

CITY OF SPRUCE GROVE
PHASE 2 REPORT - POTENTIAL FOR A MULTI-USE SPORTS +
ENTERTAINMENT CENTRE (SEC)

APRIL 2016

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EXECUTIVE SUMMARY

Purpose and Limitations of Report

This report offers further assessment and confirmation of the concept design, functional program, financial feasibility, funding, and governance structure of the facility.

This report and the information contained within it, is prepared specifically for the purposes as laid out in this report. Reliance on information and opinion contained in this report for other purposes, or extracted in part from the entire report, is not permitted.

Concept and Capital Cost

The report identifies the concept for the development of a Multi-Use Sports and Entertainment Centre (SEC) – comprising an Event Centre and 1 community ice rink. Associated capital costs are as follows:

Concept	Capital Costs
Event Centre and 1 Community Pad	\$79,267,258

Note: the figures above include 15% soft costs.

Functional Space Program

The Program of Spaces for the **Event Centre** includes the following:

Main Level – Front of House

3,500-seat bowl: The bowl has been designed in a three-sided configuration. This will minimize any loss of seats behind the stage for concert events. The three-sided concept also provided a larger flat floor area for trade and consumer shows.

Vestibule: A large 2,480 ft² vestibule has been provided to allow for off-hour ticket sales as well as ticket lineup space during events. Visitors to the facility will have access to Administration through this space allowing the remainder of the Event Centre to be locked off from public access during non-event times.

Event Centre Administration: An area of 1,585 ft² has been allotted for the administration area of the Event Centre. This is an extension of the Community Arena administration area and assumes that the whole facility is operated as a single unit.

Lobby: The 3,310 ft² lobby is the main gathering space of the Event Centre and provides direct access to the concourse area as well as to the stairs and elevator to the private suites and accessible seating on the Upper Floor.

Public Concourse: The concourse provides access for spectators to the seating bowl, concessions and washrooms. This 25,410 ft² area is the main circulation elements during events.

Concessions: There are three concessions equally distributed along the concourse. The concession on the west side is integrated with a commercial kitchen. This area may be reduced if the Event Centre has a physical connection to a hotel. The total area of the three concessions is 1,890 ft² and the commercial kitchen area is 1,970 ft².

Washrooms: There are a total of four Women’s and four Men’s Washrooms. The total area dedicated to washrooms including single-occupancy public washrooms is 6,310 ft².

Interconnected Service/Event Vestibule: A 1,695 ft² interconnected vestibule has been providing at the southeast corner to the adjacent Community Arena. This anticipates flat floor events where both the Event Centre and Community Arena are used for trade and consumer shows.

Main Level – Back of House

Marshalling Area: This is a large open space at the rear of the Event Centre and is used for major vehicle circulation and open storage. Total area is 17,980 ft².

Home Team Dressing: This space will include a players’ lounge, dressing room, shower and washroom area, and trainer’s space. A total area of 2,380 ft² has been allocated.

Community Dressing Rooms: Four community dressing rooms have been provided two of which will have interconnecting doors allowing them to be used for visiting teams. Each dressing rooms is 610 ft² in area and includes a change room, washroom and shower area. A 300 ft² Referee Change room will also be incorporated into the back-of-house.

Ice Resurfacing Unit Room (Zamboni) and interconnecting Workshop: The Zamboni room has a total area of 1,020 ft² and will include a snow-melt pit. It will be connected directly to a workshop.

Control Room: A 645 ft² control room provides visual access to all incoming back-of-house traffic.

Upper Level

Private Suites: Ten private suites have been provided on the north side of the seating bowl, each with two rows of dedicated seating (total of 10 seats). Total area of each suite is 330 ft².

Party Room: One party room has been provided with a total area of 600 ft². As with the suites, it has two dedicated rows with seating for 20 as well as bar stool seating for 6.

Washrooms: Two sets of women’s and men’s washrooms have been provided. Total combined area of the washrooms is 1,940 ft².

Media: A media room of 825 ft2 has been provided at the northeast corner of the seating bowl.

Warm-up Kitchen: A 660 ft² warm-up space has been provided as part of the catering facilities for the private suites.

The phased approach to the Community Arena would see a lobby initially sized to accommodate both ice surfaces. However, the vestibule and entry doors to the lobby would be on the east side since the future location of the second pad would be primarily used for interim parking. Once the second pad is added the entrance vestibule would be relocated to the southwest corner of the lobby.

Program of Spaces for a single **Community Arena** includes the following:

Community Arena (single pad)

Main Level

Ice Rink #1: The space dedicated to the ice surface is a total of 22,210 ft² and includes a standard NHL-sized rink (85’ X 200’).

Entry Vestibule: A vestibule with sliding automatic doors will have a total area of 540 ft².

Main Lobby: A main lobby of 2,775 ft².

Washrooms: A set of women’s and men’s washrooms as well as a single occupant washroom are located off the lobby. Total area is 1,520 ft².

Administration: This 1,740 ft² space is an extension of the administration space for the Event Centre.

Community Dressing Rooms: A total of 6 dressing or change rooms are provided, each with an area of 615 ft². Each dressing room contains a change area with benches, washrooms and a shower area.

Referee Dressing Room: A 415 ft² dressing room has been provided at the northwest corner of the ice rink.

Refrigeration Room: A centrally located refrigeration room will be sized to service the Event Centre and Community Pad arena. Total area of this space is 2,810 ft².

Mechanical/Electrical Room: A 1,830 ft² space adjacent to the refrigeration room will house the mechanical and electrical equipment.

Ice Resurfacing Unit (Zamboni or IRU) Room: An IRU room of 930 ft².

Storage Rooms: 710 ft2 has been provided at the east end of the arena for community storage.

1 INTRODUCTION AND PURPOSE OF RETAINER

1.1 Introduction

This document builds on the Phase 1 Market Feasibility and Financial Pre-Feasibility report completed for the City of Spruce Grove in February 2015. The 2015 Pre-Feasibility Study was the first structured assessment of market justification for a multi-use sports and entertainment venue and sought to address questions as to whether a Multi-Use Sports and Entertainment Facility (SEC) located in the City of Spruce Grove had sufficient market support, and if so, what opportunities and risks should guide the form, function and likely scale of the facility. The analysis comprised:

1. Identification and quantification of individual components of a Multi-Use Sports and Entertainment Facility (SEC);
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.

1.2 Specific Purpose of this Report

The current assignment builds on the aforementioned Phase 1 work. This report offers further assessment and confirmation of the concept design, functional program, financial feasibility, funding, and governance structure of the facility.

1.3 Limitations

This report includes and/or is informed by primary research, supplemented by secondary sources of data. The work of the consulting team was supplemented by several interviews with government officials and proponents of the project including WAM Development Group (now known as One Properties Inc.).

This report and the information contained within it, is prepared specifically for the purposes as laid out in this report. Reliance on information and opinion contained in this report for other purposes, or extracted in part from the entire report, is not permitted.

2 PHASE 1 MARKET AND FINANCIAL PRE-FEASIBILITY REPORT: A RECAP

2.1 The Concept

As a result of our Phase 1 analysis, the following was identified to represent the most suitable development concept for a multi-use sports and entertainment centre (SEC) in the City of Spruce Grove.

Exhibit 1: Development Concept - Event Centre Component

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

Source: 2015 Phase 1: Market Feasibility and Financial Pre-Feasibility for a Multi-use Facility, City of Spruce Grove

The principal components identified involved:

- A main spectator bowl and NHL regulation ice surface, with a fixed seating complement in the order of 4,500 seats;
- Importantly an entertainment event-oriented design and functionality with variety of stage orientations possible, retractable seating and necessary acoustic enhancements;
- Full concourse around bowl providing access to majority of seats, width sufficient for effective concessions operations at multiple points of sale (for major events only);
- Significant complement of meeting room space (demisable to suit occupancy needs and capable of providing a number of separate meeting spaces – both for conference/convention use, corporate meetings and daytime/evening use by community groups;
- Second multi-use ice surface/tradeshow space with an emphasis on maximizing the utility of this space as trade show/large format banquet space – this necessitates ability to store ice boards, and access to a back of house for storage and staging shared with the main bowl;
- Revenue generating and community use space including a range of use options: fitness gym, high performance centre, wellness centre, etc.;
- Restaurant located within building accessible direct from street level;
- Option for retail, and appropriate office lease space for user groups/provincial sport organization predicated on payment of full market rent or viability otherwise limited;
- Corporate boxes: it was recommended that as part of the design consideration for the facility, a moderate allocation of private boxes (10-12) be included; and
- The trade show/conference function is comprised of the limited use of the main bowl and secondary pad to accommodate those events for which the combined large volume space attracts. As a relatively large space, if compromised by its primary recreation function, it is anticipated that the facility will have potential to draw several trade show events, particularly in the shoulder seasons of early fall, and spring.

The above scoping of uses represented a preliminary estimate based on the required focus of the facility on the events market, a requirement to serve community recreation needs, and the potential to develop a daily market for elements of the building – restaurant, meeting rooms, retail, fitness centre, etc.

2.2 Financial Performance

The expected financial performance of the facility was based on its role as both a community recreation centre with an ice pad and the operation of an events centre. This is not a duplication, but a single operation of the building drawing revenues and costs associated with both elements.

As with the capital cost account, a portion of the resulting deficit was expected to reflect the normal requirement for deficit related to recreational assets which are provided to the community at a subsidized rate. Typically, this would amount to a fairly significant operating deficit for a twin-pad arena, but an order of magnitude lower than the expected deficit of a facility that also includes (and is built to the standards of) a regional commercial events centre.

The financials presented in the Phase 1 Report represented a “first cut” based on market potential, estimates of operating costs and our outline of one possible scenario of functional programming. The concept we arrived at was what the market would suggest but that is not the same as deriving the best balance of uses – for that, further work was required based on a more open process of discussion with users, initial concept design, capital costing, and funding analysis. This current assignment is a step forward in that direction.

Key Assumptions

The assumptions underlying the preliminary financial projections of annual revenues and expenses were principally:

- Seat count at 4,500 fixed seats.
- A combined community and event centre, with gross floor area somewhat larger than what a concept design process will arrive at (therefore at this time higher capital and operating costs as a basis for analysis).
- Functionality as a trade centre although we were cautious in ascribing significant market share to the facility.
- Retail and office lease potential factored into the capital costs but for the preliminary analysis of revenues and costs we excluded any revenue from these sources to focus attention on the essential business mechanics of the core space program: event centre.
- Event day estimates based on detailed market analysis.
- Allied to that, there was no major change in ticket pricing reflective of the need to generate higher attendance on a sustained basis and in recognition of the considerable choice available to the public in terms of watching elite and pro-hockey.

- We anticipated under any circumstance a need to renegotiate the terms of the license agreement with the Saints to both anticipate enhanced revenues to the facility and establish obligations on the franchise to maximize its revenues opportunities as provided for by a new facility.
- Recognition that the facility must excel in terms of the broader event market to justify the investment – requiring that private sector management of the facility is essential, as is performance incentives/penalties to minimize operating deficits.

Indicative Performance

The preliminary financial results are provided below showing the amount of deficit after management fees.

Facility Revenues

These would typically, but not exclusively, comprise revenues related to its spectator event use and those drawn from its role as a community recreation centre. Revenues were therefore categorized in terms of the main types of events:

1. Those of the anchor tenant (ticketed spectator hockey games);
2. Other ticketed sporting events;
3. Other major sporting events such as tournaments which are not likely to be ticketed;
4. A range of entertainment product (concerts, family shows, special interest events)
5. Some trade show and corporate functions; and
6. Community use of the ice, meeting rooms and other recreational facilities within the complex.

Facility Expenses

Facility expenses were comprised in a number of operating departments. These costs included general fixed costs as well as those related to the scale of activity (events) at the venue. In addition, certain large cost bases such as concession (food) and beverage was also included in expenses, so that the resulting net cash flow reflects both gross revenues and the cost of sales.

No Debt Service Ratio

In other sectors where a private market exists, the resulting net operating income (NOI) can be evaluated in terms of its ability to offer a sufficient debt service ratio: that is the amount of coverage from operating surpluses to adequately cover any debt outstanding. Because a multi-use sports and entertainment centre of this scale

does not typically result in operating surplus, there is no capacity to support debt from the operations of the facility.

Management Fees

Management fees payable to a third party management company to operate the venue were included as an additional expense. The purpose of third party management is to increase revenues on a sustainable basis, and improve the overall operation and enjoyment of the facility, thereby justifying the quantum of the annual management expenses. However, the value of third party management goes beyond this to encompass the philosophical position that the success of a commercial event facility is more likely to be achieved with a commercially-oriented management team. Not all municipalities follow this approach and examples do exist of successful municipal operation as well as operation by non-arms-length agencies of municipalities.

The Phase 1 report outlined several important observations including that the period of ramp up may, depending on circumstances, represent several years. This is particularly the case for the concerts and trade show markets which together represent the most significant source of revenue to the facility. As a result, the operating results in years 1 and 2 have the potential for higher deficits which gradually decline and stabilize in year 3 onward. However, if the learning curve is more protracted, higher deficits could be a reality for some time longer. This risk is the reason why selecting an operating partner that can deliver on expectations early on in the life of the building is very important. Every facility can expect to experience the bump associated with demand in its early years, however, capturing all of that potential and sustaining it over time is an important means to secure the financial performance over the medium term.

In considering the potential variance in the likely deficit, it is important to consider what risks are attached to the collective revenue sources.

The community use of the facility – daily ice rental - is a known and estimable product, for which deficits can be quantified with a fair degree of accuracy. The unknowns as it pertains to deficit projections are the revenues associated with spectator uses. The Phase 1 report established the potential for these markets but effective management and operations of the facility will be necessary to realize this potential. It is also the case that the design of the facility must respond to the need for flexibility in functioning to accommodate a wide array of events year-round. The facility must be constructed and operated clearly with its role as an event centre in mind if it is to secure the type, range and number of events that are potentially available.

The analysis predicated the likely scale of deficit on there being a sustained upturn in attendance at hockey games reflective of the attendance achieved at several of the other franchises in the league (similar but less than Camrose, Grand Prairie, etc.). Should that not materialize, this would be a clear loss of potential even for a well-supplied pro-hockey spectator market such as Edmonton.

The fixed seat count of 4,500 is not in all likelihood required for this franchise and is designed as the reference point for a range of other events including large scale regional, national and international spectator events.

Nevertheless, weekly hockey games will be perceived by many as the “bread and butter” of the venue and must be seen to have achieved an enhanced market draw in order to justify the investment in the facility.

The projection of deficit was therefore an outcome of the relative risks to revenues (more so than facility expenses); however, effective control of expenses is also essential to any operation at this scale.

2.3 Risks

At the outset, a range of risks exist for any major development project, some of which are itemized below. The majority of such risks are mitigated through effective management of the design and delivery process.

Capital Costs

Capital costs for facilities of this type are not pre-determined and decision makers have considerable control in establishing the balance between budget and what “goes into” a building for this cost. Decision makers can control scale, types of spaces, quality and business conditions surrounding the allocation of risks in development.

The capital cost estimates contained in the Phase 1 report were illustrative of potential unit cost bands experienced in other similar projects, applied to a potential scale of development which comprises a facility in Spruce Grove. Size, quality and types of use were to be determined through the required business plan process, such that capital cost estimates were reasonable estimates of possible cost based of the scale of development assumed for the Phase 1 report.

The stages required to better inform capital cost estimates were identified as follows:

1. Confirm building components – those essential, and those optional;
2. Through an initial and iterative concept design process establish a functional space program informed by the results of this Phase 1 market research, operational financial feasibility, and capital cost considerations; and
3. Undertake an elemental capital cost assessment by a professional quantity surveying firm, including the required cost contingency (+/- 25% as a Class D estimate).

The resulting capital cost estimates will still be subject to scoping and revision as the design process unfolds but importantly at the end of Phase 2, the estimate of capital cost will be tied directly to the preferred functional program and overall scale of development.

Development, Design and Construction Risks

Further on, all construction projects involve risk in their design, development and construction. These risks relate to a range of factors including the following principle elements:

- Insufficient detail in design leading to scope creep to meet anticipated functional requirements - there is significant risk in a project failing to meet its functional program requirements through insufficient definition of these functional requirements and their translation into program design and performance specifications. This translates into longer timeframes for completion and often increases in capital costs as well as insufficiencies in design and layout of buildings;
- Design errors and omissions – this is the risk associated with building features and requirements being either underrepresented or absent and necessitating attached design and construction solutions and potential cost additions in addition to usual project delays associated with such changes in scope. Additionally, there is an ultimate risk in any development project that the intended design is not fulfilled due the failure of the constructor to build the facility to design;
- Procurement risks – these risks pertain to problems which arise between prospective contractors and the procurement agencies (e.g. the Municipality);
- Construction delays – from a variety of potential sources related to overall management, individual trades, materials or unforeseen site-related matters; and
- Cost overruns – for a variety of reasons, there is a risk associated with the capital cost as estimated in the design stage.

Operating Risks

Facilities, and in particular public sector municipal capital facilities have a number of operating risks related to revenue generation, operating costs reduction and expense management, effective programming and facility utilization, and attention to opportunities for marketing additional services and identification of revenue sources. As an event centre, there is the additional market dynamics of the commercial touring and event markets which can be expected to change over time and which otherwise represent a specialized business niche activity for a municipally owned facility. The following outlines specifically how these combined risks should be (1) anticipated and (2) mitigated.

Some of the principal operating risks for this facility include:

- *Macro-economic shock*: the potential for global economic conditions to impact the consumption of entertainment and other event products due to constraints on discretionary income. This can include regional impacts such as the impacts currently felt as a result of declining commodity prices to economy-wide impacts. As it relates to a facility of this nature, the goal should be a diversification of events

including a range of trade show/convention events to family leisure and entertainment product so as to minimize impacts from economic decline.

