

CITY OF SPRUCE GROVE

Phase 3: Economic Impact of a Multi-use Sports and Entertainment Centre (SEC)

January 2017

Disclaimer: The contents of this document have been redacted to remove any proprietary or otherwise sensitive information relevant to commercial interests.

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Executive Summary

This report builds on the 2015 Phase 1 Market Feasibility and Financial Pre-Feasibility and the 2016 Phase 2 Potential for a Multi-Use Sports and Entertainment Centre (SEC) reports completed for the City of Spruce Grove and provides an assessment of the potential economic impact that the Sports and Entertainment Centre (SEC) could have on the local, regional, provincial and national economy.

The creation of economic impact models relies on the use of a wide range of statistical data, drawn as secondary source data from Statistics Canada, Revenue Canada, the City of Spruce Grove, the Province of Alberta, and reports prepared by other consultants. While every attempt is made to assess the reasonableness of this information, we cannot guarantee the accuracy of the source data. Importantly, the analysis of impact assumes that the macro-economic environment remains stable and that normal business cycles are assumed to occur.

Measures of Analysis

The economic impact model presented in proceeding sections of the report measures a number of economic impacts related to construction and operations of the facility. In terms of construction related impacts, the following variables are measured:

- Construction Spending Impacts;
- Employment Impacts from Construction;
- GDP Impacts from Construction;
- Income Tax Impacts from Construction; and

- Sales Tax Impacts from Construction.

In terms of operation relates impacts, the following variables are measured:

- Employment Impacts from Operation;
- Direct Spending Impacts;
- Indirect Spending and GDP Impacts; and
- Tax Impacts from Operation.

In addition to impacts related to construction and operations of the facility, the following is calculated: Off-site direct and indirect spending.

In assessing the impact of an SEC, as similar exercise was conducted based on the latest available site development plan for the broader area around the SEC that is planned to include a range of retail, commercial, entertainment, accommodations and residential uses.

The SEC is part of a 60.69-acre site subject to a development proposal by One Properties/Beaverbrook. Patronage to the SEC facility is linked to broader site development which is expected to encompass hotel accommodations and a range of complementary food and beverage, entertainment and retail services to support overnight and same-day visitation at the facility.

An assessment of economic impact of the broader site reflects a holistic view of the local, regional and provincial benefits of public and private sector investment in the location.

Resulting Impacts

The following table summarizes the resulting impacts.

The SEC is expected to generate \$12 million per annum in industry output from in-facility spending (direct and indirect for all provinces). The facility is expected to generate \$15.3 M to \$19.5 M

in direct and indirect impact from off-site (in-region) expenditures related to event patronage at the SEC. Combined the SEC is expected to generate some \$27.3 million to \$31.5 million in impacts from spending related to patronage at the SEC.

| | SEC | Broader Site Development | Total Impact |
|--|------------------------------|--------------------------|------------------------------|
| Construction Impacts | | | |
| Construction Costs/Spending (hard and soft costs) | \$79,267,259 | \$231,167,852 | \$310,435,111 |
| Direct and Indirect GDP Impacts from Construction Activity | \$62,561,731 | \$183,589,500 | \$246,151,231 |
| Direct and Indirect Sale Tax Impacts from Construction Activity | \$7,021,078 | \$20,475,636 | \$27,496,714 |
| Total (FTE) Person Years of Employment from Construction | 842 | 2,431 | 3,273 |
| Income Tax from Construction Employment (Provincial and Federal) | \$5,892,158 | \$17,227,995 | \$23,120,152 |
| Operational Impacts | | | |
| Direct and Indirect Spending Impacts: In-Facility Spending | \$11,992,301 | N/A | \$11,992,301 |
| Direct and Indirect Spending Impacts: In-Region (Food, Retail, Accommodations) | \$15,285,239 to \$19,546,086 | N/A | \$15,285,239 to \$19,546,086 |
| Jobs: Direct Employment at Facility/Site (#FTE) | 36.4 | 863.6 | 900.1 |
| Jobs: Indirect Employment in and out of Alberta (#FTE) | 15.2 | 294.0 | 309.2 |
| Labour Income: Direct Employment at Facility/Site (#FTE) | \$1,316,601 | \$35,918,726 | \$37,235,327 |
| Employment Taxes: Direct and Indirect Impacts from Employment at Facility/Site | \$209,845 | \$3,799,911 | \$4,009,756 |

The proposed development will generate considerable property taxation when fully built out. The multi-use event centre is expected to be designated a municipal capital facility and hence not liable for property tax. Accordingly, the property taxation revenue generated by the site comprises the One Properties commercial lands as well the residential lands to the east of the multi-use event centre. The estimate of the future taxation from these lands is addressed in the Phase 2 report and has involved the use of an independent property assessment specialist.

The resulting estimates of tax yielded by the site at build-out are based on a detailed review of the type of development and the expected nature of commercial uses of the buildings developed. With regard to the residential portion of the site, the property taxation is based on the assumption of some 440 units comprised of apartment and townhouse forms of development. Furthermore, these units are expected to be developed as rental accommodation as opposed to owner-occupied residential. This results in the use of commercial tax rates for the residential portion of the site, as opposed to the prevailing residential tax rate.

