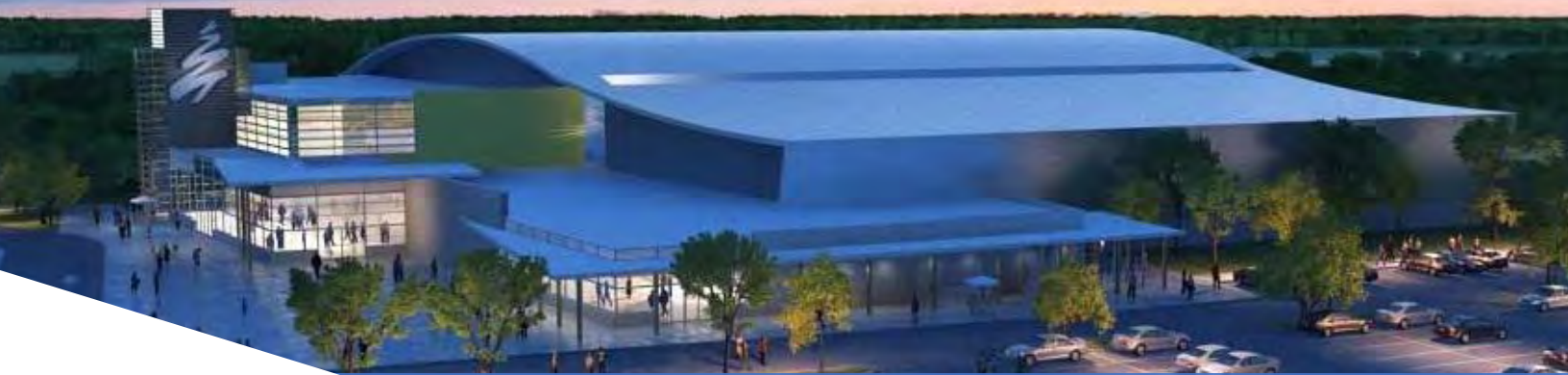


Source: City of Spruce Grove Planning Department



## CITY OF SPRUCE GROVE

# Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

The low growth scenario predicts the city's population will almost to double over the next two decades to account for a total population of 54,393 residents. A high growth scenario predicts the city's population will more than double over the next two decades to account for a total population of 66,304 residents. This assumes no annexation of lands to accommodate housing.

Including the City's projections, these together with the latest available Edmonton Capital Region growth projections for the other communities, indicate that the trade area may experience a 62% population increase between 2014 and 2044 (from 76,900 residents in 2014 to 124,600 residents by 2044). Based on this, the trade area is expected to accommodate 47,700 new residents over the next 30 years as a conservative estimate.

## The Opportunity

Review of existing venues indicates that there is currently a deficit of high quality mid-size (3,000-6,000 capacity) event venues in the Capital Region: The region's event space inventory is polarized, with large scale venue options in the City of Edmonton complemented by a variety of smaller venues attracting local acts. Larger communities surrounding the city are home to community arenas, small theatres (capacity <500), and community halls that attract small scale local events. Accordingly, development of a mid-size event venue in Spruce Grove has the potential to furnish the City with a competitive advantage within the region's sports and entertainment event market, situating Spruce Grove as a secondary event centre within the capital region.

Given the existing distribution of event centres in and around Edmonton, there is opportunity for the facility to draw visitors from within a 30-minute drive of the City of Spruce Grove, likely including the City of St. Albert to the north, Town of Devon to the south, Western portions of the City of Edmonton, Parkland County and Stony Plain to the east. This trade area is estimated to have a current population of approximately 764,000 persons, although we suggest that the key in understanding the market potential of the facility is not about the size of the market area, rather it lies in meeting the unmet demand and facility needs from event organizers, tour promoters, and others that seek to establish or strengthen the success of the broad Edmonton events market. While local population characteristics are one component to this equation, so are the quality, functional adequacy and overall suitability of available

## CITY OF SPRUCE GROVE

# Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

venues: If a new event centre is pursued, Spruce Grove has the opportunity to set standards for the provision of a mid-size venue in the Western Canadian market place.

The facility has the potential to leverage both population and employment growth within the market area, particularly in the context of the potential build-out of the Acheson Industrial Area, and the build-out of planned neighbourhoods in the west-end of Edmonton. Market opportunity however does not itself translate into a direct market for creating event days, rentals, and other revenue generating uses in a new event centre. Rather, it represents an opportunity that would need to be marketed to effectively by a commercially-minded management team for the facility, seeking to establish long-term relationships with the corporate sector for repeat events and rentals.