- *Revenue Risk*: as in any exercise, the budgeting and estimating process with regard to operating performance should be developed as the design of the facility is further specified, as partners are made known, as more certainty exists regarding the range of operating costs closer to the time of the commissioning of the building. Achieving events through competitive bid processes is part and parcel of any spectator facility business plan, but is inherently a risk. Accordingly, our Phase 1 analysis excluded any event days and revenues associated with large-scale competitively won hosting opportunities. Significant discounts were therefore applied to the event calendar.
- *Competition*: competitive venues in the region and elsewhere (as part of cross region tour flows) are always a risk. In the Edmonton market place, there is less likelihood that the new downtown NHL-anchored multi-use sports and entertainment centre will directly compete with a venue in Spruce Grove because of the differences in scale between the venues. However, should the existing Rexall Place remain a functioning event centre over the long-term, this does present a risk of competition, notwithstanding the size of Rexall Place.
- *Operating costs risk* – there is a risk that the operating costs will be higher than projected due to the range of factors some of which can be estimated and some of which are difficult to estimate in advance. Items such as increased utility costs, unforeseen repairs and maintenance cost, higher management costs and a range of other factors which can affect the financial performance of large scale facilities. However, as a new facility, these costs would not be expected to materialise early in the life of the building, while the estimate of normal operating costs for facilities of this type can be estimated to a high degree of accuracy. Once a preferred concept design is developed, the estimate of expected operating costs and event-day expenses can be provided with greater certainty.
- *Management performance* – the management performance is a significant risk and can often be the difference between revenue growth and systemic revenue attrition. The approach of the management team to operating the facility and all respects relating to marketing and services provided to both patrons and suppliers, and the overall environment in which the facility is marketed and positioned, is of significance to the success of any facility.
- *Compatibility of uses present in facility* – the potential exists for multiple users and events to create conflict in scheduling and loss of revenue. Part of the skills of an adept and experienced facility management team is to maximise the seamless transition of the facility between uses to minimize revenue losses, achieve compatibility between permanent uses and create synergies between uses to improve utilization and patronization of the amenities within the facility. Financially benefitting from a strategy of multi-use, and raising overall utilization without a loss of event days is another key measure of success in facility management.

Risk mitigation strategies that can be undertaken to reduce the range and scale of risks include:

- High quality management of the facility – a key feature of risk mitigation which is based on utilization of industry expertise to maximise the revenue that the facility can draw and ensure efficient operation and cost reduction in operating expenses.
- Minimize lifecycle costs through lifecycle cost planning – this can include the provision of capital reserve budgets to meet certain capital replacement costs in future years.
- Pre-opening business planning – it is important that once a detailed design and functional program is established for the facility, and potential programming and revenue opportunities are created for the operations of the facility, that a detailed plan of action is undertaken to create the necessary departmental operating cost budgets, marketing resource requirements, and pre-opening expenses to ensure that the facility operating plans and forecasts are as rigorous as possible and are aligned with the actual facility that has been designed and built. This can be a crucial link to ensure that “normalized operations”, that is the facility operating at its designed utilization and event day capacity; can be achieved as quickly as possible. A lack of planning can result in continued under-performance and is one reason why a private sector management capability, incentivized by performance share and/or financial penalties for underperformance, can help ensure effective revenue control. Typically a private operator would be brought on board at the detailed design stage (if not part of a pre-selected design-build-operate consortium) to ensure preparedness to capture and retain market share upon opening. It should be recognized that no facility in a competitive market place can be expected to achieve all of its market potential at the outset.
- Facility revenue and event opportunities can be expected to continuously evolve, but the initial “ramp-up” period of the first few years is a risk for facilities in this market niche with smaller scale anchor tenants.

The above risks can be mitigated to a lesser or greater degree by the particular method of delivery and operation of the facility.

2.4 Questions Requiring Detailed Analysis

Items requiring further investigation and analysis as a result of the Phase 1 assessment were identified as follows:

- i) Translation of market potential expressed in this 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 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 has been demonstrated by WAM;
- vi) Development of a comprehensive, risk-adjusted business plan for consideration by Council.

At the time of the Phase 1 report, questions of “partnership” required greater clarity. Further determination of the following was required:

- i) Defined concept, adjusted through consideration of capital costs, operating impacts and community needs;
- ii) A preferred delivery process, funding plan based on a detailed assessment of the broader build-out of the commercial district, and greater assurance as to the risk minimization strategy for revenue generation based on the involvement of the Oilers Entertainment Group versus another independent third party management group;
- iii) Answers to the questions which exist at present regarding how the broader development of the Westwind site will unfold to the maximum favour of the event centre and its capital funding needs.

These questions represent the starting point for the Phase 2 assessment. The balance of the report addresses these questions and provides answers to the extent achievable through discussion with third parties.

3 CONFIRMATION OF DEMAND SUPPORTING DESIGN CONCEPTS

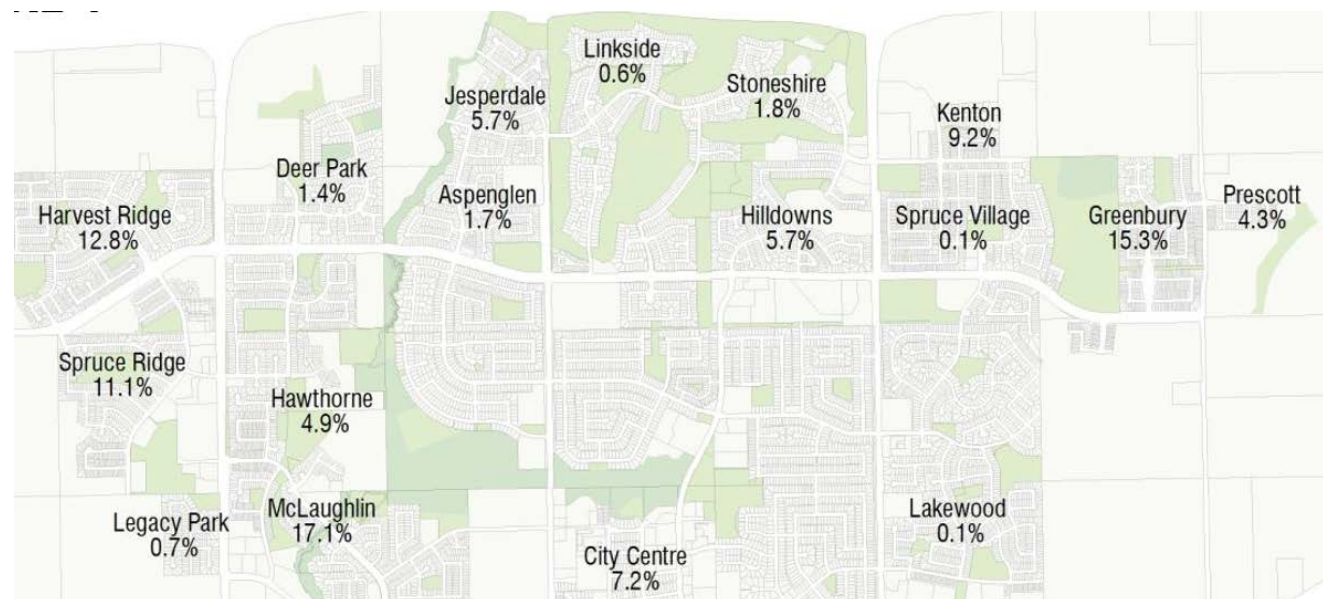
3.1 Supporting the Design Concepts: Ice Demand Analysis

3.1.1 Growth expected to impact demand for recreation

Spruce Grove has and is projected to continue to experience rapid population growth. Growth pressure is expected to have continued bearing the community's need for recreational infrastructure – including ice. 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.

While Spruce Grove's population has increased by two thirds between 2001 and 2011, and further grown to reach 32,036 as of the 2015 Municipal Census, this growth has been accommodated through strong residential development on the outer ring of the City as well as through intensification efforts in the existing built-up areas.

Exhibit 2: 2014 Housing Starts in Spruce Grove by Subdivision



Source: City of Spruce Grove 2014 Annual Development Activity Report

In 2014, the City issued just over 1,300 building permits (a 25% increase in permit activity observed in 2013) – roughly 49% of which were for new residential developments (primarily single family residences). The remainder of permits were largely issued for residential improvements.

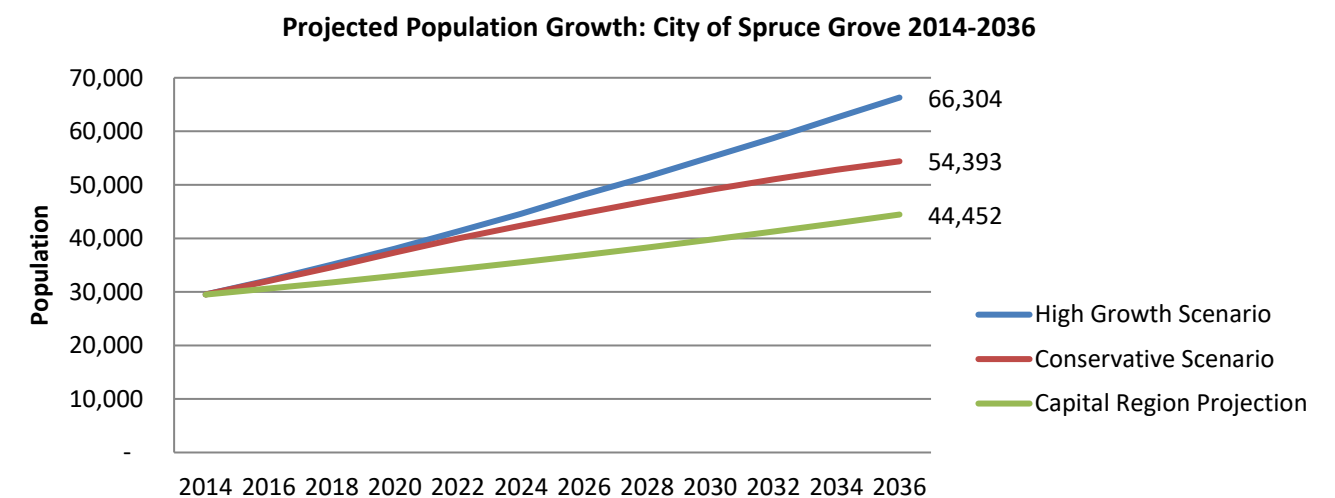
There were over 700 actual housing starts in Spruce Grove in 2014¹. New residential starts have been concentrated in the communities of McLaughlin, Greenbury, Harvest Ridge and Spruce Ridge respectively².

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.

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. Latest available population projections provided by the Edmonton Capital Region predict Spruce Grove's population will increase by 61% from its 2014 Municipal Census population to 51,600 residents by the year 2044³. Based on this, Spruce Grove is expected to accommodate an additional 21,300 residents over the next 30 years.

Exhibit 3: City of Spruce Grove Population Projections



Source: City of Spruce Grove projections (conservative and high growth scenarios) were provided by the City's Planning Department. The Capital Region projection was calculated using a compound rate of growth based on published estimates provided for 2014 and 2044.

¹ Source: CMHC Housing Market Information Portal

² City of Spruce Grove 2014 Annual Development Activity Report

³ Based on (May 2015) Consolidated CRB-Accepted Population and Employment Projections (Low Adjusted Figures), 2014-2044 (with population adjustments to reflect 2014 municipal census results) provided by the Capital Region Board

The City of Spruce Grove’s Planning Department has identified that the population projections from the Capital Region Growth Plan have tended to be 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. 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.

The City’s low growth scenario predicts Spruce Grove’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 account for 66,304 residents by 2036. 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 78,000 residents in 2014 to 126,500 residents by 2044). Based on this, the trade area is expected to accommodate 48,500 new residents over 30 years (as a conservative estimate).

3.1.2. Existing Ice Facilities and Utilization

The City of Spruce Grove currently provides residents with four (4) indoor ice pads – two at the Agrena (Grant Fuhr and Stu Barnes Arenas), and two at the TransAlta TLC. The tri-region is home to two additional ice sheets, one in Stony Plain’s Glenn Hall Centennial Arena, and one at the Pembina Rec-Plex in Parkland County.

Anecdotal discussions with facility managers in Spruce Grove indicated that ice pads are in high demand by the community. Ice at the TransAlta TLC is booked by residents of all three communities (Spruce Grove, Stony Plain, and Parkland County), and ice time at the Grant Fuhr available for community use is limited given that the Spruce Grove Saints are housed at this facility.

An analysis of the utilization of the Agrena indicated that demand for time ice is strong. Demand can be expected to grow over time as the youth population moves through the school system, and the city experiences continued population growth. Our analysis does not include the utilization of the TransAlta TLC, however anecdotal discussions suggest that this facility is heavily used by the community.

Exhibit 4: Prime Time Utilization Rates - Spruce Grove Agrena 2012-13 Ice Season

Utilization inclusive of floods between groups	
Grant Fuhr Arena	97%
Stu Barnes Arena	95%

Source: Sierra Planning and Management based on data from the City of Spruce Grove

Spruce Grove Minor Hockey Ice Needs

Further to the above, an October 2015 presentation to City Council identified gaps in the amount of ice time available to the Spruce Grove Minor Hockey Association (SGMHA) when compared against the national requirements for Long term Athlete Development for the sport of hockey.

As a Minor Hockey Association, the SGMHA reports that it is required to host the following teams:

- Midget Female AAA
- Bantam Female AAA
- Two (2) Pee Wee AA
- Bantam AAA
- Two (2) Bantam AA
- Major Minor Midgets – 15 AAA
- Two (2) Midget AA

Some teams share practice ice, while the majority of teams only have 1 practice per week and have had to supplement the ice time provided in Spruce grove with additional time in the communities such as Stony Plain, Enoch and Calahoo. Based on the practice and game time requirements of Canada’s Long Term Athlete Development Model, the SGMHA requires additional ice time as follows based on its current number of teams:

- **Annual ice time required: 8,313 hrs**
- **Ice time available/used (per annum): 4,882.5 hrs**
- **Deficit of ice time: 3,340.5 hours per annum**

The Consulting Team is not able to verify these claims but we note that very few communities justify new ice on the basis of a minimum standard per Sport Canada – it is intrinsically a local matter based on the current practice of ice allocation and satisfaction with this.

3.1.3. Current & Projected Community Ice Needs: Spruce Grove and the Tri-Region Area

Based on the city’s existing inventory of ice pads, Spruce Grove’s current standard of provision for indoor ice is 1 ice pad per 8,009 residents (based on figures provided in the 2015 Municipal Census). Based on our analysis of utilization, this standard of provision meets current community needs. To maintain this standard of provision over the next decade and a half, under both population growth scenarios the city will require an additional two ice pads by 2028.

Exhibit 5: Current and Projected Standard of Indoor Ice Provision: Spruce Grove

Per Capita Standard of Provision	2015 (Actual based on Municipal Census)	2018	2028
High Growth Scenario	1: 8,009	1: 8,770	1: 12,885
Conservative Growth Scenario	-	1: 8,650	1: 11,737

Source: Sierra Planning and Management based on data from the City of Spruce Grove (2015 Municipal Census and Population Projections)

The most appropriate standard for planning purposes is unlikely to be a standard of provision as high as that which exists, and a more appropriate target would be in the range of 1 pad per 9,000 to 10,000 residents. At this target, 1 additional pad could be justified by 2024 and 2 additional pads by 2030. This leaves aside any requirement to decommission existing arenas due to age and functional obsolescence and the replacement of these facilities. Based on this standard, the City will require a total of 6 ice pads by 2030.

The reality of recreation in the tri-region is that residents from the communities of Stony Plain and Parkland County use the facilities in Spruce Grove: The TransAlta TLC is funded by all three communities and as such is open to residents from across the tri-region. Accordingly, we have developed a regional standard of provision for indoor ice facilities based on projections from the Capital Region Board (this is the latest available source of projections for the entire trade area).

The current standard of ice provision in the region is 1 pad per 11,143 population. In order to maintain this standard, the tri-region will require an additional 2 ice pads in the next 15 years (by 2029). Beyond 2030, a third pad would be required to maintain the current standard of ice provision.

Exhibit 6: Current and Projected Standard of Indoor Ice Provision: Tri-region

Year	Per Capita Standard of Provision
2014	1: 11,143
2019	1: 12,212
2029	1: 14,431
2044	1: 18,071

Sierra Planning and Management based on (May 2015) Consolidated CRB-Accepted Population and Employment Projections (Low Adjusted Figures), 2014-2044 (with population adjustments to reflect 2014 municipal census results) provided by the Capital Region Board

3.1.4. Considering a Broader Market Area

The Phase 1 Pre-Feasibility Report identified that development in West Edmonton is expected to impact the market for a new facility. There are a number of planned neighbourhoods in the west-end of Edmonton that are still to be built-out. These communities straddle the Anthony Henday Highway, of which the majority of residential communities are only 0%-24% complete or are in the area/neighbourhood structure planning process. It is expected population growth in these communities lining the western border of the city will be a potentially significant source of market draw for a new sports and entertainment facility in Spruce Grove.

Latest available population estimates, as provided by the 2012 Retail Gap Analysis completed by MXD Development Strategies Ltd for the City of Spruce Grove, identify an additional population of 182,221 residents in the western portion of Edmonton and its immediate outskirts (to include the Town of Devon) for 2014. Considering the population of the primary market area (Parkland County, Spruce Grove and Stony Plain) as well as estimates for the West Edmonton area, the likely population base of a potentially broader market for an event centre is estimated to be 260,221 persons as of 2014.

Exhibit 7: Estimated Standard of Ice Provision for Broader Market Area to include West Edmonton (2014 estimate)

	Supply of Ice Pads	2014 Population	Standard of Provision
Market Area	7	78,000	-
West Edmonton + Area	6	182,221	-
Total	13	260,221	1 per 20,017 population

Source: Sierra Planning and Management based on data from the City of Edmonton, the Town of Devon and MXD Development Strategies Ltd

Considering the standard of provision in the broader market area, this may warrant consideration for investment of a third ice pad in the short term. However, there is a risk around this as it is not the responsibility of the City of Spruce Grove to meet a shortfall of ice in the City of Edmonton or a portion thereof. That shortfall - if it exists - will be met by the City of Edmonton.

3.1.5. Hotel Development & Market Accessibility

The Westwind site is proposed to accommodate hotel development. The location/area can be further expected to be strategically viable for other hotel development. The principal challenge identified by our Phase 1 analysis is the degree of development in the accommodations sector in West Edmonton.

The existing supply of hotels in West Edmonton is primarily clustered around the West Edmonton Mall and along the Anthony Henday Highway which offers immediate access to City of Spruce Grove. The current accommodations supply in the market area (which extends to include West Edmonton and St. Albert and Devon) comprises 29 hotels totalling around 3,750+ rooms (584 of which are within newly developed/renovated hotels).