The analysis demonstrates that the future tax revenue arising for both the municipal portion of the levy or for the entire tax levy

(should the One Properties site be designated for purposes of a Community Revitalization Levy (CRL)) is between \$1.76 and \$2.4 million annually at build-out. Further these impacts will increase based on the escalation of tax rates employed by the City. The current approved annual tax rate increase is 2.9% per annum. It should be noted that the taxes are considered to be incremental tax revenues generated as a result of the development of the regional multi-use event centre and its capacity to create a destination commercial complex. These revenues are also generated as a result of the City's decision to assemble these lands around the City's key interchange with the Yellowhead Trail. While any tax generated will have a corresponding cost associated with it in terms of the costs to provide municipal services to the developed lands, this is expected to be lowest for the commercial uses and higher for the residential uses. In both cases, however, the site is likely to create a significantly positive fiscal impact. The use of the tax increment as part of the funding for the multi-use event centre represents an approach to funding that has been utilized in other communities, based on the positive attributes of the project in bringing forward development sooner than would otherwise likely happen and creating a higher order of land use and therefore taxation base.

1 Project Aims and Objectives

1.1. Introduction + Purpose

This report builds on the Phase 1 Market Feasibility and Financial Pre-Feasibility (2015) and the Phase 2 Potential for an Event Centre in Spruce Grove (2016) reports completed for the City of Spruce Grove. The Pre-Feasibility Study was the first structured assessment of market justification for a Multi-Use Facility and addressed questions as to whether an event and multi-use facility 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 Phase 2 work offered further assessment and confirmation of the concept design, functional program, financial feasibility, funding, and governance structure of the facility.

The current assignment (Phase 3) builds on the aforementioned Phase 1 and 2 work, detailing the potential economic impact that the Multi-Use Sports and Entertainment Centre could have in Spruce Grove.

1.2. Outline of Report

This report is comprised of two parts:

Part A: Typologies of Event Centres focuses on defining Multi-Use Sports and Entertainment Centres (SEC), how they operate, as well as typical scale and flexibility. Part A also provides more developed functional layout designs, a progression from Phase 2 work, for a variety of potential events. In addition, case studies related to

comparable facilities (in terms of size, location, etc.) is highlighted, as well as case studies that showcase specific examples of impact.

Part B: Estimate of Economic Impact for an SEC in Spruce Grove

focuses on detailing the estimated economic impact of construction and ongoing operations of the facility in terms of a range of measures: Gross Domestic Product (GDP), capital spending, income, employment, as well as income taxes generated provincially and nationally. Part B also looks at the impacts of spending at the SEC – this represents a direct impact on an ongoing basis and is therefore an estimate of economic impact in its own right.

1.3. Limitations of Analysis

The creation of economic impact models relies on the use of a wide range of statistical data, drawn as secondary source data from Statistics Canada, Revenue Canada, the City of Spruce Grove, the Province of Alberta, and reports prepared by other consultants. While every attempt is made to assess the reasonableness of this information, we cannot guarantee the accuracy of the source data.

The results of this analysis should be treated as a guideline to economic impact of the Multi-Use Sports and Entertainment Centre based on the range of assumptions regarding its design, scale, operations and location. Should any of the key assumptions which underlie the analysis change – such as the capital costs of the facility or its seating capacity, the economic impacts can be expected to vary. Importantly, the analysis of impact assumes that the macro-economic environment remains stable and that normal business cycles are assumed to occur.

1.4. Framework to Analysis

The analysis will document the range of potential benefits and costs associated with the facility development and its operations. The analysis does not include an assessment of whether public expenditure to support facilities for professional sports franchises or for entertainment represents the best use of public resources relative to the other calls on the public purse. It is also important to understand that the estimates contained in this report, particularly as it relates to local capture of impact from spending and related development, are based on the assumption that the City of Spruce Grove continues to pursue investment and create policies in support of the long term sustainability as a place to live, work and recreate.

Public policy decisions above and beyond the decision to invest in a new facility can be expected to influence how much of a contribution the SEC can make to economic development. Evidence from elsewhere demonstrates that impacts are maximized only where wider public investment and policy decisions are moving in the same direction. Where other future development is unduly constrained, or disinvestment occurs as a result of public policy, this can be expected to limit the impacts of new infrastructure.



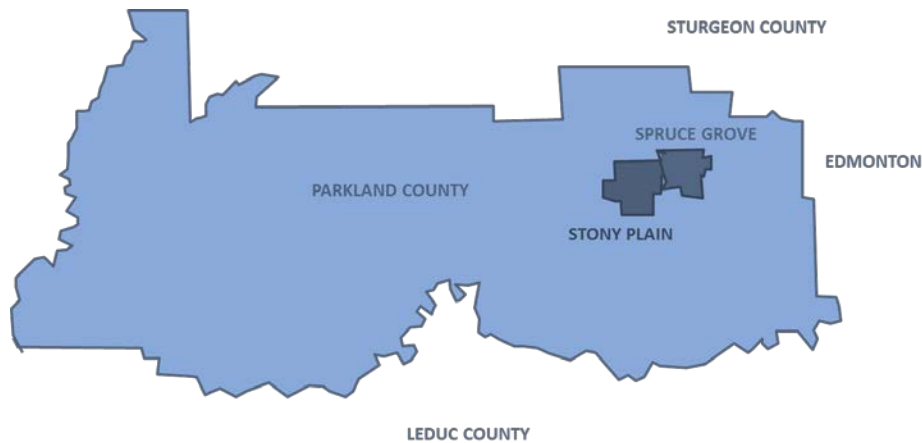
Architectural Rendering of a Potential MUSEC in Spruce Grove