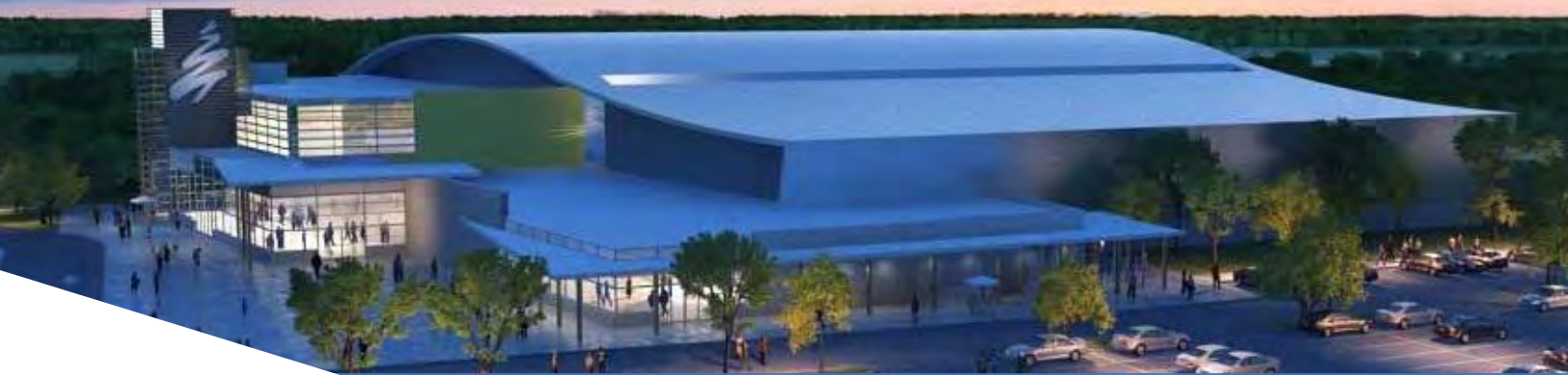
The specific form that the facility takes is subject to more detailed planning, feasibility, and design studies, however the key principle of multi-use should underpin this process: Community uses are expected to represent a significant proportion of the overall utilization of the facility, whether this includes a single ice pad within a spectator bowl or a secondary ice pad as a part of the final concept. With the exception of space dedicated to the primary tenant, all spaces within the facility will need to accommodate a range of community demands as well as commercial events.

Without community use, the economic justification of the facility based on commercial event days is limited to the estimated 90 plus event days on an annual basis. This scale of event utilization is not untypical for mid-size event centres. The estimate of achievable event days is based on a detailed catalogue of existing events hosted in the Capital region and the estimate of a reasonable market draw that a new facility would generate. Not included in this is the potential for a new facility to generate new events in the region – i.e. a portion of those events which are currently not held in the various facilities of the regional market owing to the lack of suitable venues or which are otherwise captured by venues elsewhere in the Province.

Based on our preliminary assessment of ice needs in Spruce Grove, the potential exists to ally the development of a multi-use sports and event centre with a community ice facility, operating as a single

## CITY OF SPRUCE GROVE

# Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

building. Maintaining the current standard of ice provision within the community will likely require a minimum of two additional ice pads by 2030.

#### Cultural Space

The cultural needs and aspirations of the community should also be considered in the development of a concept for the multi-use event centre. Work by the Tri-Region (*Tri-Municipal Indoor Recreation and Culture Facility Strategy*) has identified a gap in provision of high-quality indoor spaces of sufficient capacity to host major events (i.e. more than 500 persons), performing arts theatre space, and arts and cultural amenities including display spaces and program rooms. However, based on our experience and research, we do not believe that the multi-use event centre contemplated for the Westwind site should be paired with a municipal cultural centre. These two uses are sufficiently contrasting to mitigate against colocation and joint operations. The purpose of the multi-use spectator facility would be to bring state of the art capability to configure the stage and seating formats for a range of performance and production types. This represents a comprise as a multi-use event centre will not replicate the ambience of a purpose built performing arts centre, however, it will significantly enhance the potential to house events by the cultural community at large and commercial productions in particular.

Any investment in a new multi-use centre should also include meeting room space of sufficient scale to host a range of intimate to large scale gatherings typically associated with both community and corporate needs. As the recommended functional program should include the capacity to host trade shows and convention-style events using both trade show and breakout meeting space, this facility can be expected to include a flexible range of space. This can serve both the need for meeting space / classroom space for cultural activities as well as other community recreation needs. The challenge will likely be the balance to be struck between rental of the space for commercial events versus community use at subsidized rates pursuant to the recreational and community mandate of the City.