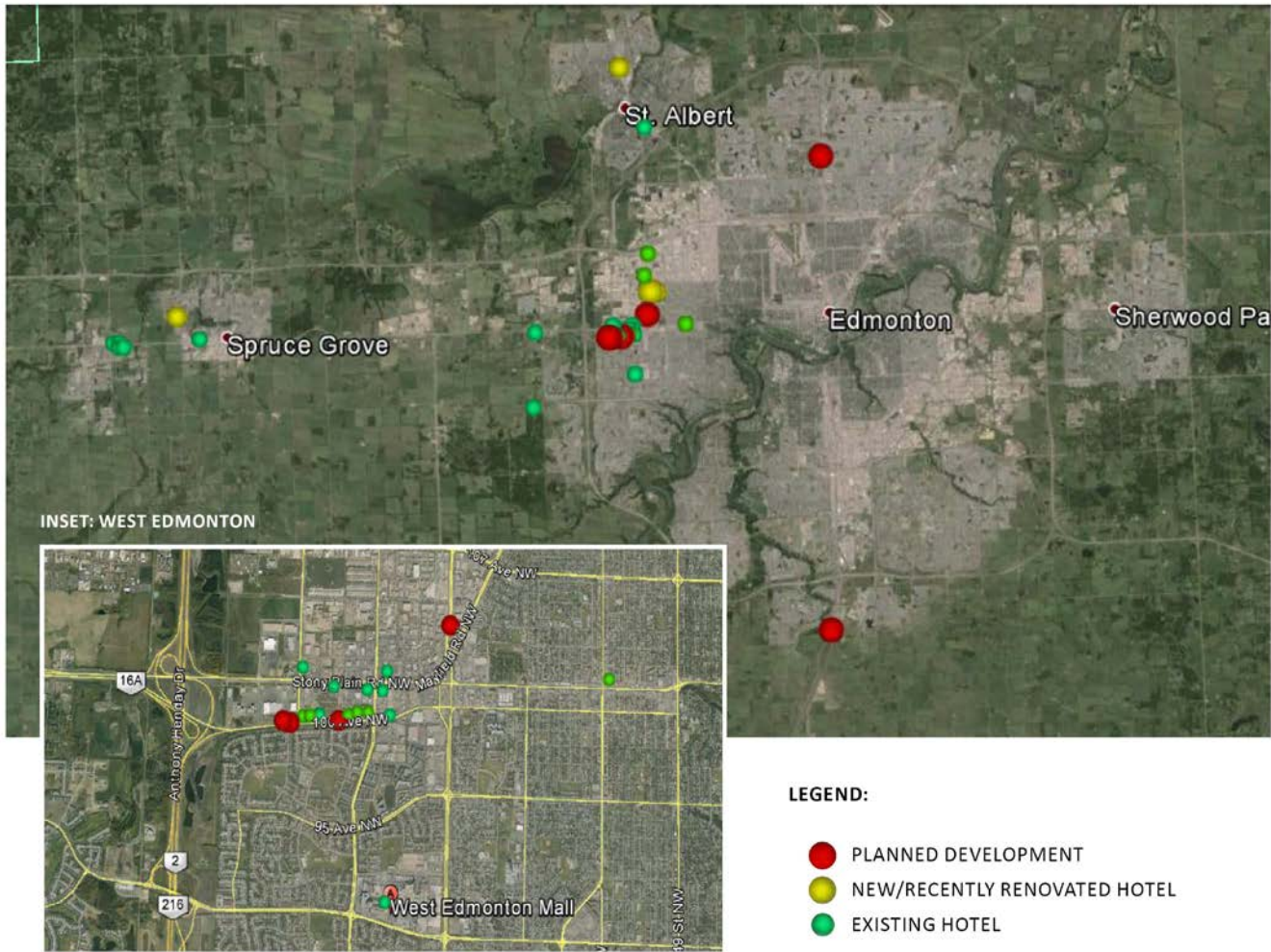
A January 2016 review of current proposed hotel development in West Edmonton per the City’s Planning and Developments Map tool showed no change in new hotel investment since the Phase 1 Report. We conclude that the ability to draw on demand and visitation from this area exists.

Exhibit 8: Hotel Accommodations and Development in Market Area (including Spruce Grove, Stony Plain and Parkland County, St. Albert and West Edmonton)

Hotel Market Dynamics Within the Market Area			
			Rooms
Total Existing Supply in Market Area:			3,163*
New/Renovated Hotels			
West Edmonton	Staybridge Suites West Edmonton		126
	DoubleTree by Hilton Hotel West Edmonton		238
Spruce Grove	Holiday Inn Express & Suites Spruce Grove		130
St. Albert	Best Western Plus The Inn At St. Albert		90
Total:			584
Proposed Hotels			
West Edmonton	Starwood Hotels West Edmonton		221
	IHG Hotel West Edmonton		219
	Hyatt Place Edmonton West		161
	Fairfield Inn & Suites by Marriott		102
	Total		703

Source: City of Edmonton Planning and Developments Map Data (as of January 2016) and Expedia
*Figure based on room information as was available for hotels in the area. This figure is likely higher due to the unavailability of data regarding the total number of rooms within a few hotel establishments.

Exhibit 9: Distribution of Hotels in Market Area (including Spruce Grove, Stony Plain and Parkland County, St. Albert and West Edmonton)



Mapping by Sierra Planning and Management using Google Earth imagery

3.1.6. Non-sports Market: Profiling the Event Market in the Market Area

The present assignment reconfirms the Phase 1 review of the event market in the market area. The following exhibit outlines two scenarios, as originally proposed, for the potential market draw of a new event centre as it pertains to non-sporting events. The first scenario is relatively conservative (1% of market draw), with the second more aggressive at 5% of market draw. These are illustrative scenarios and the performance of the venue in terms of attracting events will depend on both management and marketing efforts. Both scenarios are within the realm of possibility for mid-size concert venues in western Canada. It should be noted that a small proportion of the events within any market account for the bulk of market revenues.

Exhibit 10: Illustrated Possibilities for Market Draw of a new Multi-Purpose facility

Event Category	Capital Region Annual Event Days (Estimation)	Event Days: 1% Market Draw	Event Days: 5% Market Draw
Concerts	460	5	23
Theatre	444	4	22
Family Entertainment	199	2	10
Trade Shows/Conferences	163	2	8
TOTAL		13	63

Source: Sierra Planning and Management

The potential SEC is likely to serve the mid-size venue market that targets a different set of artists and performers than the region’s largest venues. The exhibit below identifies mid-size venues (capacity 4,000-8,000) within the Western Canadian tour circuit, and an estimation of the number of annual events by category.

Exhibit 11: Western Canada: Mid-Size Tour Stops – (4,000 - 8,000 spectators)

Community	Venue	Capacity	Annual Ticketed Events			
			Games/ Tournaments	Concerts	Family Entertainment	Trade Shows
Edmonton, AB	Edmonton EXPO Centre	4,000	0	0	14	100
Red Deer, AB	Enmax Centrium	7,210	40	6	4	6
Regina, SK	Evrax Place	7,159	64	6	8	18
Kamloops, BC	Interior Savings Centre	6,400	41	21	3	12

Community	Venue	Capacity	Annual Ticketed Events			
			Games/ Tournaments	Concerts	Family Entertainment	Trade Shows
Prince George, BC	CN Centre	5,971	39	18	15	0
Abbotsford, BC	Abbotsford Centre	7,000	0: (previously home to the Abbotsford Heat (AHL)	10	8	12
Kelowna, BC	Prospera Place	6,286-8,000	40	10	4	3
Victoria, BC	Save on Foods Memorial Centre	7,400	40	7	2	0

Sierra Planning and Management based on ticketing information and scheduling data

The opportunity for accessing both the existing event market and growing the new market is apparent. How this is achieved is equally important and will take several years of effective marketing to place the facility front of mind in the market place as well as demonstrate a successful track record of event planning and execution.

Aspects central to successfully tapping the market opportunities range from across the following:

1. Scalability: the ability to configure the facility: principally seating but also access to amenities, concessions and meetings rooms so as to meet the desired ambience and set-up needs of a wide variety of events. Scalability equals market share.
2. Functional design capacity: the capacity to meet expected production equipment, audio-visual and lighting needs of event organizers, as well as loading and other efficiencies. The functional quality of the facility over time can determine the overall competitiveness of the venue in capturing market share. Clearly, design should also accommodate the necessary capabilities for systems expansion and redundancy to ensure the building systems can provide the necessary technical specifications in years to come.
3. The opportunity for private suites rests, in our view, on establishing a partnership with the anchor tenant or others to fund the capital costs. The suites themselves offer added benefits for hosting functions (during and outside of events) as well as viewing events, and catering to the specific needs of the corporate market.
4. Strength of the Management team: the ability to capture, retain and grow the event market segment of the facility is critical in our view. This responsibility lends itself to expert third party management of the entire facility in exchange for industry expertise, company-wide information, resources, and access to contacts.

5. Ensure tenancy(ies) agreement do not unduly hinder the capacity to plan for non-tenant events: it is important to ensure that a negotiated license of occupation with the anchor tenant and other tenants anticipate the need to protect the ability to schedule non-anchor tenant events as an important revenue generator. This can include determination of whether the anchor tenant should have universal primacy rights over scheduling, maximizing facility access to revenues from concessions (i.e. not granting control of concessions to the anchor tenant), and ensuring that any conflict in advertising and sponsorship between the advertising and sponsorships of the anchor tenant versus those that may associate with a particular event, are resolved in favour of the facility.
6. The importance of supporting tourist infrastructure: whether this includes hotels on site or within a short drive is itself less significant. However, if the goal is to effectively partner with the hotels in the staging of trade show and convention style events wherein the facility provides large volume dining and gathering space as well as meeting space in addition to that of the hotel, then commitments will need to be made to ensure the timely development of appropriate accommodations plant essentially contiguous with the venue.

3.2 Recent (2016) Developments expected to Impact both Sport and Non-Sport Markets:

In a presentation to City Council on March 15, 2016, the leadership of Northlands presented its Vision 2020 Strategic Plan. The presentation identified that the Rexall Place business model will be impacted with the opening of Rogers Arena. After some investigation, the Northlands group announced in early 2016 that it planned to renovate Rexall Place into the Northlands Ice Coliseum. The facility is planned to accommodate seven sheets of ice to serve the hockey and recreation needs of the community and is planned to have capacity to host volleyball, lacrosse and indoor soccer events⁴. Northlands identifies that Edmonton will need at least 6 new ice sheets by 2019 to meet their demand and that the Coliseum would increase the City's the current capacity by nearly 25%⁵ (our team is unable to verify this claim at this time).

The Coliseum is intended to host "mid-sized events" and may require Northlands to collaborate with the City and the Oilers Entertainment Group (OEG) in developing a non-compete agreement with the new Rogers Place arena,

set to open downtown in 2016⁶. Plans for repurposing the current Rexall Place site remain pending on council funding and approval⁷.

In addition to the renovation of Rexall Place, the following are priorities of the Vision 2020 Plan:

- Refurbish Hall D: into a 5,000 seat concert space and sports arena. This is to be accomplished by raising the ceiling to accommodate more seats and some suites. The facility is planned to host minor hockey championships, professional lacrosse, small rodeo events and other sporting activities.

3.2.1. Our Opinion Regarding the Future of Rexall Place and the Northlands Complex

The Northlands complex and Rexall Place is a significant venue in its own right and can be expected to continue even with the loss of the Oilers. Rexall Place, separate and apart from the Expo site is not fundamental to the future of that complex notwithstanding that Northlands is currently the operator of the Arena.

The original plan for Rexall Place discussed as part of feasibility work we were involved in regarding the "what if" scenarios for the City of Edmonton prior to the approval of the Ice District Project, was for Rexall Place to be potentially demolished and the land sold for development – both the development value and property taxes generated would contribute to funding the new downtown district (taxes via a CRL). That plan did not materialize but the question as to the future of the arena itself remains relevant.

The plan to add multiple ice surfaces on several floors has precedent – Maple Leaf Gardens in Toronto is the prime recent example. However, whether this occurs will likely be a function of a number of elements:

- Servicing city-wide needs in one location is potentially problematic in meeting city-wide needs on a local district basis - local communities may have different needs and timelines for replacement or addition of facilities and this may be a complicating factor for the Rexall Place project;
- Cost to construct through renovation is a major factor in all likelihood, particularly compared to the range of other options for community ice arena development;
- As regards Hall D, the need for this type of facility exists. Whether an entertainment centre function is achievable is dependent on many factors not the least of which is the competition that may exist, including potentially in Spruce Grove;

⁶ <http://www.cbc.ca/news/canada/edmonton/rexall-place-to-be-kept-as-part-of-new-plans-for-northlands-grounds-1.3445076>

⁷ <http://www.cbc.ca/news/canada/edmonton/rexall-place-to-be-kept-as-part-of-new-plans-for-northlands-grounds-1.3445076>

⁴ <http://www.northlands.com/vision2020/northlands-ice-coliseum/>

⁵ <http://www.northlands.com/vision2020/northlands-ice-coliseum/>

- In addition, raising roof an engineering solution to an imperfect building may not always be cost effective – a number of new Junior A hockey arenas are the outcome of terminated plans to raise the roof and expand existing arenas (e.g. General Motors Centre, home of the Oshawa Generals). The viability may therefore be a function of cost.

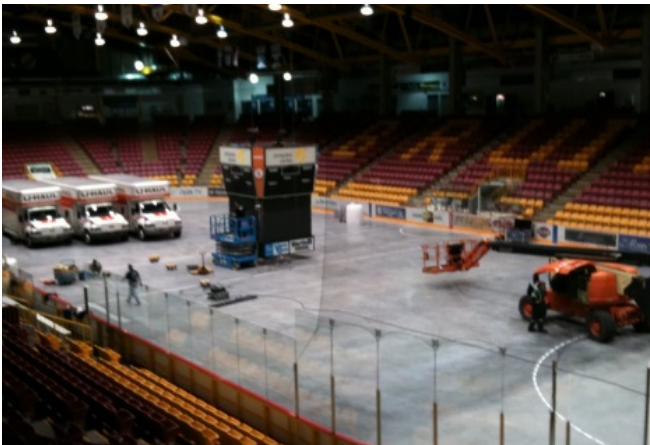
In summary, the City of Spruce Grove will need to monitor the plans for Northlands – plans which are unlikely to be executed immediately. The opportunity exists for Spruce Grove to position itself as one of the first communities to strategically take advantage of the need for mid-sized venues and the benefits of the ring-road location, good accessibility and provision of an integrated entertainment and recreation venue. Some other communities can offer something similar but the scale of the facility proposed in Spruce Grove will separate it from these other venues which represent spectator-arenas more than event centres.

Exhibit 12: Schematic of Hall D Renewal



Source: <http://www.northlands.com/vision2020/a-new-hall-d/>

COMPARABLE SPORT & ENTERTAINMENT VENUES



EVENTS CENTRE, LANGLEY BC

Size: 5,000 seats (facility also includes a community centre, gymnastics centre and three gymnasiums)

Location: suburban

Date opened: 2008

Cost: \$57.0 million

Lead tenant: Langley Chiefs (BCHL)

Ownership: Township of Langley

Other Events: concerts, sporting events, conference, road shows, winter olympics.

Amenities arena, walking track, gymnasium, banquet hall, fieldhouse, meeting rooms, event lounge, sports medicine clinic, community park.



PROSPERA PLACE, CHILLIWACK BC

Size: 5,000 seats plus community ice pad

Location: Suburban (abutting downtown)

Date opened: 2004

Cost: \$20.3 million

Lead tenant: Chilliwack Chiefs (BCHL)

Ownership: City of Chilliwack

Other Events: concerts, tournaments, competitions, trade shows.

Amenities: 2-NHL rinks, meeting room, food and beverage service, rinkside tap and grill.



MOSAIC PLACE, MOOSE JAW SK

Size: 4,500 seats

Location: Downtown

Date opened: 2011

Cost: \$61.2 million

Lead tenant: Moose Jaw Warriors (WHL)

Ownership: City of Moose Jaw

Other Events: figure skating, WHL, concerts, curling, weddings, conferences, tradeshow, special events.

Amenities: 8 sheet curling, 8 banquet rooms, entertainment/sport bowl.

SLEEMAN CENTRE, GUELPH ON

Size: 4,800 seats (built into a former Eatons department store-anchored downtown mall)

Location: Downtown

Date opened: 1998

Cost: \$21.5 million

Lead tenant: Guelph Storm (OHL)

Ownership: City of Guelph

Other Events: concerts, sporting and family events, trade shows, conferences.



4 DEFINED CONCEPT AND SITE PLAN

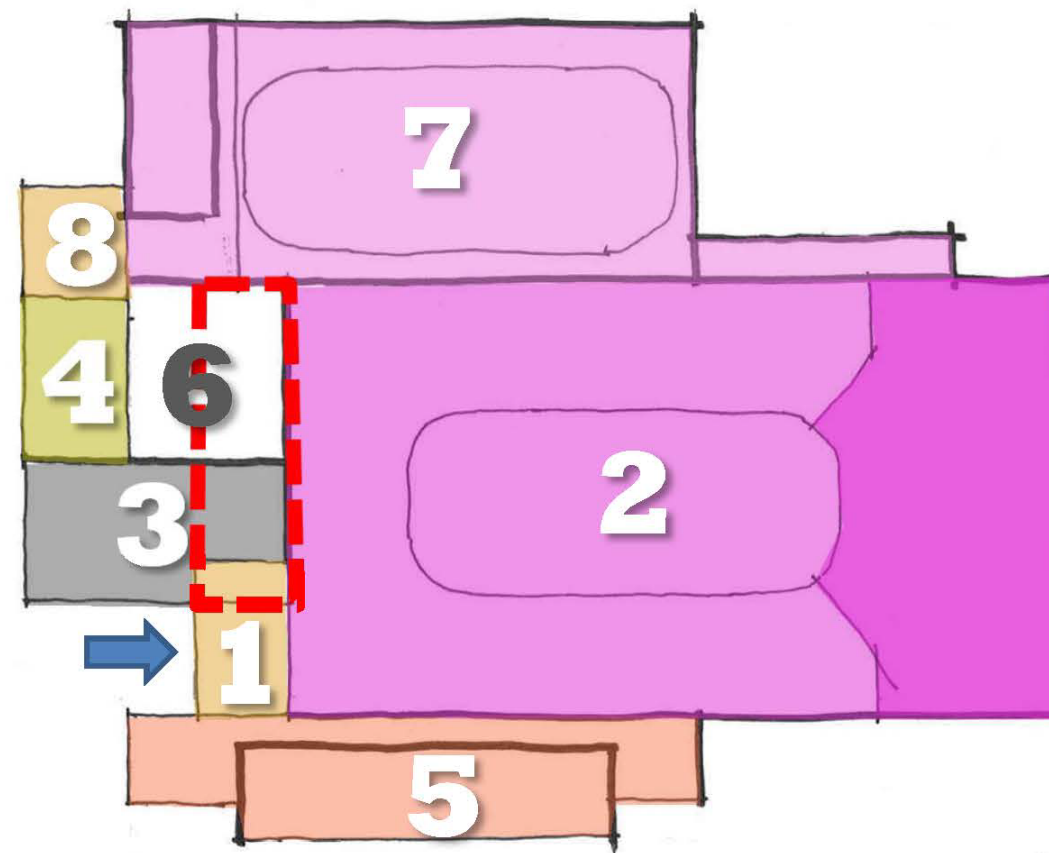
4.1 Evolution of the Design Concept

4.1.1. A Community – Based Recreation and Event Destination

The Phase 1 report identified the need for an Event Centre and Municipal Cultural Centre to effectively respond to a broad range of community needs. The initial Concept Development included:

- Event Centre with a fixed seating capacity of up to 4,500 seats,
- Restaurant (8,000 ft²),
- Retail (8,000 ft²),
- Community meeting room / conference space (15,000 ft²),
- Optional lease space for fitness/gymnasium (7,000 ft²),
- Optional lease space for sports organization offices (5,000 ft²),
- Optional secondary ice surface (35,000 ft²).