2 Regional Recreation Use

2.1. Market Trade Area

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

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

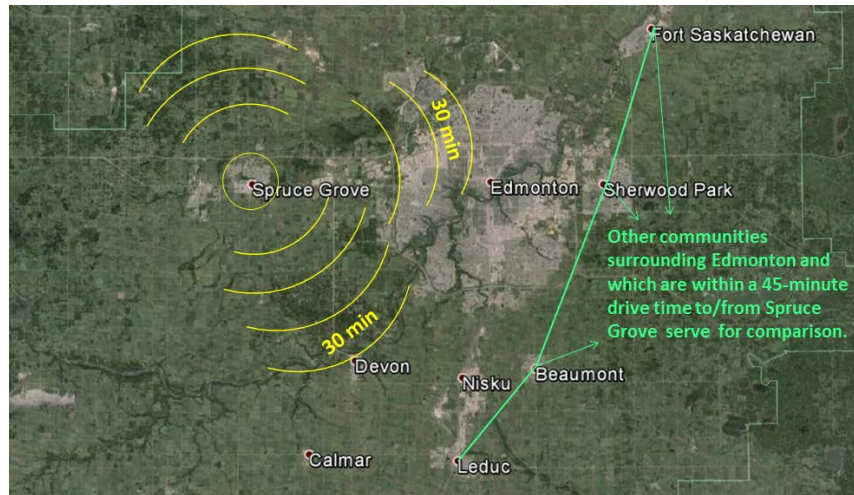


As it relates to the development of an SEC in Spruce Grove, and one that should seek to meet the variety of *community recreational needs*, the primary trade area for such a facility is assumed to comprise the tri-regional geographic area of Spruce Grove, Stony Plain and Parkland County. As of 2011, the trade area had a population of approximately 72,000 people. However, the trade area for a commercial events centre is far larger and encompasses parts of the City of Edmonton and the Capital Region that are within a 30-minute drive time of the City of Spruce Grove to include:

- The City of St. Albert to the north;
- The Town of Devon to the south; and
- The western portions of the City of Edmonton.

The primary trade area and surrounding vicinity within a 30-minute drive-time is estimated to have a population of approximately 835,231 persons.

Exhibit 2: Definition of Surrounding Market Area



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

If a new SEC is pursued, Spruce Grove can set standards for the provision of a mid-size venue in the Western Canadian market place.

PART A: TYPOLOGIES OF EVENT CENTRES



3 Typology for Event Centres

3.1. What is a Multi-Use Sports & Entertainment Centre (SEC)?

A multi-use sports & entertainment centre is a facility designed specifically to accommodate the specific requirements of a broad range of ticketed activities including:

- Sports franchise (typically hockey, possibly supplemented by indoor lacrosse, football or basketball);
- Concerts (family, rock; full house/half house/concert in the round configurations);
- Public assembly (religious gathering, graduations, political rallies);
- Shows (Broadway, Disney on Ice types, dance);
- Sports events and championships (curling, hockey, cheerleading, band, wrestling/combat, gymnastics);
- Circus;
- Dirt events (motocross, monster trucks);
- Animal/equestrian events (grand prix, rodeo, bull riding, Lipizzaner Stallions);
- Flat floor events (trade shows, consumer fairs, boat/home & garden shows);

- Combination (for smaller conferences the ice area could be divided into trade show and banqueting).

In Canada and the United States the majority of large/professional SECs (10,000-20,000 seats) and mid-size/semi-professional ones (3,500-10,000 seats) are built with the seating bowl designed around an NHL (85' x 200') ice surface. This reflects both the importance of having a resident sports franchise, and the fact that if seating sightlines work for hockey, they will work for any sport.

3.1.1. The Broad Landscape of Multi-Use Sports & Entertainment Centres

Over the past several years a significant number of sport and entertainment centres have been developed in various sized communities throughout Canada.

The exhibit below illustrates the various seating capacities of facilities that have been constructed and the average market size of cities that those facilities are located in.

The research contained within this report shows that three arenas have been completed in recent years that have a maximum capacity of 4,000 seats. The average market size/population that became home to these facilities was slightly less than 200,000 people.

Three facilities have been developed with a seating capacity between 4,000 and 5,000 and the average market size for these venues was just less than 400,000.

The current research indicates that the greatest numbers of sport and entertainment centres and/or arenas that have been built during this period are those in the 5,000 - 6,000 seating capacity range.

This size seems to be the most attractive to both primary tenants (CHL hockey most specifically) and concerts. An interesting observation of this statistic is that the average community population for these mid-sized facilities was approximately 350,000 people, which was somewhat less than those facilities constructed that had a seating count of 1,000 less capacity.

Even more interesting is that the facilities developed with a seating capacity of between 6,000 and 7,000 seats had an average city

population that was under 300,000. This might indicate that the market had a regional draw, with little competition for the sport and entertainment dollar. It could also indicate that the primary tenant has had a solid fan base of support regardless of the apparent smaller market size.

Finally, as should be expected fewer facilities have been created that exceed 9,000 seats and that the market size for those sport and entertainment centres is between 500,000 and 800,000 people. In total, four such facilities have been created. Although not identified, these facilities would be home to teams at the CHL and NHL levels with significant season ticket holder support and located in markets with access to a variety of entertainment genres'.

In order to determine the maximum seating capacity for a sport and entertainment centre numerous topics must be discussed:

- City population and growth trends within the city
- Demographic information for the city's population
- Trade area population and the likelihood that people will travel for scheduled events
- Possible groups that will use the facility (programming)
- Main tenant or tenants
- Proximity to competing facilities for concerts, trade shows, conventions
- Seating capacity of competing facilities

In the majority of markets today, the sport and entertainment centres that have been developed fit a specific niche. They provide the most amicable seating count for the primary tenant allowing for high revenue potential "sell out" nights, but are also properly outfitted to create a sense of urgency for the public to purchase tickets (seasons and partials) in advance.