# CITY OF SPRUCE GROVE

## Multi-Use Sports and Entertainment Centre (SEC)



PHASE I REPORT SUMMARY

### Potential Product Offer

#### Development Concept

As a result of our analysis, the following represents the most suitable development concept for a multi-use sports and entertainment centre in the City of Spruce Grove.

Exhibit 9: Development Concept -Event Centre Components:

Event Centre Components: Directional Assessment		Approximate Size Range (sq.ft.)
<b>A</b>	Main Spectator Bowl and Ice Seating Bowl designed to enable centre-stage, retractable seating, boxes (10-12) backstage, concessions, box office, foyer etc.	4500 seats 120,000
<b>B</b>	Restaurant	8,000
<b>C</b>	Retail	8,000
<b>D</b>	Community Meeting Room/Conference Space	15,000
<b>E</b>	Optional Lease Space:	
	- Fitness/Gymnasium/High Performance Centre	7,000
	- Sports Organizations: Office Suites	5,000
	<i>Sub-Total</i>	<i>163,000</i>
<b>F</b>	Secondary Ice Surface and Ancillary Spaces (change rooms, circulation, flexible back of house for storage and removal of boards)	35,000
	<i>Total</i>	<i>198,000</i>

# CITY OF SPRUCE GROVE

## Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

#### Range of Uses and Projected Event Days by Type

Based on the full extent of market analysis conducted as part of this assignment, the following outlines the estimated events, their average duration and total event days by type of spectator and participant activity. This schedule specifically excludes the daily use of the facility for community recreation, social and cultural activity which will occur on the same basis as in other recreation facilities operated by the City or its agencies. This includes the use of the main ice sheet albeit with a reduced community schedule due to its programming for events and anchor tenant activities.

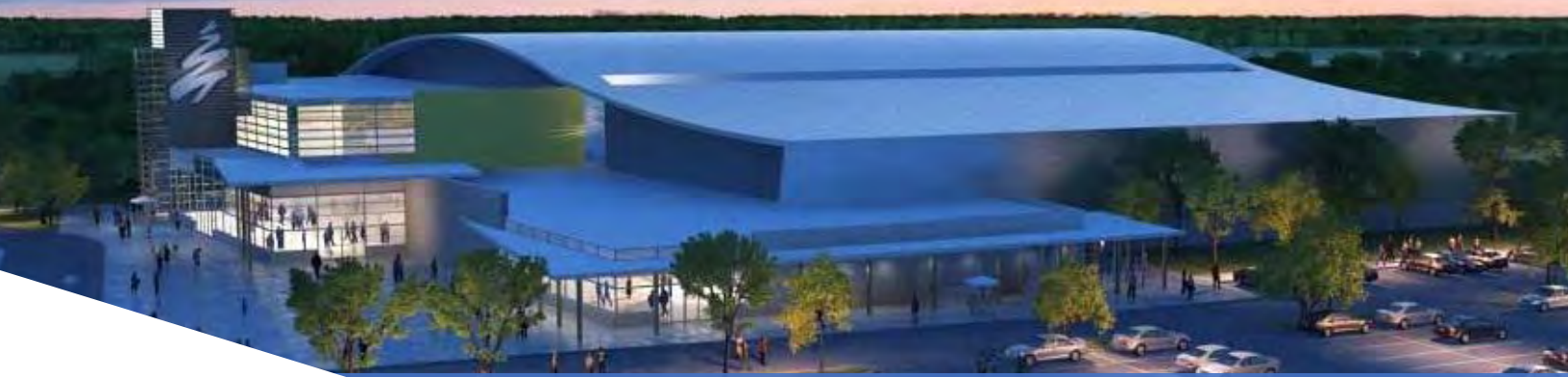
*Exhibit 10: Events in the Proposed Multi-use Facility*

Summary: Events by Category and Attendance in the Proposed Multi-use Facility			
	# Events	Av. Duration of Events (Days)	Total Event Days
Games/Tournaments	36	1	36
Other Major Spectator Sports Events	2	2	4
Tournaments	3	3	9
Concerts/Family Shows/Theatre	21	1.76	37
Trade Shows & Community Events	7	1.71	12
<b>TOTAL EVENT DAYS:</b>	<b>69</b>		<b>98</b>

*Excludes: Daily community use of facility, corporate and other rentals of meeting space.*

The event days schedule presented above has been specifically estimated for a facility in the City of Spruce Grove based on our detailed events market trade area analysis. This does not represent a generic estimate. As such, we are of the opinion that the above event count is achievable provided that professional management of the facility is undertaken by a specialist third party event centre operator and not the municipality itself.