This assembly of spaces was specifically envisioned for the Westwind Centre site at the City's northeast corner. This location would provide excellent vehicular access to and from the Event Centre, create a community entertainment and recreation destination, and enhance the surrounding commercial and residential development in this expanding precinct.



Notes

1 Entrance Lobby

Serves the main spectator arena as well as the meetings rooms (5). Also provides access to a second-level restaurant overlooking the seating bowl/ice surface.

2 Main Spectator Arena

Proposing a 3-sided bowl versus 4 sides. This will result in more rows of seats which in turn provides a wider concourse on the three sides. The fourth side (darker) is the secure back-of-house and includes all the dressing rooms.

3 Commercial

This space can either be used for a restaurant or for a commercial/pro shop. If the latter, it is probably over-sized

4 Sports /Admin Offices

Some administration is required and if the team has offices in the building then this space may be appropriate in size for the team and the building operator (municipal staff?).

5 Meeting Rooms

Designed so they can either be integrated with the Main Spectator Arena for non-sports events, or operated independently when there is an event on in the Arena.

6 Gymnasium/Fitness

This space will have a height of up to 25' and will be able to be accessed from either the Main Lobby (1) or the Second Pad Lobby (8)

7 Second Ice Pad

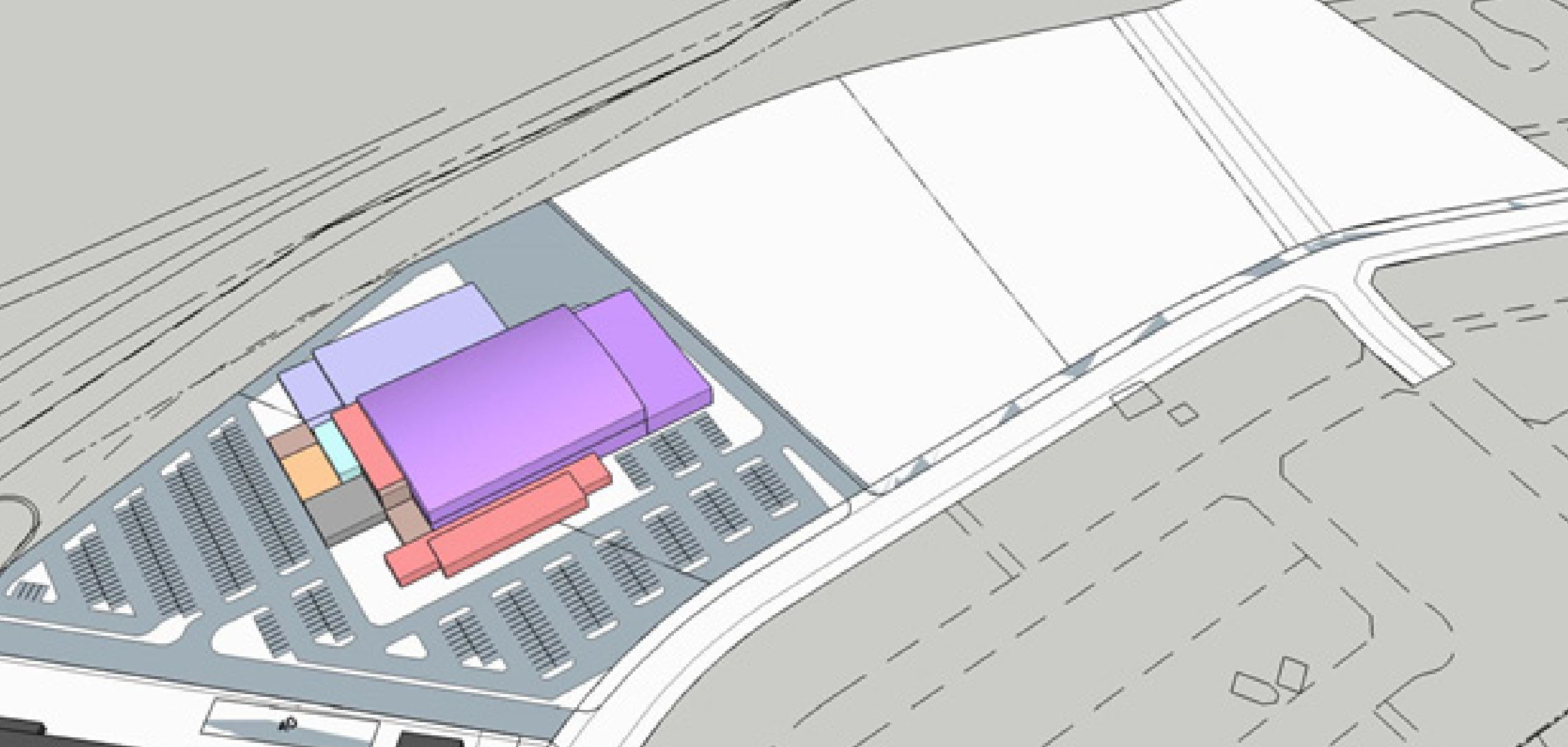
The optional 2nd pad has been designed so the slab can be used in conjunction with the main ice surface for trade shows and flat floor events.

8 Second Pad Lobby

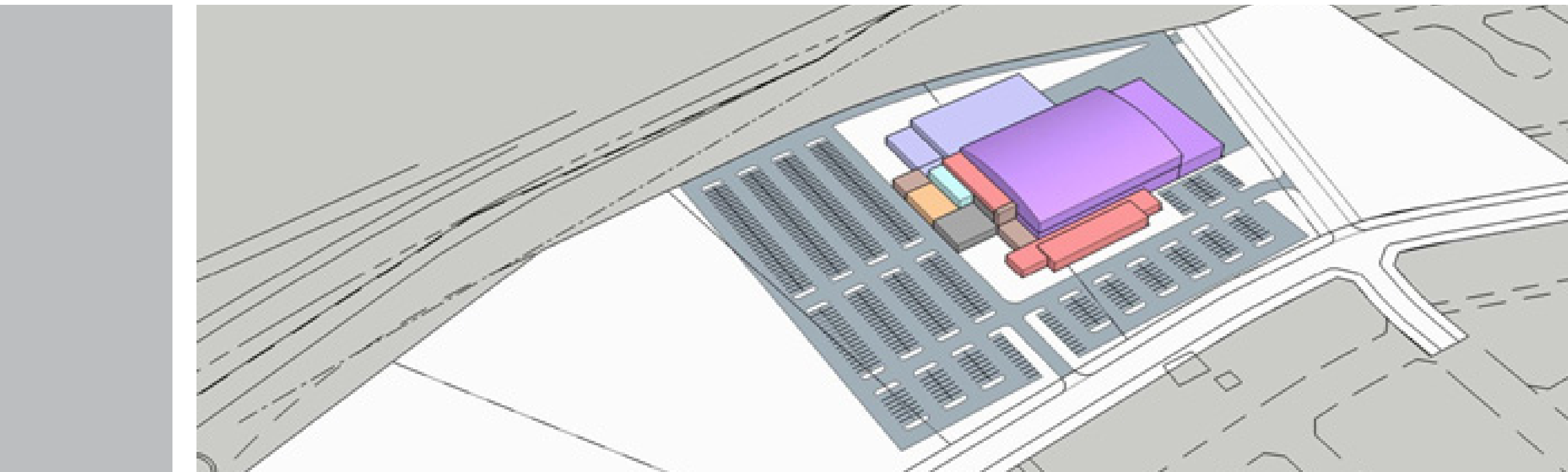
This would be built as part of the second pad and would also provide additional access to the Gymnasium/Fitness space.

Upper Floor

Provision has been made for a second floor lounge area at the entry end of the seating bowl.



STUDY OF VARIOUS
SITING AND MASSING
CONFIGURATIONS ON
WESTWIND CENTRE





STUDY OF VARIOUS SITING AND MASSING
CONFIGURATIONS ON WESTWIND CENTRE

4.2 Confirmation of 2 Pads

The Consulting Team met with the City on November 25 to review the project and determined that based on current recreation needs and the objective of developing a destination facility, the program should be reconsidered. As a result, the following components were confirmed as the core project elements:

- Event Centre with a three sided seating bowl with a fixed seating capacity of 3,500. This would allow for an overall concept capacity of 5,500 seats in an end-stage configuration; and
- Second ice surface (referred to as Community Arena).

The shift towards a more ice-oriented recreation facility has a number of enhanced benefits to the development of the project:

- Two ice surfaces would result in a more substantial sports destination for events such as tournaments and competitions.
- Satisfies ice programming needs for the Spruce Grove catchment area for the foreseeable future.
- There is staff and energy operational efficiencies from an ice-oriented focus.
- The overall facility becomes a better flat floor venue for trade and consumer shows.
- The development of a more substantial sports and event destination has a significant benefit to the surrounding commercial development.

4.3 Design Commentary

The Event Centre and Community Arena were designed both to function individually and as a single entity as well. On a day-to-day basis the Community Arena will be an active destination accommodating hockey, figure skating and public skating programs. The Event Centre will also support skating and hockey needs when not programmed for ticketed events.

The Event Centre will be operated first and foremost as an entertainment venue. The facility has been designed to host other types of events as well. There will be situations especially in the off season (late spring to early fall) when the Community Arena will be able to function as an extension of the Event Centre for special types of events, most probably for trade shows and other flat-floor activity. The planning objective is to maximize the opportunity of each of the components in the building to support the others in order to maximize the number of events and programs, expand revenue-generating opportunities, and increase the relevance of the facility to the City of Spruce Grove, Westwind Centre, and the emerging commercial and residential development directly south of Highway 16.

4.3.1. Community Arena

The Community Arena is staggered in order to reduce the visual massing and create a strong sense of entry to the facility. It was important that the Community Arena not obscure the entrance to the Event Centre but at the same time have a community scale that was distinct from the spectator facility. There will be many instances when both the Community Arena and Event Centre are running simultaneously and the staggered entry allowed for easy and distinct access to both facilities.

The main elements of the Community Arena are:

- An acoustically separate ice hall,
- Central entry and lobby with a view to the ice surface and direct visual access to an administrative or control space,
- 6 community dressing rooms and an official's dressing room,
- Back-of-house area including ice resurfacing room, workshop, and refrigeration, mechanical and electrical rooms.

The Community Arena has large interconnecting doors between the ice hall and the Event Centre. These are used for special flat-floor events when one or more ice surfaces are required.

4.3.2. Event Centre

The Event Centre is intentionally located at the north end of the site behind the Community Arena. This lessens the visual impact of a very large building but the staggered arrangement with the arena makes the front door very visible. The Event Centre is highly visible from Highway 16 facilitating the creation of a major entertainment destination. Parking on the site has been planned so there is relatively easy and close access to the main entry of the Event Centre.

The orientation of the Event Centre and Community Arena allows for major user and spectator entry on the west side, and heavy traffic access (boat shows, monster trucks, concert load-in) on the east side. This orientation works well with a future hotel development planned to the west of the Event Centre.

The main elements in the Event Centre are:

- Main entry lobby which has a direct connection to the lobby of the Community Pad,
- Main Concourse which provides access to seating, washrooms and concessions – the concourse is at grade and is located on three sides of the building,
- 3,500-seat seating bowl designed in a horseshoe configuration and overlaps the three-sided concourse,
- 12 private suites on the south side of the seating bowl,
- back-of-house area that includes a dedicated Saints dressing room suite, 4 community dressing rooms plus official's dressing room, significant open storage (rink boards, portable stage, 1,500 folding seats for concerts, ice resurfacing room, workshop, and refrigeration, mechanical and electrical rooms.

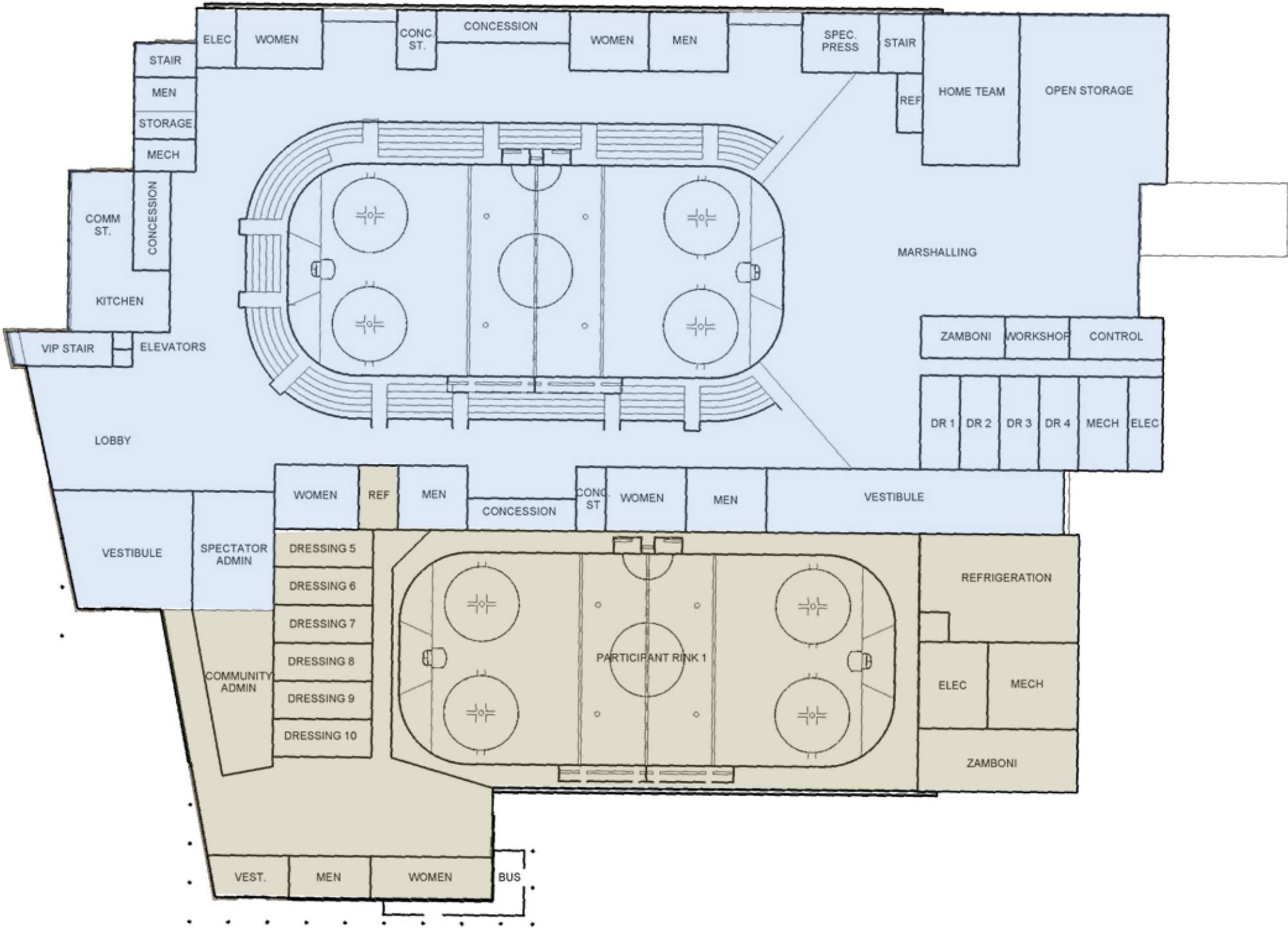
PROPOSED FLOOR PLANS – OPTION 1 - EVENT CENTRE + 1 COMMUNITY PAD

EVENT CENTRE

- Event Centre located north of the Community Twin Arena,
- Entry is on the west side with an internal connection to the Community Twin Arena entry lobby,
- All seats reached from an at-grade three-sided concourse,
- Front-of-house on the west side with back-of-house facing east,
- Shared Administration area

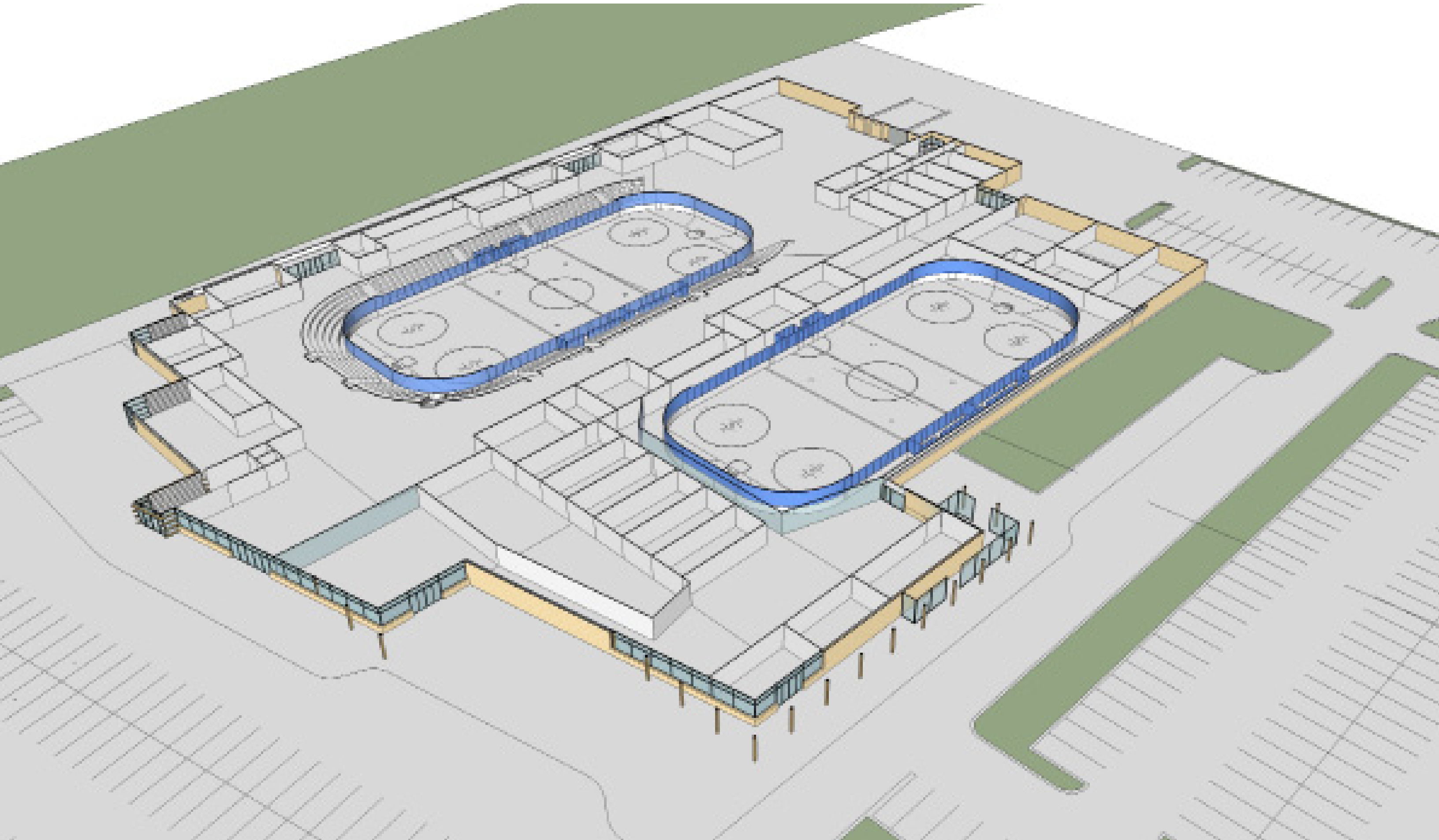
COMMUNITY ARENA

- One ice surface staggered to allow for more visible entry to Event Centre,
- Dressing rooms on west side,
- Large Entry Lobby but very compact design,
- Zamboni has direct access to both ice surfaces,
- Refrigeration plant services Event Centre ice surface.