In addition, it is important to insure that the venue size for all events fills a void in the market. If currently a 15,000 seat facility exists within the trading area of a given community, then another of a similar size would not be suggested. However, a facility in the range of 6,000 - 7,000 seats could fill a vacancy that the market has with regards to midsized capacity artists and sports teams.

Constructing a facility that is too large for the market often results in the community having to offset operating losses incurred by the facility. While having a sport and entertainment centre that is too small in capacity, limits the type and quality of events that might be

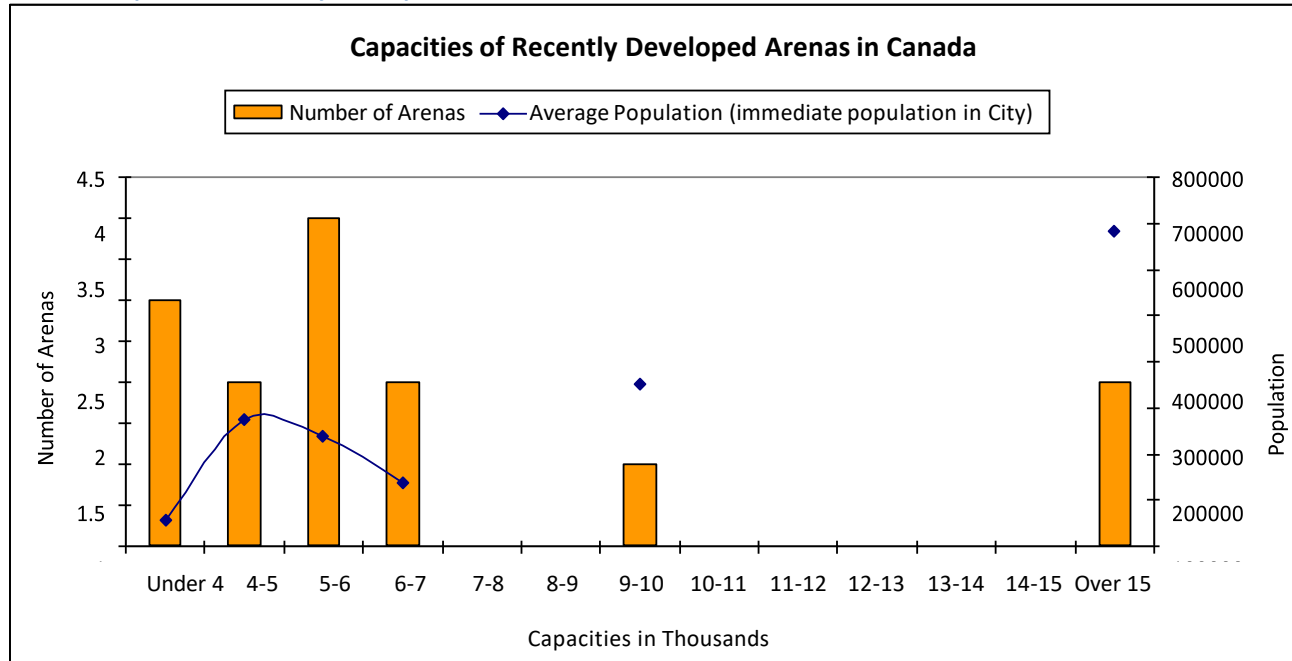
available for the community thus creating a somewhat similar operating issue for the city.

Another consideration to be discussed as cities conduct their diligence on sport and entertainment centres is to determine the level of community activity that would be involved within the new venue. In midsized markets (those within the study under 300,000) there should be a sense of "community" surrounding the facility.

Although the facility will have a significant commercial component and will be home to a major sports tenant, it must also provide for a wide range of activities for the citizens that comprise the community. Markets of this size are not likely to have multiple

facilities (convention centers, performing arts centers, etc.) so the sport and entertainment centre needs to attempt to fill as many of the needs of the community as possible.

Exhibit 3: Capacities of Recently Developed Arenas in Canada



Source: Data based on venue websites, Wikipedia and Statistics Canada

3.1.2. Case Study: Comparative Facility Examples

Exhibit 4 presents examples of comparable facilities from across Canada. These venues are located in communities with similar populations (not trade area) to the City of Spruce Grove.

Exhibit 4: Comparative Facility Examples

| Venue | Credit Union Place, Summerside PEI | South Okanagan Events Centre, Penticton BC | Mosaic Place, Moose Jaw SK | Eastlink Centre, Charlottetown PEI | Revolution Place, Grand Prairie AB |
|---------------------|---|---|--|---|---|
| Size | 4,200 seats for main bowl; 5,400 seats for concerts | 4,701 seats for hockey; 6,432 seats for concerts | 4,500 seats | 3,718 fixed seats; 1700 portable = 5,418 total | 2,975 seats for main bowl; 4,600 for concerts |
| Location | Not downtown | Downtown | Downtown | Central | Downtown |
| Date Opened | 2007 / 8 | 2008 | 2011 | 1990 (Canada Games – sub-par arena) | 1994 |
| Cost | \$42 million | \$56.2 million | \$61.2 million | | |
| Ownership | City of Summerside | City of Penticton | City of Moose Jaw | City of Charlottetown | City of Grande Prairie |
| Other Events | Other sporting events, special events | Concerts, conferences, tradeshow, special events | Figure skating, WHL, concerts, curling, weddings, conferences, tradeshow, special events | QMJHL, other sporting events, concerts, tradeshow, conferences, special events | AHL, concerts, conferences, tradeshow, special events |
| Amenities | Skyboxes, restaurants, commercial lease space, conference and meeting rooms, fitness, pool, bowling lanes | Luxury suites, 60,000 sq. ft. trade and convention centre attached, 2,212 seat Memorial arena attached, OHS Training Centre, BC Hockey Hall of Fame, Penticton Community Theatre attached | 8 sheet curling, 8 banquet rooms, entertainment / sport bowl | 10 corporate boxes, trade centre: 42,000 sq. ft. large volume attached, provincially operated casino attached | 17,000 sq. ft. ice surface, 18,000 sq. ft. exhibit space for events and banquets, 3 meeting rooms |
| Population | 14,751 | 32,877 | 33, 374 | 35,000 | 55,032 |

Additional comparable examples of SEC facilities from across Canada are provided below. These venues are located in municipalities of varying population sizes.