## Multi-Use Sports and Entertainment Centre (SEC)



### PHASE I REPORT SUMMARY

### Illustrated Capital Cost Range

The Phase 1 Report does not contain a detailed elemental cost breakdown based on an agreed functional space program, level of finishes and seat count that can be expected as part of the next phase business plan. Rather, a range of unit-based capital costs are provided based on relevant comparables as a basis for understanding the overall range of possible cost. Based on these comparables, a rudimentary estimated cost range for the facility is between \$63M - \$76M. As part of next steps, a detailed feasibility should be undertaken to include Class D capital costs estimates based on an initial functional plan and concept design.

### Capital Funding

A number of funding possibilities exist but require further exploration, inclusive of upper level grant funding, municipal debenture, capitalization of naming rights, ticket surcharge, and a Community Revitalization Levy (CRL).

### Recommendations

As a result of our assessment contained in the Phase 1 Report, we offer the following recommendations with respect to the immediate next steps in actioning the findings:

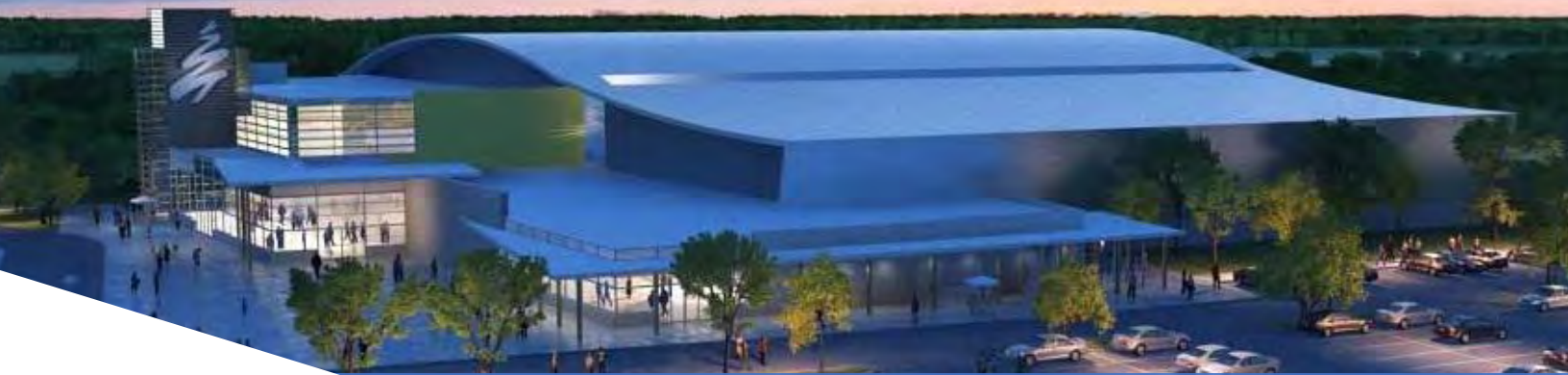
#### **Proceed to undertake a full business plan and risk assessment for the multi-use facility.**

The market analysis and high level financial assessment supports the benefits of the concept such that further assessment is warranted which should result in a definitive estimate of costs and benefits associated with the project. There is a requirement to now deepen our market understanding of the revenue opportunities and risks through a more open assessment including data confirmation and feedback from the events industry. More precisely, the next phase (Phase 2) of assessment should include all of the following:

- i) Translation of market potential expressed in the report and outlined in a generic, high level space concept, into a concept design and functional space program. This is not based on public input which represents a later input, but is a pre-requisite to formal public



# **Multi-Use Sports and Entertainment Centre (SEC)**



## **PHASE I REPORT SUMMARY**

- involvement. The work should be conducted as part of a detailed business plan development which both informs and is informed by design options for a facility;
- ii) Critical to the development of a concept and a viable business plan is the development of a Class D elemental cost estimation for the facility. This can inform the process of determining the optimum space program and concept design and thus the viability of the business plan;
  - iii) Further drill-down on market potential and venue specifications with the events industry;
  - iv) Assess site-specific development constraints in further detail including parking and traffic management. This will address scale of works required, cost and provide an opinion on cost-sharing between partners to the project;
  - v) Measure the effective likelihood of achieving CRL funding through detailed discussion with the Alberta Government once the following is achieved:
    - a. commitment to the form, type and timing of development at the Westwind site; and
    - b. the justification for a CRL based on the stimulative effect of the event centre on the broader development of the Westwind site;
  - vi) Development of a comprehensive, risk-adjusted business plan for consideration by Council.