MAIN FLOOR PLAN

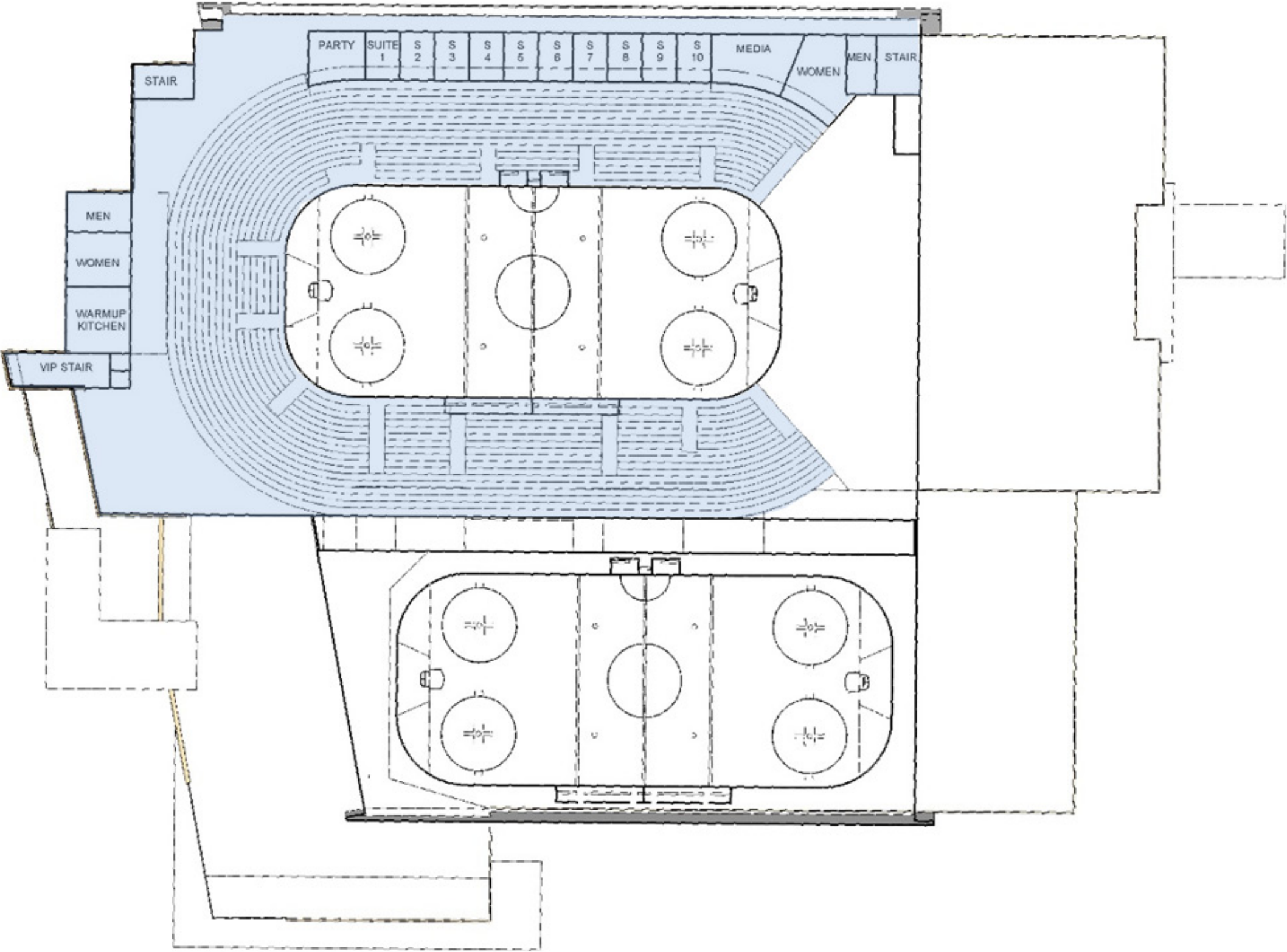
PROPOSED FLOOR PLANS – OPTION 1 - EVENT CENTRE + 1 COMMUNITY PAD



PROPOSED FLOOR PLANS – OPTION 1 - EVENT CENTRE + 1 COMMUNITY PAD

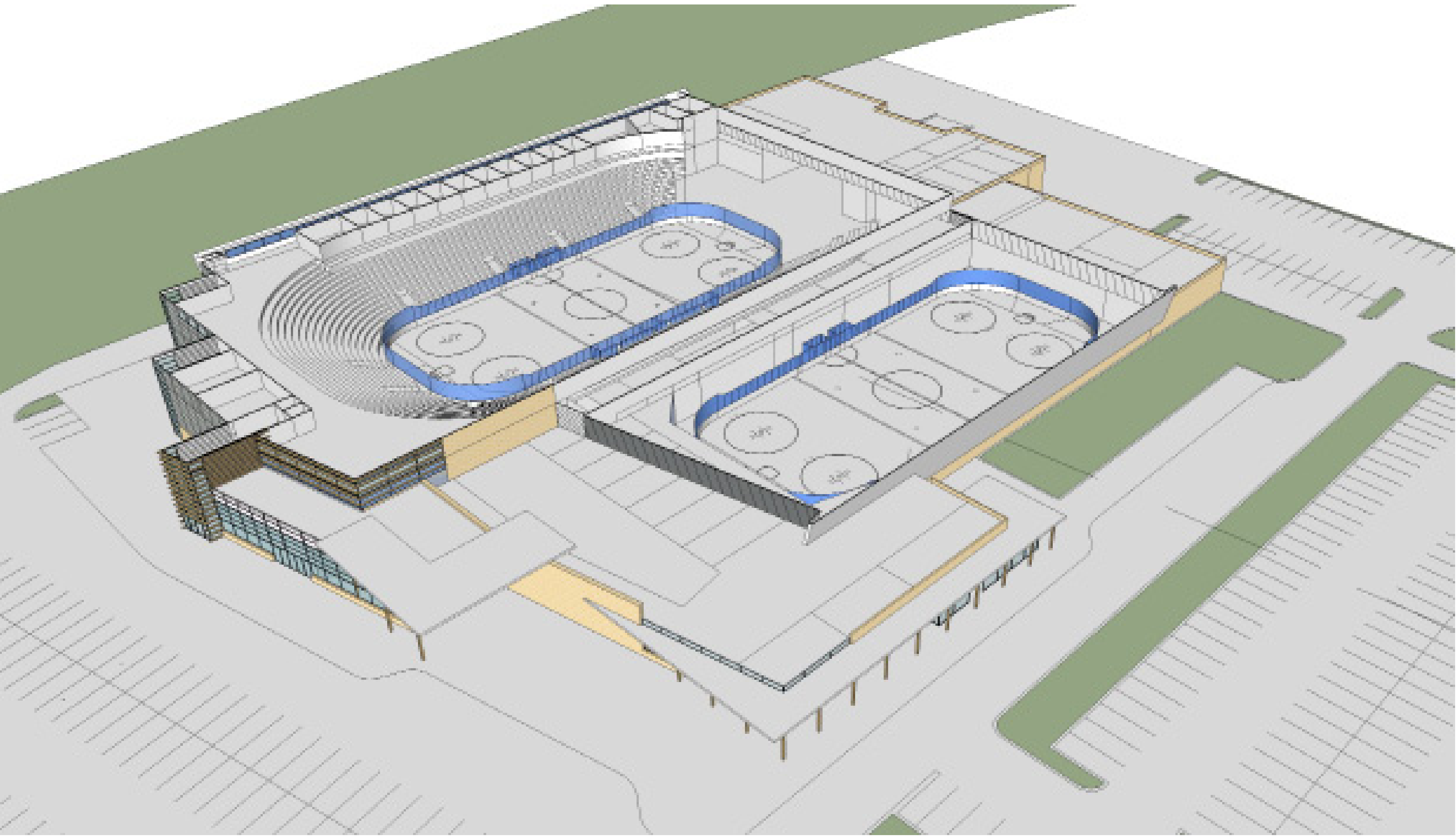
EVENT CENTRE

- 10 private suites, party room and media space on north side of bowl,
- Lounge area at northwest and south-west corners.



UPPER FLOOR PLAN

PROPOSED FLOOR PLANS – OPTION 1 - EVENT CENTRE + 1 COMMUNITY PAD



4.4 Overview of Program Spaces for an Event Centre and Community Arena

The Event Centre and Community Arena have been developed to a conceptual level in terms of the various rooms and spaces within the building. The overall plans will presumably be refined as the project moves forward, incorporating any suggestions or refinements required by the City and possible stakeholders or private-sector partners. While conceptual, the overall planning responds to the general special requirements of both an Event Centre, and one Community Arena.

The Program of Spaces for the **Event Centre** includes the following:

Main Level – Front of House

3,500-seat bowl: The bowl has been designed in a three-sided configuration. This will minimize any loss of seats behind the stage for concert events. The three-sided concept also provided a larger flat floor area for trade and consumer shows.

Vestibule: A large 2,480 ft² vestibule has been provided to allow for off-hour ticket sales as well as ticket lineup space during events. Visitors to the facility will have access to Administration through this space allowing the remainder of the Event Centre to be locked off from public access during non-event times.

Event Centre Administration: An area of 1,585 ft² has been allotted for the administration area of the Event Centre. This is an extension of the Community Arena administration area and assumes that the whole facility is operated as a single unit.

Lobby: The 3,310 ft² lobby is the main gathering space of the Event Centre and provides direct access to the concourse area as well as to the stairs and elevator to the private suites and accessible seating on the Upper Floor.

Public Concourse: The concourse provides access for spectators to the seating bowl, concessions and washrooms. This 25,410 ft² area is the main circulation elements during events.

Concessions: There are three concessions equally distributed along the concourse. The concession on the west side is integrated with a commercial kitchen. This area may be reduced if the Event Centre has a physical connection to a hotel. The total area of the three concessions is 1,890 ft² and the commercial kitchen area is 1,970 ft².

Washrooms: There are a total of four Women's and four Men's Washrooms. The total area dedicated to washrooms including single-occupancy public washrooms is 6,310 ft².

Interconnected Service/Event Vestibule: A 1,695 ft² interconnected vestibule has been provide at the southeast corner to the adjacent Community Arena. This anticipates flat floor events where both the Event Centre and Community Arena are used for trade and consumer shows.

Main Level – Back of House

Marshalling Area: This is a large open space at the rear of the Event Centre and is used for major vehicle circulation and open storage. Total area is 17,980 ft².

Home Team Dressing: This space will include a players' lounge, dressing room, shower and washroom area, and trainer's space. A total area of 2,380 ft² has been allocated.

Community Dressing Rooms: Four community dressing rooms have been provided two of which will have interconnecting doors allowing them to be used for visiting teams. Each dressing rooms is 610 ft² in area and includes a change room, washroom and shower area. A 300 ft² Referee Change room will also be incorporated into the back-of-house.

Ice Resurfacing Unit Room (Zamboni) and interconnecting Workshop: The Zamboni room has a total area of 1,020 ft² and will include a snow-melt pit. It will be connected directly to a workshop.

Control Room: A 645 ft² control room provides visual access to all incoming back-of-house traffic.

Upper Level

Private Suites: Ten private suites have been provided on the north side of the seating bowl, each with two rows of dedicated seating (total of 10 seats). Total area of each suite is 330 ft².

Party Room: One party room has been provided with a total area of 600 ft². As with the suites, it has two dedicated rows with seating for 20 as well as bar stool seating for 6.

Washrooms: Two sets of women's and men's washrooms have been provided. Total combined area of the washrooms is 1,940 ft².

Media: A media room of 825 ft² has been provided at the northeast corner of the seating bowl.

Warm-up Kitchen: A 660 ft² warm-up space has been provided as part of the catering facilities for the private suites.

Program of Spaces for a single **Community Arena** includes the following:

Community Arena (single pad)

Main Level

Ice Rink #1: The space dedicated to the ice surface is a total of 22,210 ft² and includes a standard NHL-sized rink (85' X 200').

Entry Vestibule: A vestibule with sliding automatic doors will have a total area of 540 ft².

Main Lobby: A main lobby of 2,775 ft².

Washrooms: A set of women's and men's washrooms as well as a single occupant washroom are located off the lobby. Total area is 1,520 ft².

Administration: This 1,740 ft² space is an extension of the administration space for the Event Centre.

Community Dressing Rooms: A total of 6 dressing or change rooms are provided, each with an area of 615 ft². Each dressing room contains a change area with benches, washrooms and a shower area.

Referee Dressing Room: A 415 ft² dressing room has been provided at the northwest corner of the ice rink.

Refrigeration Room: A centrally located refrigeration room will be sized to service the Event Centre and Community Pad arena. Total area of this space is 2,810 ft².

Mechanical/Electrical Room: A 1,830 ft² space adjacent to the refrigeration room will house the mechanical and electrical equipment.

Ice Resurfacing Unit (Zamboni or IRU) Room: An IRU room of 930 ft².

Storage Rooms: 710 ft² has been provided at the east end of the arena for community storage.

BUILDING
PERSPECTIVES

VIEWS OF
THE EVENT
CENTRE AND
COMMUNITY
(SINGLE) ARENA



AERIAL VIEW LOOKING NORTH

AT-GRADE VIEW LOOKING NORTH
TOWARDS EVENT CENTRE AND
COMMUNITY ARENA ENTRIES

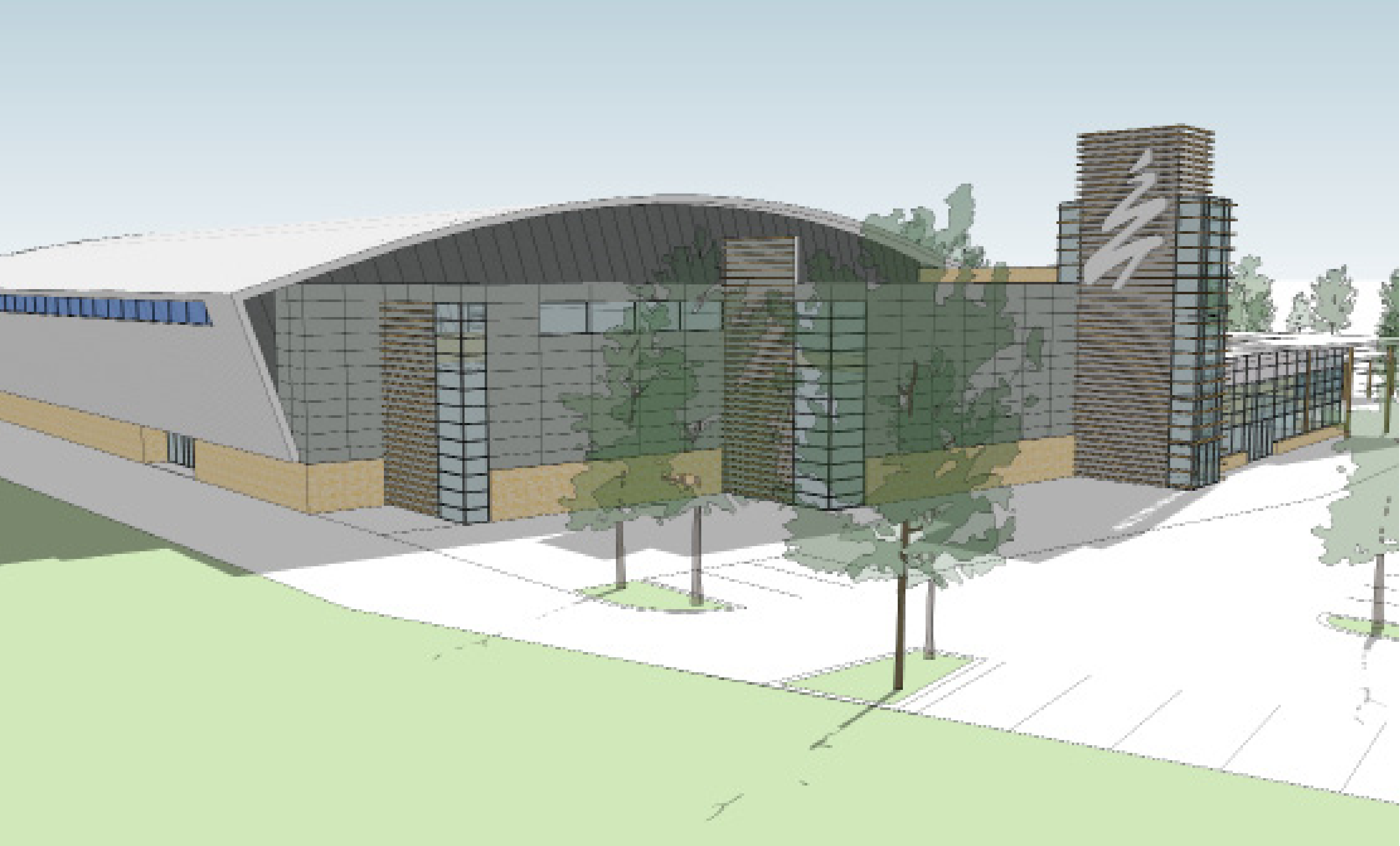


BUILDING PERSPECTIVES

VIEWS OF THE EVENT CENTRE AND COMMUNITY (SINGLE) ARENA



AERIAL VIEW LOOKING NORTHWEST



VIEW FROM YELLOWHEAD HIGHWAY LOOKING SOUTHEAST

4.5 Resulting Program Spaces Summarized

The following tables summarize the resulting program spaces by major facility component:

Event Centre		
Main Level		
	Seating Bowl with 3,500 fixed seats	21,500
	Entry Vestibule	2,480
	Event Centre Administration	1,585
	Main Event Centre Lobby	3,310
	Public Concourse	25,410
	Concessions - 3 x 630 sf	1,890
	Commercial Kitchen	1,970
	Washrooms	6,310
	Interconnected Service/Event Vestibule	1,995
	Marshalling Area / back of stage area	17,980
	Home Team Dressing	2,380
	Community Dressing Rooms - 6 x 610 sf	3,660
	Referee Dressing Room	500
	Ice Resurfacing Room / Workshop	1,020
	Control	645
	Circulation and gross-up area	22,595
	SUB TOTAL	115,230
Upper Level		
	Private Suites - 10 x 330 sf	3,300
	Party Room	600
	Washrooms	1,940
	Media	825
	Warm-up Kitchen	660
	Circulation and gross up space	8,615
	SUB TOTAL	15,940
	TOTAL NET AREA	131,170

Community Arena		
Main Level		
	Ice Rink Hall	22,210
	Entry Vestibule	540
	Main Lobby	2,775
	Washrooms	1,520
	Administration	1,740
	Community Dressing Rooms - 6 x 615 sf	3,690
	Referee Change Room	415
	Refrigeration Room	2,810
	Mechanical/Electrical Room	1,830
	Ice Resurfacing Unit Room (Zamboni)	930
	Storage Room	710
	Circulation and gross up space	2,550
	TOTAL AREA - ARENA	41,720
	NOTE - there is no second level in the Community Arena	
	TOTAL PROGRAM AREA FOR EVENT CENTRE AND COMMUNITY ARENA	172,890

4.6 Site Planning Considerations

Westwind Centre is a 58-acre development in the City’s north end and is envisioned to include hotels, restaurants, residential development and a broad range of individual commercial retain units. Westwind Centre is part of a larger development initiative that includes Spruce Grove Village ASP and Pioneer Lands ASP. Westwind Village Centre falls within the Pioneer Lands ASP.

In 2013 a concept was developed for a new Event Centre to be incorporated into Westwind Centre. The design was for a 2,500-seat facility with a total area of 126,430 ft² and dedicated parking for 703 based on a parking ratio of 5.56 stalls per 1,000 ft². The overall site area dedicated to the Event Centre including parking was 455,248 ft² or 10.45 acres.

In 2015 the concept for a new Event Centre was re-evaluated based on a market-driven business plan. The project was increased in size and scope as illustrated in the comparative table below.

	Original (2013) Event Centre	Current Event Centre + Community Arena
Total site area	455,248 ft ² / 10.46 acres	637,384 ft ² / 14.63 acres
Total building area	126,430 ft ²	207,220 ft ²
Total fixed seating	2,500	3,500
Total parking provided	703 stalls	1,200 stalls

Placement of the Event Centre and Community Arena should complement and enhance the commercial activity within the larger development and minimize any conflicts cause by parking issues relevant to major events. The 14.63 acre site requirement is 40% larger than the original 2013 concept which means that almost 4 acres will be reassigned from commercial/hotel potential to parking for the Event Centre.

Exhibit 13: 2013 Event Centre



The 2013 site plan combines approximately 300 Park & Ride stalls with over 400 stalls assigned specifically to Event Centre (see above). The site plan being recommended blends both Event Centre and Park & Ride stalls with the assumption that **200** of the stalls will be funded as Park & Ride stalls.

Exhibit 14: Recommended Site Plan



The current site planning approach provides the majority of parking at one the west and south sides of the complex with minimal parking to the east. There is also a large truck-maneuvering area at the east end of the event centre (not provided in the 2013 concept).

The developer and the City expect one or more hotels to be developed in reasonably close proximity to the Event Centre. There is also an expectation that one hotel may consider a physical link to the private suites level of the Event Centre. An integrated hotel/event centre development can provide significant benefits to the overall development but is more complex in terms of contractual and land-ownership arrangements. Such an approach would also require that the integrated hotel be a more full-service facility with an appropriate level of meeting room and banqueting space.

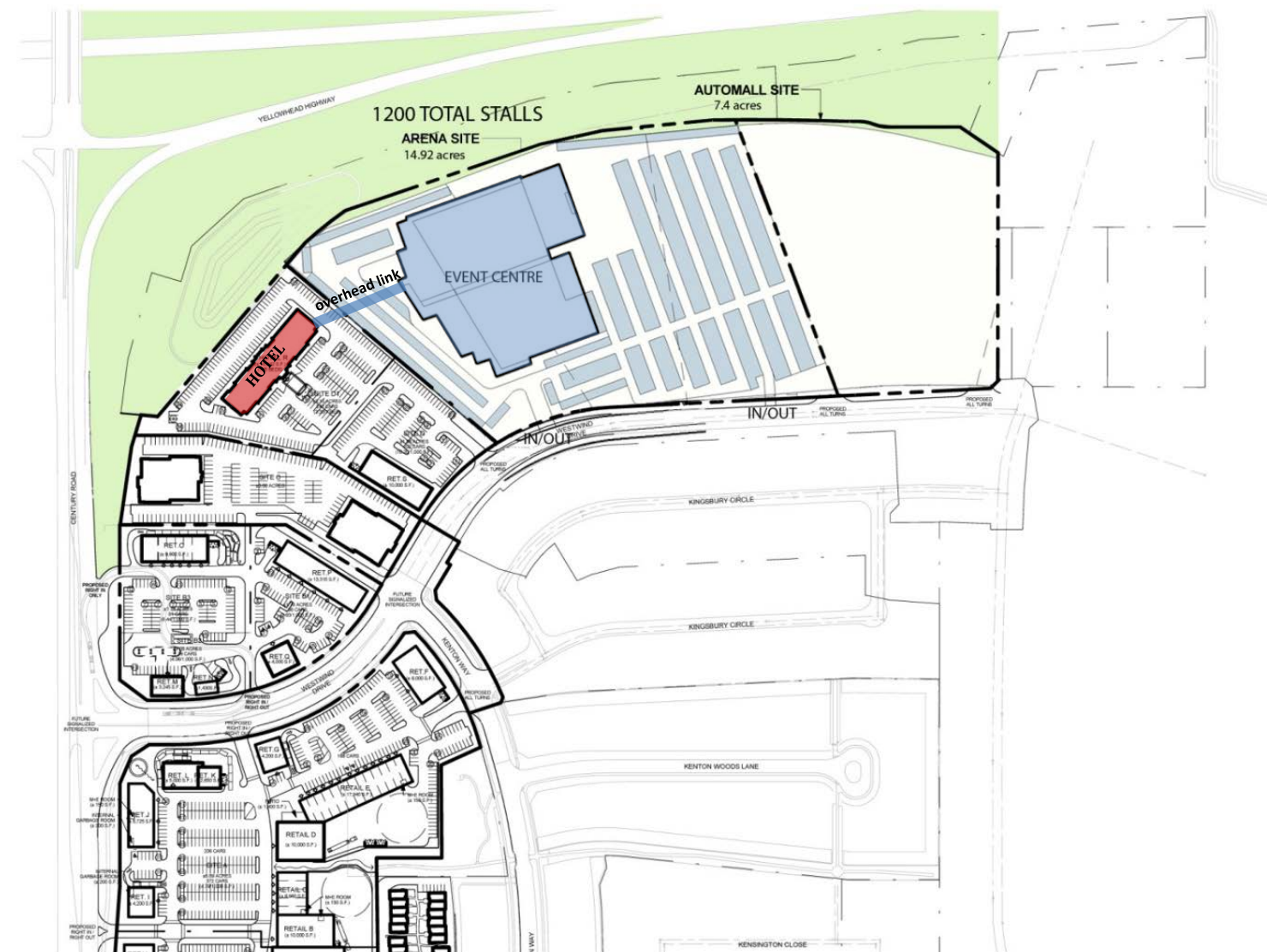
A number of scenarios were developed in terms of the most appropriate hotel and event centre location where the two facilities are links.

Integrated Option 1

This option accepts the hotel location as initially determined by the Westwind Centre concept plan and locates the event centre in reasonably close proximity. There are a number of issues identified with this specific approach:

- Moving Event Centre to western portion of site requires the majority of parking to be behind the building rather than in close proximity to the entry.
- There is insufficient parking in close proximity to the hotel. During a spectator event access to the hotel, especially for checking in, will be very difficult.
- WAM felt that this approach was not in the best interests of the overall Westwind Centre development.
- Ultimately, this approach was seen as “the tail wagging the dog” from an adjacency perspective. The placement of Westwind Centre’s largest destination was being informed by the conceptual placement of a potential and unconfirmed hotel development.

Exhibit 15: Integrated Option 1



Integrated Option 2

A second approach was developed that would relocate a possible integrated hotel onto the proposed Event Centre site, freeing up the current hotel location for additional parking. This approach uses exactly the same amount of site for the hotel/event centre combination – a total of 18.07 acres - 14.92 acres for the Event Centre / Arena site and 3.15 acres for the current hotel site). There are a number of advantages to this configuration:

- The Event Centre is located in what WAM and the Consulting Team believes is the best location.
- The hotel has high visibility from the Yellowhead Highway.
- This arrangement allows for the entries to the Event Centre and arena to be an appropriate distance from the hotel entry allowing for more convenient access, operations and parking.
- The connection between the hotel and is substantial, compact and efficient, connecting a possible second level banquet space to the private suites level of the Event Centre.

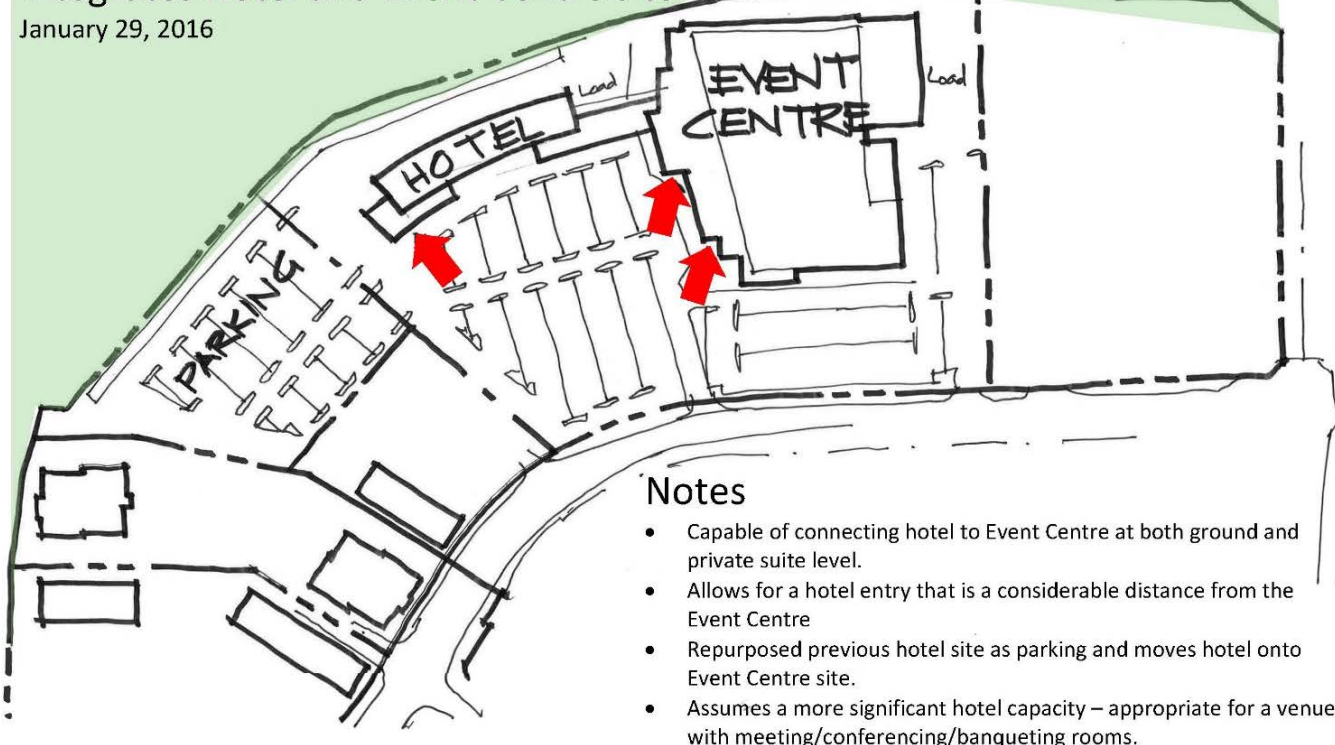
The following page illustrates a possible massing concept for an integrated hotel, Event Centre, and community arena development as described in **Integrated Option 2**.

Exhibit 16: Integrated Option 2

Alternate Site Arrangement

Integrates Hotel and Event Centre site

January 29, 2016



Notes

- Capable of connecting hotel to Event Centre at both ground and private suite level.
- Allows for a hotel entry that is a considerable distance from the Event Centre
- Repurposed previous hotel site as parking and moves hotel onto Event Centre site.
- Assumes a more significant hotel capacity – appropriate for a venue with meeting/conferencing/banqueting rooms.

BUILDING PERSPECTIVES

ILLUSTRATION OF POTENTIAL INTEGRATION
WITH HOTEL (SCHEMATIC ONLY)



4.7 Parking

4.7.1. General Commentary

As the project moves forward the City will require a Traffic and Parking Assessment geared specifically on the requirements of both a community arena complex and a spectator-oriented Event Centre. A comprehensive traffic impact study for the Gateway Town Centre – Pioneer Lands Special Study Area was completed by Bunt & Associates in 2010. However the report concluded that based on a capacity analysis of the study area Century Road (which provides access to the Westwind site, will need to be upgraded to a six-lane facility between Highway 16 and Vanderbilt Drive to accommodate the projected long term traffic volumes. With the upgrading of Century Road to a six-lane facility, it is also anticipated that the Highway 16 ramps along Century Road will also need to be upgraded to handle traffic volumes. This assessment did not include consideration for an Event Centre which can be expected to further impact future traffic volumes and flows.

Westwind Centre is a drive-to destination and as a result will have a relatively large number of parking spaces within the overall development. Generally, these are dedicated to the various businesses operating within the development. The specific parking requirements for each development are outlined by the City's parking regulations and are generally driven by the area of the individual buildings. While this is the normal way of calculating parking requirements and was the methodology for the 2013 Event Centre site plan, it is not typically used in calculating the parking requirements for spectator facilities. The general rule-of-thumb is to provide one parking stall for every 3 fixed seats resulting in an overall parking requirement of just under 1,200 stalls.

The combination of a community pad arena adds an additional parking requirement. There is a precedent for providing a minimum of 75 parking spaces for each surface of ice. This number may not fully service special events in the arena such as tournaments and special events but it does provide a workable minimum for day-to-day operations associated with the arena.

There will be a minimum amount of on-street parking during events. In addition, while some of the commercial spaces will be open during the evening, a number will close at the end of a normal working day allowing those spaces to be used for parking during evening events. As a result the recommendation is for the Event Centre and Community Arena to have a total dedicated parking area of 1,200 stalls, 200 of which are expected to be funded by the Park & Ride.

There needs to be a balance between parking and commercial development within Westwind Centre. The expanded Event Centre and Community Arena has increased the amount of site required by 40% compared to the 2013 concept. Providing more than 1,200 stalls is an investment in parking that will be only periodically used. A total parking area of 1,200 stalls appears to be an appropriate balance of realistically dealing with the building requirements and better utilizing land for commercial development.

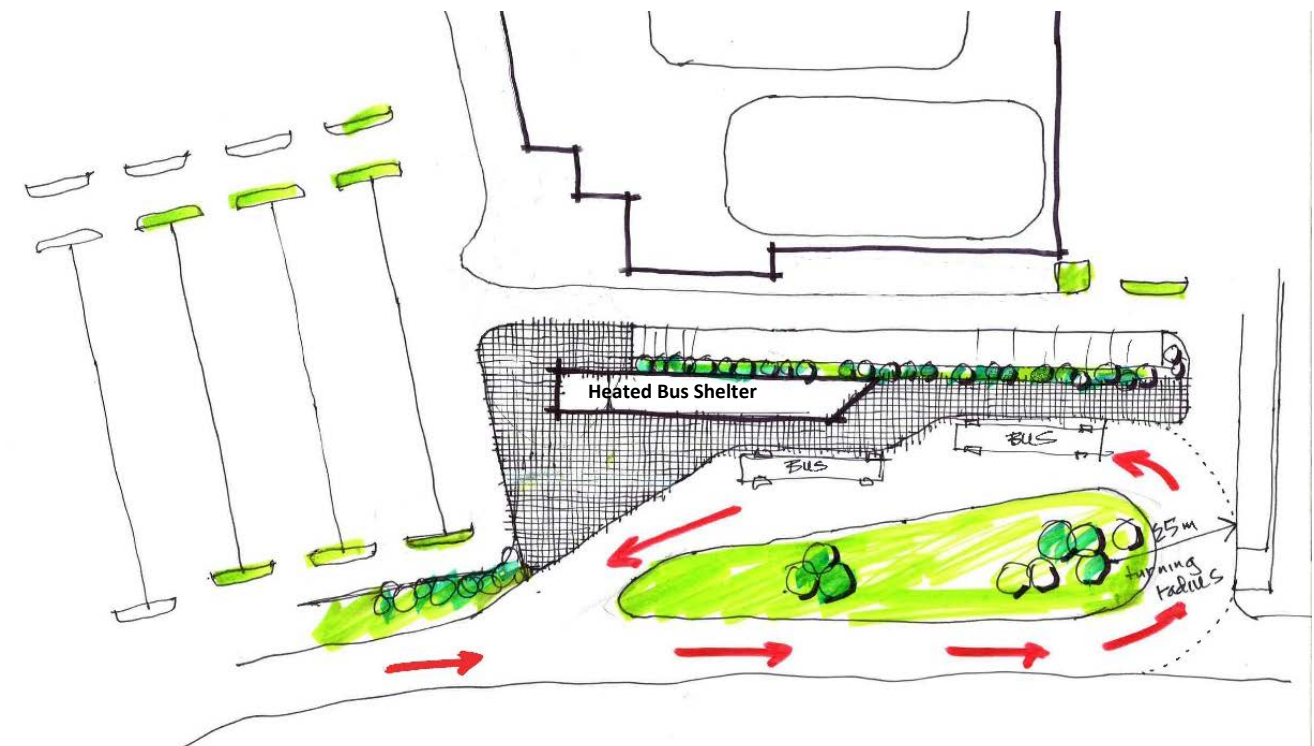
With respect to the modal split among potential facility users, 100% automobile use is assumed. Operating at maximum concert capacity (5,500 seats) may place a demand for estimated 2,200 parking spaces based on an average vehicular occupancy of 2.5 persons. In this instance, shared parking agreement with Westwind can be

expected to offset this need (see section 5.7.3 below).