Western Financial Place, Cranbrook BC



| | |
|---------------|---|
| Size: | 4,300 seats (add-on to a large community recreation complex) |
| Location: | suburban location |
| Date opened: | 2000 |
| Cost: | \$22.6 million (cost of add-on 4,300 seat facility; total project was approximately \$30.0 million) |
| Ownership: | City of Cranbrook (as of 2007) |
| Lead tenant: | Kootney Ice (WHL) |
| Other Tenant: | Kootenay Therapy Center, Cranbrook Minor Hockey, Coyote Jacks, Shivers Sugar Factory |
| Amenities: | NHL Rink, Aquatic Centre, Meeting Space, Catered Restaurant, Squash Courts, Walking Track, Fitness |
| Population: | 71,973 |

CN Centre, Prince George, BC



| | |
|---------------|--|
| Size: | 6,000 seats |
| Location: | suburban |
| Date opened: | 1995 |
| Cost: | \$20.0 million |
| Lead tenant: | Prince George Cougars (WHL) |
| Other Events: | Concerts, Sporting Events, Roadshows |
| # of Events: | 29 Concerts/Events (Oct 2014-Mar 2015) |
| Population: | 71,973 |

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 |
| Population: | 77,936 |

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 |
| Population: | 104,177 |

Enmax Centrium, Red Deer AB

| | |
|---------------|--|
| Size: | 5,800 seats (currently undergoing expansion to 7,000 seats) |
| Location: | suburban (located in Westerner Park, an agricultural fair grounds complex) |
| Date opened: | 1991 |
| Cost: | n/a |
| Lead tenant: | Red Deer Rebels (WHL) |
| Ownership: | Westerner Exposition Association |
| Other Events: | concerts, basketball, motorsports, curling, circus, rodeos, wrestling, trade shows, convention |

Rogers K-Rock Centre, Kingston ON

| | |
|---------------|---------------------------|
| Size: | 5,000 seats |
| Location: | downtown |
| Date opened: | 2009 |
| Cost: | \$43 million |
| Lead tenant: | Kingston Frontenacs (OHL) |
| Ownership: | City of Kingston |
| Other Events: | concerts, tournaments, |
| # of Events: | 108 |
| Population: | 123,363 |


RBC Centre, Sarnia

| | |
|---------------|---|
| Capacity: | Hockey - 5,000 to 5,500, Concerts - 6,000 |
| Location: | suburban (built on lands provided by Lambton College) |
| Date opened: | 1998 |
| Cost: | \$18.5 million |
| Lead tenant: | Sarnia Sting (OHL) |
| Ownership: | City of Sarnia |
| Other Events: | concerts, road shows, special events |
| Amenities: | 2 NHL rinks, 1000 club seats, 43 luxury suites, The Hive Restaurant with a capacity of 300. |
| Population: | 72,366 |

Competition – Spectator Arenas, Alberta

Exhibit 5 below provides an overview of those spectator arenas in Alberta that are potential competition for the SEC in Spruce Grove, organized by size (number of seats) of facility.

Exhibit 5: Competitive Facilities

| 1,500 – 3,000 | 3,000-4,500 | 4,500-6,000 | 6,000-7,500 | 7,500+ |
|---|---|---|--|---|
| Calgary: Father David Bauer (1,760), Max Bell (2,121) | Calgary: Winsport (3,000) | Grand Prairie: Canada Games Arena (2,975 fixed; 4600 concert) | Red Deer: Enmax Centrium (6,706) | Edmonton: Rexall Place (16,839) |
| Edmonton: Bill Hunter (1,600) | | | Lethbridge: Enmax Centre (6,500 fixed; 7,100 standing) | Calgary: Scotiabank Saddledome (19,289) |
| Fort Saskatchewan: Jubilee (1,586) |  | | | |
| Grande Prairie: Coca Cola Center (1,600) | | | | |
| Leduc: Sobey's Arena (1,800) | | | | |
| Lloydminster: Civic Centre (1,700) | | | | |
| Sherwood Park Arena (2,000) | | | | |
| St. Albert: GO Auto Arena (2,000) | | | | |
| Brooks: Centennial Regional Arena (1,700) | | | | |
| Camrose: Encana Arena (2,500) | | | | |

3.1.3. Case Study: Examples of Impact

The economic impact of sports and entertainment facilities varies widely by venue and is highly dependent on a range of contextual factors, including the surrounding economic region, linkages and connections with surroundings, as well as the use of the building.

Generally, there are two differing perspectives when it comes to looking at the economic impacts of sports/entertainment facilities: (1) that insignificant economic growth is generated and (2) that sports/entertainment facilities produce positive economic benefits and help to revitalize depressed urban areas.

Much of the scepticism of the magnitude of economic growth that is generated is that sports/entertainment development projects generate only a small increase in economic activity and simply serve to redirect spending from one activity to another. However, the information tends to focus on only the quantifiable economic costs and benefits of these multi-use centres, often discounting the noneconomic outcomes.