4.7.2. Park & Ride

There has always been an understanding that as part of the development of the Event Centre there would be an adjacent or integrated Park & Ride component. The original 2013 site plan identified a 300-stall Park & Ride but without any heater shelter component.

The current assumption is that 200 stalls within the overall development will be categorized as Park & Ride and will have a heated shelter as part of the design. Initially the planning team considered a three-bus station where buses would travel east on Westwind Drive and then make a north turn onto the site, continue west and park at a saw-tooth drop off area. The amount of frontage required for a three-bus station was determined to be excessive so a two-bus alternate was developed (see sketch below).



As an outcome of this the planning team felt that the most appropriate approach to incorporating a Park & Ride on the site was to provide a bus drop-off area as part of the internal street arrangement and to include a heater bus shelter in close proximity to the Community Pad Arena.

4.7.3. Parking Solution Options Discussed to Date

There exists the opportunity to meet the event centre's parking needs via a shared parking agreement. An example of this is the *Shared Access, Parking and Maintenance Easement* which exists for the Tri-Leisure Village.

The easement agreement provides that:

- Each landowner/party is responsible for the installation, construction, maintenance, repair and improvement of the portion of the parking areas they own;
- All parking areas subject to the agreement shall be available for general use by customers or other invitees of each owner – no owner may restrict the parking on their lands or any portion thereof for exclusive use;
- The City of Spruce Grove has responsibility for retaining the services of contractors and/or consultants to carry out necessary snow removal of the access aisles as well as the maintenance of the access aisles and adjacent landscaping and boulevards – for which each owner is required to pay their proportionate share of these operating costs;
- Each owner is otherwise responsible for snow removal, garbage removal and general maintenance of its portion of the parking areas on their respective lands; and
- The easement agreement is binding to ensure its benefit to any subsequent owners of the subject lands regardless of whether the subsequent owner executed agreement to that effect.

5 CAPITAL COST DEVELOPMENT AND FUNDING OPTIONS

5.1 Capital Cost Considerations

[Note to Reader: Costing estimates and potential scheduling reflect the original date of the Phase 2 report as being April 11, 2016. While costing estimates are not expected to have altered in any material way, scheduling for design and subsequent construction will be subject to change should the project move forward].

The Market Feasibility and Financial Pre-Feasibility Report for a Multi-use Facility prepared in February of 2015 by Sierra Planning and Management identified an overall outline of building spaces or components, an estimate of total building area, and an estimate of probable costs. In the 12 months that followed that report the overall program of spaces has changed focusing more specifically on the facility as both an event and arena destination.

The February report identified a proposed building of 163,000 ft² which would include the Event Centre, restaurant, retail space, community meeting rooms, and lease space for a fitness centre. An optional ice surface was identified which would increase the overall area of the building to 198,000 ft².

The Illustrated Capital Range for the project identified in the February 2015 report was a \$63,000,000 - \$76,000,000 for the Event Centre (excluding the secondary ice surface based on a non-specific capital cost estimate⁸.

Exhibit 17: Phase 1 Estimates of Cost Based on Rudimentary Comparables

Rough Estimates of Cost Based on Rudimentary Comparables				
			Low	High
A	Seats		4,500	
	Cost per Seat		\$14,000	\$16,000
A	Cost Range		\$63,000,000	\$72,000,000
B	GFA range	Sq. ft.	170,000	190,000

⁸ The Phase 1 report provided order of magnitude costing based on comparable costs. The report did 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 capital costs were provided based on relevant comparables as a basis for understanding the range of possible cost. The estimates were generic (based on historically demonstrated unit rates) in the absence of a design and confirmation of all building elements and gross floor area. As such, the report did not provide the estimated capital cost of the preferred concept. This was identified as being a central element of Phase 2.

Rough Estimates of Cost Based on Rudimentary Comparables				
			Low	High
	Cost per Sq. Ft. GFA		\$375	\$400
	Cost Range		\$63,750,000	\$76,000,000
	Second Ice Pad and Ancillary Space		\$12,000,000	\$14,000,000

Source: Sierra Planning and Management

The Illustrated Capital Range for the project identified in the Phase 1 report was a \$63,000,000-\$76,000,000, the higher cost incorporating the secondary ice surface. The equivalent Illustrated Total Capital Cost (including soft costs) for the current proposal is as follows:

• Event Centre and single-pad Community Arena	
Event Centre (incl. site servicing/paving/landscaping)	\$62,716,688
Community Arena	\$16,550,570
Total Project Cost	\$79,267,258

To illustrate the benefit of capital costs considered in Phase 1 in the absence of a concept design, the total cost for the Event Centre plus one community ice surface was estimated at between \$75,750,000 and \$90,000,000. As a result, the estimated costs presented in this Phase 2 report for this concept are lower.

This is predominantly the result of a lower cost estimate for the main event centre itself (which with costs of site servicing included to be comparable) is approximately \$63 million compared to \$63 to \$76 million as originally estimated. The lower gross floor area for the same concept (170,000 sq. ft. versus nearly 200,000 sq. ft. as a broad measure in the Phase 1 report) is important in this regard.

5.1.1.Why the Change in Fixed Seat Count?

The provision of 3,500 fixed seats represents a design solution to meet the seating requirements identified in our market work. This translates into a horseshoe design and capacity for 5,500 seats overall using the floor area for temporary seating. This provides for a significant concert capacity. The cost differential between providing 3,500 fixed seats and 4,500 fixed seats is NOT proportional – there is some increase in cost but since the 3,500 seat design has enough volume space for 4,500 seats, this keeps the cost increase more modest. The design team has accommodates space for 4,500 seats but removed them in order to enable the stage to be moved further east with a corresponding increase in the amount of concert seating. This configuration also has the advantage of allowing more flat floor in the event centre for consumer and trade shows.

The other, less measurable but well understood advantage is that the smaller fixed seating arrangement will make the venue look more filled and therefore increase the quality of spectating hockey events. This itself could lead to greater attendance.

There are industry analysts that would point to the need for a minimum fixed seat count of 4,000 to 5,000 in order to tap those one-off national events that require venues with this capacity. Precisely because these are one-off, competitively bid events or occasional events (roster based), this reason alone should mitigate against building to such as capacity when all other times will required a more appropriately scaled venue.

5.2 Breakdown of Probable Costs

The overall Estimate of Probable Costs is based on an assessment of various components in the building. A detailed area summary was prepared and specific unit (per square foot) costs were applied. In addition, with the Event Centre, an additional factor to take care of enhanced engineering costs.

Event Centre and Community Arena		
	Area in ft²	Cost
Event Centre		
Main Level		
Concourse	25,400	\$6,350,000
Washrooms	6310	\$2,366,250
Concessions	4,000	\$1,800,000
Support areas	11,700	\$2,340,000
Ice area	22,500	\$6,187,500
Seating tiers and units	22,500	\$5,625,000
Home team dressing room	2,380	\$714,000
Community dressing rooms – 4 x 610 ft²/room	2,440	\$683,200
Marshalling / Storage	18,000	\$3,600,000
Engineering enhancement		\$12,900,000
Upper Level		
Private suites – 10 x 330 ft2/suite	3,300	\$1,237,500
Open lounge	3,500	\$962,500
Washrooms	1,940	\$776,000
Ancillary space	7,200	\$1,800,000
Event Centre Summary		
	131,170	\$47,341,950
Community Arena		
Main Level (Community Arena has only one level)		
Ice hall	22,210	\$7,551,400
Lobby	2,500	\$875,000

Event Centre and Community Arena		
	Area in ft²	Cost
Dressing rooms – 6 x 615 ft²/room	3,690	\$1,291,500
Washrooms	1,520	\$608,000
Administration	1,740	\$626,400
Refrigeration	2,810	\$1,264,500
Ancillary spaces	7,250	\$2,175,000
Community Arena #1 Summary		
	42,720	\$14,391,800
Site Servicing		
Basic site servicing	649,915	\$4,874,350
Paving, hard/soft landscaping (excludes building footprint)	515,465	\$2,319,950
Site Servicing Summary		
		\$7,194,300
Event Centre and Community Arena (excluding soft costs)		
		\$68,928,050
Soft Costs (at 15%) (breakdown provided below)		
		\$10,339,208
- Architectural and Engineering – Design Phase		\$3,446,403
- Architectural and Engineering – Construction Phase		\$2,067,842
- Specialty Consulting ⁹		\$1,033,921
- Project Management and Overhead		\$1,723,201
- Permitting and Regulatory Sign-off		\$1,378,561
- Legal and Accounting		\$689,281
Total - Event Centre and Community Arena (including soft costs)		
		\$79,267,258

5.3 Market Commentary

There has been a considerable shift in the Canadian economy and this has had a significant impact in Alberta. Both the public and private sectors are seeing projects delivered below their original estimated value. This creates an opportunity to strategically tender a project to secure the lowest construction price. From the perspective of labour costs there is no question that the current market offers substantial value.

The Event Centre and Community Arena is a project that will benefit from the current market in terms of labour costs. However much of the material associated with this specific type of project is imported from outside Canada. The current value of the Canadian dollar, specifically compared to the American dollar will add to the overall cost of the project. The recently cancelled event centre project in Fort McMurray saw this kind of market

⁹ Includes specialized design services in areas such as acoustics, sound reinforcement, fire protection/alternate code compliance, food services, etc.

dynamic where the reduction in labour costs was offset to a great degree by the increased cost of certain materials.

The Estimate of Probable Costs identified in this report is conservative in nature and developed as a responsible guide for planning the development of the project. Its development is based on a review of recently completed community-scaled event centres as well as HDR/CEI’s current arena work in Alberta. Care has been taken to prepare an estimate that will be appropriate should the economy in the province start to improve.

The planning team suggests that the most efficient approach to moving forward is to build on the work that has already been done. The current design illustrates a very functional and multi-purpose concept that works well within the new overall master plan for the Westwind development. It was developed to be sympathetic with the anticipated architecture language of the overall development while at the same time exemplifying a strong community-oriented imagery. At this point the most effective next step is to develop the design in more detail so that a firmer project cost estimate can be determined. In addition, it would be appropriate to consider engaging an operator that has substantial Canadian experience in both stand-alone event centres and those integrated with a community arena pad.

Building on the current concept will allow for a shorter design/construction period. Expanding on the current design by spring would see construction start in the fall if a design/build or design/build/operate approach is taken. The specific design developed by the Sierra team has a relatively short construction period of 18 months. An alternate approach is to move forward with a new process involving design-build that would result in a longer period of design and construction.

There are opportunities to advance the current design while still allowing for a competitive bidding process both from an operating and construction perspective. However, having the operator on board to work with the current design team is the most effective way to move this project forward.

5.4 Considerations of Community Revitalization Levy

5.4.1.Recap of CRL Framework

“A community revitalization levy bylaw authorizes the council to impose a levy in respect of the incremental assessed value of property in a community revitalization levy area to raise revenue to be used toward the payment of infrastructure and other costs associated with the redevelopment of property in the community revitalization levy area.” - 381.2 of the Alberta Municipal Government Act

- 1. The CRL is a Tax increment Financing method to channel future property tax revenue in a defined geographic area (known as the CRL Zone) to pay for new public facilities and infrastructure within that same Zone;

- 2. A CRL Plan must be developed to outline municipally-led development/catalyst projects which are intended to spur redevelopment in the Zone. Once a Community Revitalization Levy Plan and Zone are approved by bylaw by municipal council and the Province, a ‘base’ property tax revenue value is established for properties within the CRL Zone (this is based on previous tax revenues generated in the area).
- 3. Approved catalyst projects are subsequently initiated. Central to the concept of the CRL is that the initiation of catalyst projects will a) stimulate new private sector development and new tax revenues that otherwise would not have occurred (or would not have occurred within the foreseeable future, and b) increase the value of existing property throughout the area.
- 4. The increment/increase in property taxes generated (on the municipal and education portion) above the original ‘base’ tax revenue is directed to a funding reserve to pay off municipal borrowing associated with the implementation of a catalyst project(s).
- 5. Once the maximum duration of the CRL has lapsed (i.e. a period of 20 years), the taxes dedicated to the CRL return to civic and provincial general revenues.

The Edmonton Model

In March 2013, the Council of the City of Edmonton approved the downtown CRL boundary. The Capital City Downtown CRL Plan and bylaw were approved in September 2013 and later approved by the Province. Catalyst projects included the development of the Roger Place Arena among other key infrastructure items. The City estimated that the Downtown CRL would generate sufficient revenue over its 20 year life to fund approximately \$500 million in new infrastructure downtown.

Exhibit 18: City of Edmonton: Downtown CRL Community Revitalization Levy Revenue Projections

Community Revitalization Levy Revenue Projections			
Total CRL Revenue (Cumulative)	High Revenue Scenario	Medium Revenue Scenario	Low Revenue Scenario
Total	\$1,156 M	\$940.8 M	\$597.2 M
Total CRL Revenue (Net Present Value)	@5.5%	@5.5%	@5.5%
Total	\$577.3 M	\$473.6 M	\$287.8 M

Approximately \$120-million from the Community Revitalization Levy (CRL) in addition to other incremental revenues (increased parking revenue, reallocation of existing subsidy paid to Northlands Group/Rexall Place and new taxes from business in the arena) are to be directed towards the capital cost of the new arena.

As of 2017, the Edmonton Downtown CRL project has generated development and resulting taxes which have significantly exceeded the original CRL revenue projections.

Exhibit 19: CRL Funding Allocation for Edmonton Catalyst Projects (in millions)

In Millions								
Element	Estimated Cost	CRL	Other City Funding	EAC* Lease Funding	EAC Cash	Ticket Surcharge	Other Gov't	Totals
Rogers Place (the arena)	\$480	\$120	\$80	\$112.81	\$17.19	\$125	\$25	\$480
Winter Garden	\$56.5	\$25		\$25	\$6.50			\$56.5
Pedestrian Corridor	\$15	\$15						\$15
LRT Connection	\$7	\$7						\$7
Community Rink	\$21	\$7					\$14	\$21
Arena Land	\$25	\$25						\$25
Totals	\$604.5	\$199	\$80	\$137.81	\$23.69	\$125	\$39	\$604.50

Source: http://www.edmonton.ca/city_government/projects_redevelopment/downtown-arena.aspx

*Edmonton Arena Corporation (EAC)

5.5 Incremental Tax Gains–Based Funding Arguments

This section estimates the taxes generated on the commercial and residential portions of the Westwind site over a period of 20 years based on the following assumptions:

- 1. Build-out is over 5 years so that full taxes are achieved from year 6 onward;
- 2. There is no subsequent intensification of the lands through development yielding more tax;
- 3. Annual increase in taxes by an escalation amount as currently approved by City Council (2.9% per year);
- 4. For municipal tax increment financing only, 100% of the taxes generated on this site allocated to the municipal portion of taxation is assumed to be available to fund the capital costs of the event centre and

community arena. For CRL, 100% of taxes generated on the site allocated to both the municipal and provincial portions of taxation is assumed to be available to fund the capital costs of the project;

- 5. The future taxes are capitalized on a net present value basis; and
- 6. Accordingly, this capitalized amount can be ascribed as funding available to the project.

Exhibit 20: Assessment of Impact of Incremental Tax Gains (Illustrative Only)

	CRL Incremental Tax Gains	Municipal Incremental Tax Gains Only
Tax Rate (2016)	0.0114588 (commercial); 0.0103886 (residential) (plus annual escalation)	0.0081043 (plus annual escalation)
Assessed Annual Property Taxes	\$2.4 million	\$1.76 million
Cumulative 20-year Tax Revenue	\$55.5 million	\$43.3 million
Net Present Value (NPV)	At 6%	At 6%
Discount Rate		
NPV Total Taxes	\$30.3 million	\$23.6 million

Source: Sierra Planning and Management 2017

The resulting tax increment financing as of the first year of full build-out of the site expressed as an annual amount is as follows:

- Municipal tax increment only: \$1.76 million with escalation of 2.9% annually thereafter;
- CRL tax increment (including the municipal and provincial components): \$2.4 million per year with escalation of 2.9% annually thereafter.

Should build-out of the site occur over a longer period of time (as may be particularly true of the residential development portions of the site), the funding strategy assumes that the long-term debt, against which the tax increment is applied, will be structured so as to match the available annual tax increment and developer levy-funding (such as through interest-only payments prior to there being sufficient incremental financing to meet blended principal and interest payments).

It is also important to note that the City is currently considering the potential associated with designating economic development incentive zones wherein tax relief would form part of a suite of economic development incentives to stimulate development. Depending on the particular type and scale of incentives, this could potentially form an alternative approach to, as well as scale and duration of, tax increment financing for the development.