On the other hand, it is often argued that these noneconomic benefits – such as social and development impacts – could be significant. Among other positive social impacts such as an increase in reputation for a community, multi-use facilities also play an influential role in creating vibrant areas that can attract higher income/higher educated households to the local environment. Multi-use sport and entertainment centres can also act as anchors for regeneration efforts, based on the ability to draw a critical mass of visitors to the area for events, which can help support restaurants and retail shops. Additionally, these large-scale projects can

stimulate infrastructure investment in the district and attract other development projects.

In Canadian cities, the investment in multi-use sports and entertainment centres has often been part of continued efforts (both before and after) to regenerate economically challenged areas. For example, in Kingston, Ontario, the K-Rock Centre was the first development of the run-down North Block, and has since anchored plans for broader redevelopment on the east side of Kingston's downtown.

Similarly, the development of the Budweiser Gardens (formerly John Labatt Centre) at Talbot St. in Downtown London, along with the Covent Garden Market, and a range of residential developments spurred by tax incentives, has made a discernable difference to the assessment as well as livability of Downtown London. Public investment in John Labatt Centre was sizable as it was considered an integral part of its downtown revitalization strategy. The JLC is credited with playing a significant role in London's downtown regeneration. In fact, from 2002 to 2009, the current value assessment in London's downtown core increased by 22%. Additionally, the 2009 State of the Downtown report states that the median value of building permits rose 176% from \$12,644 to \$35,000 from 2002 to 2008. From 2001 to 2006, the downtown population increased by 22.5% and dwelling counts grew by 19%.

The table below showcases just how varied the estimated economic impact of multi-use sports and entertainment venues can be. While the figures vary in what types of impacts (direct, indirect, and induced) are included, they provide a general sense of the economic impacts to the area.

Exhibit 6: Examples of Impact in Other Venues

| VENUE | LOCATION | ESTIMATED ECONOMIC IMPACT |
|---|----------------|---|
| South Okanagan Events Centre | Penticton, BC | Direct Impact Spending: \$6,854,412 |
| Moncton Sports + Entertainment Facility (estimate: facility not yet open) | Moncton, NB | In-Facility Spending: \$15,541,364 Regional Spending Impact (direct and indirect nation-wide): \$29,120,155 |
| ShoWare Center | Kent, WA | Total Spending Impact: \$25,100,000 |
| Budweiser Gardens (formerly John Labatt Centre) | London, ON | In-facility spending for non-sport related events is estimated to be in the \$10,000,000 to \$13,000,000 range. |
| Rogers K-Rock Centre | Kingston, ON | Total Annual Impact (direct, indirect and induced) is estimated at \$15,000,000 - \$16,500,000 (2009-2010) |
| Abbotsford Sports and Entertainment Centre | Abbotsford, BC | In-Facility Spending: \$13,100,000 Off-Site Spending: \$7,800,000 Construction Period: \$12,950,000 |

3.1.4. The Siting of Multi-use Sports & Entertainment Centres

There have been two different approaches to siting or locating a SEC. The earliest professional hockey arenas such as Montreal's Forum, Toronto's Maple Leaf Gardens, and New York's Madison Square Gardens were downtown or urban locations. The 1960s saw a movement to locate new facilities in fairground locations where there is an abundance of parking and where fairground programming could bring additional use to the venues. Vancouver's Pacific Coliseum, Edmonton's Northland Arena, and Regina's Brandt Centre are examples of this particular trend. Since then there has been a tendency for locating indoor venues in an urban context although there continue to be new facilities illustrating both approaches:

Exhibit 7: Approaches to Siting SECs

| facility/location | opened | location type | comments |
|---|--------|---------------|---|
| Downtown Centre, Moncton, NB | 2018 | Urban | City repurposing existing suburban Moncton Coliseum. |
| Canalta Centre, Medicine Hat, AB | 2015 | Suburban | A central driver of Box Springs Business Park. |
| Meridian Centre, St. Catharines, ON | 2014 | Urban | Part of the downtown core but on a lower plateau. |
| Mosaic Place, Moose Jaw, AB | 2011 | Urban | Part of an urban development strategy. |
| Abbotsford Centre, Abbotsford, BC | 2009 | Suburban | Located on University College of the Fraser Valley campus. |
| Showare Center, Kent, WA | 2009 | Suburban | Within a new governmental and commercial precinct. |
| Langley Events Centre, Langley, BC | 2009 | Suburban | Facility includes field house and two gymnasiums. |
| South Okanagan Events Centre, Penticton, BC | 2008 | Urban | Connected to Convention Centre/aquatic center and proximate to Memorial Arena and Curling Club. Has second ice surface. |
| Prospera Centre, Chilliwack, BC | 2004 | Suburban | Part of a major recreation precinct. Has second ice surface. |

The motivation to locate spectator venues in non-urban areas was based on providing as much parking as possible. This made fairgrounds an ideal location since parking was generally already provided. However in the past decade there has been a move to locate SECs on sites that have a strategic benefit to community development.

Urban Sites

Moncton, St. Catharines, and Moose Jaw located their new venues in an effort to bring more activity, both commercial and social, to their downtown core. There is an expectation of significant positive long-term economic impact from downtown locations. Urban sites are almost always associated with reinvigorating an area that was once dynamic but may now be suffering because of the effects of suburban shopping centres and residential movement. For urban sites to really work the size of the downtown core needs to have a critical mass. In this regard smaller downtown cores have less opportunity for urban development or renewal than larger ones.