5.6 Sources of Funding

There are a number of potential funding sources to help meet the capital costs of the facility. Typical categories of financing include the following (Alberta specific where noted):

Type of Financing	Description
Upper level of government capital funding (grants)	Not known at this time although potential sources exist.
Community Revitalization Levy (Alberta)	Discussions underway.
Tax Increment Grant (Municipal)	Part or all of the tax gain allocated to the capital cost of the event centre.
Municipal debenture	Tax incremental financing and other annual sources can be applied against the long-term debt comprised in a municipal debenture. Alberta Capital Finance Authority (ACFA) offers preferential, below market-rate financing designed to support municipal infrastructure projects.
Capitalization of annual naming rights revenues (based on defined contracts with corporate sponsor)	Used as a source of capital funding in some projects. For the current project, it is assumed that naming rights revenues are factored into an annual operating revenue. Cannot therefore be capitalized for allocation to capital funding.
Ticket surcharge	Can be applied to all ticketed events and applied to annual debt costs. At this time, surcharge is included as an operating revenue in the financial assessment.
Private Donations / Fundraising	Unlikely to occur – some recent high profile developments such as the 2015 Pan Am Games Velodrome (Milton) have garnered significant fund raising and philanthropic donations but this is a function of the specific nature of the facility and interests of the donor community.
Development Charges, Off-Site Development Levies and other municipal infrastructure growth-related charges	Legislation is in place to enable off-site development levies (currently limited to hard infrastructure services – roads, water, and wastewater) to be expanded to help fund other municipal infrastructure investment.

Additional other funding sources which have been used recently include the following:

- Allocation of destination marketing fees (hotel levy) – a number of examples exist whereby a portion of this levy is used for capital investment in tourism infrastructure which supports the tourism destination objectives of the community;

- Funding by other partner groups which have identified potential benefits of the project. This may include levies on downtown business associations and other groups and will be entirely dependent on the location of the facility as well as the existence of such designated districts which can potentially reap a material benefit from the public investment in the facility;
- Diversion of parking revenues; and
- Seat sales – in pro-sport venues, capital revenues can be achieved through pre-sales of the seating which provide patrons with certain privileges and rights (including rights of first refusal on all ticket offers in the facility).

Funding from Upper Levels of Government

The funding model proposed does not rely on grants from upper levels of government other than the Municipal Sustainability Initiative (MSI) funding from the Province to local municipalities. However, equivalent projects elsewhere in Canada have received capital support from various provincial and federal funding programs. The following is a list of such sources for capital grant funding:

- The **Community Improvement Fund**, directed through Infrastructure Canada, provides funding for municipalities. The fund is allocated at \$32.2 billion over the ten years and includes the Gas Tax Fund and GST Rebate for Municipalities. This fund is intended to support community infrastructure projects including recreational facilities. Projects chosen for funding are chosen at the local level and are prioritized based on the infrastructure needs of communities. Funding is allocated to municipalities on a per capita basis.
- The **P3 Canada Fund**, administered through PPP Canada, is a program that encourages P3s (public-private partnerships) in public infrastructure procurements. The fund is allocated at \$1.25 billion over five years. In general, eligible projects include the construction renewal or enhancement of public infrastructure within the following sectors:
 - Transport (public transit, highways, brownfield redevelopment, local roads and short line rail);
 - Water;
 - Energy (green projects);
 - Security (disaster mitigation);
 - Solid waste;
 - Culture;
 - Connectivity and broadband;
 - Maritime (short sea shipping);
 - Aerospace (regional and local airport); and
 - Tourism.

Although funding for recreational facilities is not explicitly addressed, the fund allows for capital funding of multi-use facilities as part of culture and tourism priorities.

Outside of the above mentioned Federal funding sources, the following are opportunities (non-exhaustive) specific to the Province of Alberta and the Edmonton Capital Region:

Grant	Costs Supported		Funding Caps	Notes on Eligibility
	Capital	Operating		
Municipal Sustainability Initiative <i>Alberta Ministry of Municipal Affairs</i>	Yes	Yes	Total MSI fund valued at \$1.24 billion in 2014. Allotted funding to municipalities is based on municipal populations etc.	All municipalities in Alberta.
Alberta Community Partnership <i>Alberta Ministry of Municipal Affairs</i>	Yes	Yes	Total program budget of \$48.8 million in 2014/15. Allotted funding to municipalities is based on municipal populations etc.	Opportunity for smaller Alberta communities to access funds where there is an alliance to enhance regional municipal services.
Green Transit Incentives Program (GreenTRIP)	Yes	No	The total reserve for the Capital Region is \$800 million. Funding is “paid on progress.”	Supports new and expanded public transit throughout Alberta and the development of sustainable public transit alternatives including Park and Ride facilities.

Further to the above, during the recent unveiling of the 2016 Budget the new NDP government in Alberta announced plans to increase funding for the Municipal Sustainability Initiative (MSI) by \$50M per annum over the next 2 years. Transportation funding is also planned to increase with major road projects being ring roads in Calgary and Edmonton. In November 2015, the provincial government announced it would spend \$100 million on road and bridge projects via the Strategic Transportation Infrastructure Program (STIP). STIP funding will be released in two stages – \$35 million in 2017-2018 and \$65 million in 2018-2019 – and is primarily intended to support infrastructure project in smaller and rural municipalities in the Province.¹⁰

¹⁰ <http://news.nationalpost.com/news/canada/alberta-ndps-first-budget-to-see-province-take-on-18-9b-in-debt-this-year>
<http://www.cbc.ca/news/canada/calgary/mason-alberta-infrastructure-announcement-grants-1.3310782>

5.7 The Funding Model for an Event Centre in Spruce Grove

The consultant team has estimated the broad range of possible capital funding to support the development of the event centre complete with one additional community pad of ice.

Exhibit 21: Funding Model for the Event Centre in Spruce Grove

Funding Model for an Event Centre and Community Ice Arena in Spruce Grove						
Impact of Tax Escalation at		2% per annum				
ASSUMES ZERO CAPITAL COST ESCALATION	Event Centre + 1 Community Pad	MUNICIPAL PORTION OF TAXATION ONLY				
	Year 5 Build-Out	Year 10	Year 15	Year 20	Year 25	Year 30
A - Capital costs (Per Phase 2 Report Costing Exercise)	(\$79,267,258)					
Includes site development and landscaping, building hard and soft construction costs and contingency.						
B - Direct Capital Funding Available to Project						
1- MSI Municipal Sustainability Initiative						
	\$35,000,000					
2 - Approved Green Trip Funding (Park & Ride on Event Centre Site)						
	\$3,000,000					
3 - Net Proceeds from Land Sale to Developer (net of City Share of off-site servicing costs and transfer to surplus)						
	\$1,050,000					
C - Net Capital Costs						
	(\$40,217,258)					
D - Long-Term Debt - Annual P&I Payment						
Based on ACFA 30 year term at 3.546% p.a.						
	(\$2,188,531)	(\$2,188,531)	(\$2,188,531)	(\$2,188,531)	(\$2,188,531)	(\$2,188,531)
E - Annual Funding Sources to Address Long-Term Debt						
1-Incremental Property Taxation at Build-Out (Includes Municipal Portion of Property Tax Only) ¹						
	\$2,066,828	\$2,281,945	\$2,519,452	\$2,781,679	\$3,071,198	\$3,390,851
2 - Possible Future Off-Site Levies for Recreation (Estimated for Illustration based on 5% of existing projected levy for roads, wastewater and water servicing). Enabling legislation in place; precise estimates pending regulations and municipal master planning for additional infrastructure within scope for						
	\$270,096	\$298,208	\$329,245	\$363,513	\$401,348	\$443,121
Sub-Total	\$2,336,924	\$2,580,153	\$2,848,697	\$3,145,192	\$3,472,546	\$3,833,972
F - Net Annual (Shortfall)/Surplus	\$148,394	\$391,622	\$660,167	\$956,662	\$1,284,016	\$1,645,441

Funding Model for an Event Centre and Community Ice Arena in Spruce Grove
Impact of Tax Escalation at 2% per annum

ASSUMES ZERO CAPITAL COST ESCALATION	FULL CRL/EDL					
	Event Centre + 1 Community Pad					
	Year 5 Build-Out	Year 10	Year 15	Year 20	Year 25	Year 30
A - Capital costs (Per Phase 2 Report Costing Exercise) <small>Includes site development and landscaping, building hard and soft construction costs and contingency.</small>	(\$79,267,258)					
B - Direct Capital Funding Available to Project						
1 - MSI Municipal Sustainability Initiative	\$35,000,000					
2 - Approved Green Trip Funding (Park & Ride on Event Centre Site)	\$3,000,000					
3 - Net Proceeds from Land Sale to Developer (net of City Share of off-site servicing costs and transfer to surplus)	\$1,050,000					
C - Net Capital Costs	(\$40,217,258)					
D - Long-Term Debt - Annual P&I Payment Based on ACFA 30 year term at 3.546% p.a.	(\$2,188,531)	(\$2,188,531)	(\$2,188,531)	(\$2,188,531)	(\$2,188,531)	(\$2,188,531)
E - Annual Funding Sources to Address Long-Term Debt						
	\$2,825,996	\$3,120,128	\$3,444,874	\$3,803,419	\$4,199,282	\$4,636,346
<small>1-Incremental Property Taxation at Build-Out based on Full CRL/EDL¹ 2 - Possible Future Off-Site Levies for Recreation (Estimated for Illustration based on 5% of existing projected levy for roads, wastewater and water servicing). Enabling legislation in place; precise estimates pending regulations and municipal master planning for additional infrastructure within scope for</small>	\$270,096	\$298,208	\$329,245	\$363,513	\$401,348	\$443,121
Sub-Total	\$3,096,092	\$3,418,336	\$3,774,119	\$4,166,932	\$4,600,630	\$5,079,467
F - Net Annual (Shortfall)/Surplus	\$907,562	\$1,229,805	\$1,585,589	\$1,978,402	\$2,412,100	\$2,890,937

Source: Sierra Planning & Management (2017)

The Funding model commences with the current estimate of capital costs - \$79.3 million. Against this amount is upfront capital funding as follows:

1. Available MSI grant funding at the discretion of Council;
2. Approved Green Trip grant funding which is principally provided to cover the costs of the park and ride infrastructure on-site. By placing the park and ride on this site, this provides necessary servicing, parking, and other infrastructure which serves the event centre preventing the need for necessary duplicate infrastructure. As such it is applied to the project cost; and
3. Net proceeds from the sale of remaining land for the Westwind development based on the agreed cost of \$125,000 per acre unserviced. It should be noted that the Joint Venture agreement for development of

the lands stipulates that the sale is based on either \$125,000 per acre or market value which may be higher.¹¹

As a result of these initial sources of capital, the residual is assumed to be financed through long-term debt. The resulting annual long-term financing (based on equal principal and interest payments for a term of 30 years, with financing provided by the ACFA.

The second stage of the proposed funding model envisages that annual funding equivalent to or exceeding the financing costs is achieved through two means:

1. Dedication of the incremental taxation generated from the site as it is developed and at full build-out. This includes at a minimum the municipal portion of taxes (defined as all applicable mill rates excluding the education-related mill rates), and can potentially include all of the taxes if a CRL is achieved for the site.
2. Future collection of off-site development levies applicable to the support of municipal investment in new recreation infrastructure. The City does not currently have recreation-related off-site levies but with the recent approval of legislation permitting municipalities to expand their off-site levies to include projected new infrastructure for recreation and other asset classes, the development of a new levy which funds new recreation investment is expected to occur.

The analysis shows how a funding model is achievable to cover the capital costs of the facility over a period of 30 years. Any surplus created (if such occurs) could be applied to a reserve, or other use, and can also be applied to the operating deficit expected for the facility.

¹¹ The net proceeds from the sale of the remaining Westwind lands are applied to the costs of the project. However, the City’s share of offsite servicing costs is over and above the capital budget. This equates to an estimated \$1m subject to necessary due diligence to confirm an exact amount. This cost is funded out of the net proceeds of the land sales, with the remaining balance then applied to the project costs which include all on-site servicing costs.

6 REVISED FINANCIAL ASSESSMENT

6.1 Diversify the Event Base

As indicated in Phase 1 and confirmed through additional assessment herein, the role of the hockey event market is one of a number of event possibilities. Each of these categories of events has market opportunity as laid out in our previous report.

The largest potential for revenue generation drawing on not only ticket sales but also concessions, merchandising and more, is the concerts/family shows and theatre market. Below is an outline of the projected event days at the facility to act as a guideline to achievable market opportunity.

The overall event day projections (under normal operating conditions likely from year 3 onward) have been confirmed through discussion with several private sector spectator centre management executives – as have the range of risks which exist to achieving these venues. These risks are revaluated at the conclusion of this report.

Exhibit 22: Projected Event Days for the Spruce Grove Event Centre

Total Event Schedule	
SPRUCE GROVE SAINTS	
Exhibition	3
Regular Season	30
Tournament	0
SPRUCE GROVE SAINTS TOTAL EVENTS	33
OTHER SPORTING EVENTS	
Non-Saints Sporting Events	2
Tournaments	3
OTHER NON-SPORTING EVENTS	
Concerts / Family Shows / Theatre	21
Trade Show and Community Events	7
Total Number of Events	66
Total Number of Event Days	95

**Note: Figures exclude daily community use of the facility (for ice rental, programs and other program uses). Excludes all other rentals of facilities. The above is solely for events.*

Source: Sierra Planning and Management (2016)

6.2 Revised Financial Assessment of Operations

It is worth revisiting certain of the assumptions which underpinned the initial estimates of performance in the Phase 1 report:

1. Initial market estimate of capacity for 4,500 seats – as discussed, the resulting design analysis is able to reduce this seat count without denuding any of the patronage at the venue based on our market assessment of demand and likely attendance – i.e. no reduction in the number of spectators to ticketed events;
2. Our initial work recognized “a combined community and event centre, with a gross floor area likely somewhat larger than what a concept design process will arrive at”. Our capital costing has accounted for this change but operationally too this has enabled us to retain a trade show/convention potential by confirming that any event centre in this location should have at least a second, community-oriented arena that can function for trade shows. As per the original market assessment we remain cautious with respect to the market take-up of major trade shows at this location, over and above those existing in the immediate local area that could relocate to the new venue. The impact of this use on ice usage is factored into the analysis;
3. Retail and leased office uses are, as described elsewhere, eliminated from the concept plan.

6.3 Ramping up to Full Normalized Operations

This report includes financial estimates of operations for the event centre with an additional single community ice arena.

It is important to recognize that any facility is going to take time to establish its market presence – certainly in the case of the event centre, and realistically for the community use of the facility too. The need for the ice created as part of this plan is apparent as the City grows – it is not immediately apparent despite opinions to that effect from user groups. An objective assessment of ice needs (rather than one which replaces existing practices of ice allocation wholesale in favour of greatly improved standards of provision) suggests the demand will evolve based on current practices – and will not be a long way off. The City is also watching the growth in Edmonton and it is true that some demand from west Edmonton can be accommodated (and is being accommodated) in Spruce Grove and elsewhere in Parkland County if new infrastructure is built.

However, from a strategic perspective of balancing capital costs now and in the future, as well as shorter term operating impacts. Places such as Mississauga are examples of the opportunity for later build-out but in this case, our design plans have assumed the land needs for the full build-out in a single phase.

The financial analysis which follows does not guess at the ramp-up period to a normalized market operation (the facility operating at effective sustained capacity based on long-term market demand). As such the year 1

revenues (and those costs which are variable) are likely to be overstated. However, by year 3 in the case of the event centre and likewise for the community rink, the revenues and costs will reflect expected utilization of the facilities.

As the building is both an event centre and a community arena, it creates capital and operating cost savings for the community arena (compared to a standalone arena), reducing the deficit on an annual basis because of shared costs with the event centre.

The summary profit and loss (P&L) estimates for both options are provided below in sufficient detail to cover each major revenue source and expense item.

Spruce Grove Multi-Use Facility

Financial Feasability Analysis
25 Year Annual Operating Revenue / Cost Projections

Total Seats	3,500
Cost per Seat	\$17,919
Total Capital Cost	\$79,267,258

	NPV @ 6.00%	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25
Escalation 3.00%	Per Annum	1.00	1.13	1.30	1.51	1.75	2.03
Facility Revenues							
Spectator Use Revenue							
Events and Related Income	\$16,626,334	\$945,944	\$1,064,668	\$1,234,242	\$1,430,825	\$1,658,719	\$1,922,909
Advertising/Sponsorship	\$7,404,078	\$421,250	\$474,121	\$549,636	\$637,178	\$738,664	\$856,315
Food & Beverage	\$22,553,130	\$1,283,145	\$1,444,191	\$1,674,213	\$1,940,872	\$2,250,003	\$2,608,370
Ticket Surcharge	\$3,744,135	\$213,020	\$239,756	\$277,943	\$322,212	\$373,532	\$433,026
Sub-Total	\$50,327,676	\$2,863,359	\$3,222,736	\$3,736,034	\$4,331,088	\$5,020,917	\$5,820,619
Recreational Use Revenue							
2nd Ice Pad	\$1,607,454	\$91,455	\$102,933	\$119,328	\$138,334	\$160,367	\$185,909
	\$3,649,345	\$207,627	\$233,686	\$270,906	\$314,054	\$364,075	\$422,063
Total Facility Revenues	\$55,584,475	\$3,162,441	\$3,559,355	\$4,126,268	\$4,783,476	\$5,545,360	\$6,428,592
Expenses							
Total Salaries	\$15,071,803	\$857,500	\$965,124	\$1,118,843	\$1,297,046	\$1,503,631	\$1,743,121
Event Operations	\$7,967,052	\$453,280	\$510,171	\$591,428	\$685,627	\$794,829	\$921,425
Food & Beverage Costs	\$17,624,642	\$1,002,742	\$1,128,595	\$1,308,351	\$1,516,737	\$1,758,314	\$2,038,368
Marketing Budget	\$878,822	\$50,000	\$56,275	\$65,239	\$75,629	\$87,675	\$101,640
Repairs & Maintenance	\$2,109,174	\$120,000	\$135,061	\$156,573	\$181,511	\$210,421	\$243,935
Utilities	\$15,643,037	\$890,000	\$1,001,703	\$1,161,248	\$1,346,205	\$1,560,620	\$1,809,187
Insurance	\$1,537,939	\$87,500	\$98,482	\$114,168	\$132,352	\$153,432	\$177,869
Other Expenses	\$7,997,283	\$455,000	\$512,107	\$593,672	\$688,228	\$797,845	\$924,921
(leased property and equipment, admin and management fees, misc.)							
Total Facility Expenses	(\$68,829,751)	(\$3,916,022)	(\$4,407,517)	(\$5,109,521)	(\$5,923,335)	(\$6,866,768)	(\$7,960,467)
Net Cash Flow (revenues over expenses)	(\$13,245,276)	(\$753,581)	(\$848,162)	(\$983,252)	(\$1,139,859)	(\$1,321,409)	(\$1,531,875)

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ICC INTERNATIONAL COLISEUMS COMPANY