One of the issues with urban locations is the question of parking and while it can often be demonstrated that within a 10-minute walk there is likely sufficient parking to service the venue, this is still an animated community discussion.



Meridian Centre, St. Catharines, ON

Suburban Sites

Suburban sites continue to be used for new SECs but for a different reason than in the past. The construction of major venues in suburban locations is now a motivator for additional suburban development such as hotels, restaurants, commercial spaces, and big-box retail.

With suburban sites there is an expectation of parking for all possible events. While this might have been possible decades ago when venues were constructed on fairgrounds, there is now an approach that lessens the targeted number of parking stalls to encourage the use of rapid transit. Nevertheless, suburban sites are often part of a larger commercial development that by virtue of city planning requirements has a reasonable number of available parking stalls for the SEC.

One of the greatest benefits of a suburban site is the amount of land available. Spectator venues require space for the building, associated parking, and of critical importance – the back-of-house area. The least-understood aspect of a SEC is how events load into the building and a properly-designed back of house area for the buses and trucks associated with each event is critical. With urban locations these vehicles need to park or “nest” away from the venue whereas the suburban venue typically has adequate land for them to remain on site.

The development of complimentary facilities such as additional ice surfaces (as seen in Chilliwack) makes the facility more community-oriented, offering both events and programs.



Canalta Centre.

3.1.5. Capital Cost Differences between SEC and Community Spectator Facilities

A Multipurpose Sports & Entertainment Complex is first and foremost an entertainment venue, designed to respond to the diversity of events and to do so quickly. As a sports venue it has some similarities to a community arena and these are primarily around the ice surface and dressing rooms. The flexibility of a SEC comes with a cost and correspondingly, the entertainment and economic benefits that come from a SEC exceed those of a community arena.

The provision of seating in a community arena does not necessarily result in a functional SEC. The illustrations below are of community arenas with seating in the 2,000 range. Both are capable of accommodating sports competitions, community programming, figure skating shows, trade shows, and some level of public assembly. Both are also lower in construction cost than a SEC. However neither was intended to be a major entertainment venue and neither one can accommodate the requirements of either setting up or accommodating a major traveling event. These two projects are simply community arenas with some level of spectator seating. This has a benefit to the

community and satisfies a need for inexpensively accommodating a smaller, local sports or event audience.



The SEC is fully functioning venue that, at the least is a regional venue, and often a national or international one. Its operation, similar to a community arena, typically comes at a cost or operating deficit. However, unlike a community arena, the SEC has a greater impact on a city's reputation and visibility, impacts the positive development – either urban or suburban – around it, and provides a diversity of experiences that a community arena cannot, nor should it provide.

3.2. Understanding Operational Characteristics

3.2.1. Scale and Flexibility of Use

One of the main goals in the design of a SEC is to provide the operator with the greatest flexibility and opportunity to maximize the “event calendar”.

Fundamental to that is the ability to quickly change from one event or format to another. As an example, an evening hockey game could be followed the next evening with either a concert or dirt track event. In these two examples:

Exhibit 8: Scale and Flexibility of Use

| Concert scenario | Dirt event scenario |
|---|---|
| Directly after game | Directly after the game |
| Rink board glazing removed normally the boards are just covered with drape cloths | Rink board glazing removed |
| Ice covering installed | Rink boards covered with protector |
| Stage set up | Ice cover or layer of sawdust installed over ice |
| Following day | Following day |
| Seating set up on floor by building | Engineered earth placed over ice cover/sawdust |
| Show enters building around 6:00am | Show enters building mid-day and sets up |
| Performers do test in afternoon | Drives test run in afternoon |
| Concert opens that evening | Event opens that evening |
| After concert, show is struck and out of building within 3-4 hours | After performance, show is struck and all equipment removed |
| Morning after concert | Morning after event |
| Facility staff remove seating, stage, any curtaining, ice covering | Facility coordinates removal of earth/sawdust |
| Facility staff reinstall rink board glazing | Rinkboard glazing reinstalled |
| Facility ready for hockey game the afternoon or evening following the concert | Rink re-flooded |
| | Facility ready for hockey game the afternoon or evening following the concert |

There are critical components that are incorporated into a SEC that are not found in a community arena even if that arena has spectator seating. These typically include:

- An open type roof structure capable of accommodating show loads. It's common for speaker/lighting loads to be in the 50,000 – 75,000 lb. range and these need to be easily and quickly suspended from the underside (typically) of the roof structure. Access to the structure through catwalks is critical for both show setup and as location for spotlight locations and general servicing of both show and building lighting.



- Appropriate power distribution throughout the building. Critical areas of power concentration include back of house for concerts and end-stage events (this is the largest single power source), the bowl corners (used for even distribution of power for trade shows and other floor type events),



catwalk level (follow spots and special lighting), and shore power (easily accessed for use by show-oriented vehicles including television broadcasting support).

- Significant and well-located open and secure storage areas. All equipment and furnishings necessary for event-hosting should be stored on site. This includes rinkboards and glass (stored separately), flat floor seating 1,500 units), tables,



40'x60' portable stage, ice covering, and could include a modular basketball floor with portable hoops.

One feature of the SECs built in Canada is that they tend to function both as a venue for ticketed events, and as a community arena as well. This fits into the overall recommendations and objectives of the Spruce Grove initiative which sees the whole development as having a community focus. However, a properly functioning SEC has event-hosting as the first priority. Should ice or flat floor time be available, community programs can be accommodated. Because of the unpredictable nature of ice availability, such programming is ad hoc and cannot be as consistent as programming a typical community arena.

Table 2.5 provides a summary comparison of events broken down by type at a number of Multi-Use Sports and Entertainment Centres across North America. As is evident, the number of events held at the selection of venues varies widely.

Exhibit 9: Comparison of Facility Events by Type

Events Comparison
(2015)

| Event Type | Sanford Centre, Bemidji, MN | Ford Centre, Evansville, IN | USCC, Cedar Rapids, IA | UWA, Dodge City, KS | Rogers K-Rock Centre, Kingston, ON | Meridian Centre, St. Catharines, ON | ShoWare Centre, Kent, WA | SOEC, Penticton, BC | Town Toyota Centre, Wenatchee, WA |
|----------------------------------|-----------------------------|-----------------------------|------------------------|---------------------|------------------------------------|-------------------------------------|--------------------------|---------------------|-----------------------------------|
| Banquets | 32 | 1 | | 14 | 12 | 1 | 24 | 4 | 2 |
| Concert | 18 | 11 | 12 | 26 | 7 | 2 | 13 | 10 | 8 |
| Broadway/Theatrical-Commercial | 3 | 0 | | | | | | 1 | |
| Community/Educational Theatrical | | | 9 | | 4 | 6 | | 6 | 1 |
| Family Shows | 2 | 5 | 9 | 5 | 9 | 1 | 31 | 1 | 2 |
| Convention | 4 | 2 | | 12 | 3 | | | | |
| Meeting/Conf | 86 | | | 205 | 7 | 1 | | | |
| Consumer Show | 2 | | | | 4 | | | | 3 |
| Trade Show | 9 | | | | | | 4 | 1 | 5 |
| Wedding Reception | 15 | | | 19 | | | | | 6 |
| Community/Civic | 105 | 4 | | 14 | 5 | 1 | 15 | 2 | 4 |
| Sporting | 48 | 76 | 29 | 114 | 59 | 70 | 59 | 2 | 34 |
| Film/Movie | | | | | | | | | |
| Internal Use | 9 | | | 2 | | | | | |
| Total for Year | 333 | 99 | 59 | 411 | 110 | 82 | 146 | 27 | 65 |

3.2.2. How Centres Operate

Multi-Purpose Sport and Entertainment Centre's are unique and complex building types which are planned to successfully accommodate a wide range of activities and uses. The SEC must strive to offer a diversity of events while still maintaining a balance of uses for the local community.

The SEC's uniqueness is the result of an often extensive programming exercise to determine the highest and best use of the facility relative to the community's needs. Its complexity is because of the need to offer a wide range of activities and uses. As such, the design of the facility must take into account numerous architectural elements as well as the required equipment and fixtures that make the SEC function as a space for virtually all types of events and entertainment.

Various event categories include:

- Major Tenant (hockey team or other that contracts for a majority of dates available in the SEC).
- Other Sports. Would include other teams that would contract for specific dates but not to the degree of the major tenant.
- High School sports and other events. This category includes any high school competitions that could be accommodated by the SEC; basketball, volleyball, wrestling, tennis, badminton, band, cheerleading as well as graduations and graduation events.
- Concerts.
- Conventions/Conferences, Trade Shows and Exhibitions.
- Thrill Events. This category includes such events as Motor Cross, Monster Trucks.

- Family show. Includes figure skating events (Disney on Ice), stage shows (Sesame Street Live), circus and community special event programs.
- Rodeos and dirt events.
- Other. Would include such events as regional, provincial and possibly national competitions; curling, hockey, etc.

The SEC is a commercial operation that offers flexibility in programming and as such provides a broad base of revenue generating potential for the owner. The SEC will have a revenue generation mandate which provides revenue streams from the following sources.

- Ticketing service and/or facility fees
- Sponsorship opportunities both inside and outside of the facility.
- Premium seat licenses (luxury suites, loge boxes and club seats)
- Concessions (food and beverage sales)
- Catering {large conferences, conventions and food and beverage services provided to luxury suites and loge boxes.
- Retail space rentals (team stores, merchandise kiosks, team offices, physical therapy and sports training)
- Facility rental agreements (sports teams, community groups and entertainment promoters)
- Parking charges (if applicable)

A primary difference between the SEC and the more conventional hockey arena is specifically that of flexibility in design. This was covered previously in Section 2.1.1, Scale of Flexibility and Use.

In addition to significant design elements added to make the SEC truly multi-faceted the facility also features many operational differences from the aforementioned hockey arena.

Most midsize SEC facilities have a full time operational staff of between ten to fourteen people. Because the SEC is designed to deliver flexible and varied programming it will require trained personnel to handle a multitude of tasks that occur regularly, and often daily, within the operation of the facility. A typical facility management team would include the following positions and responsibilities.

Executive Director: Oversees the entire operation of the SEC

Business Manager: Responsible for all accounting functions

Box Office Manager: Responsible for all ticketing related functions

Executive Assistant: Basic administrative support and customer service

Director of Sales and Marketing: Responsible for the sale of all commercial opportunities within the SEC. This would include all premium seating sales, naming rights and sponsorships. In addition, this person would have the added responsibility of marketing the SEC within the local community and the entertainment marketplace.

Guest Services Manager: Responsible for all customer service related duties plus event night coordination for premium seat customers and major sponsors.

Concession and catering manager: Responsible for all food and beverage operations within the SEC.

Event Coordinator: Responsible for planning all events developed by the SEC and for coordinating events with outside promoters, agents and community groups.

Operations Manager: Responsible for all day to day operations of the SEC. This would include all mechanical, electrical, plumbing and maintenance responsibilities within the SEC.

Custodial Manager: Responsible for all custodial and housekeeping functions within the SEC.

Conversion Manager: Responsible for coordinating any and all conversions for various events. For example, preparing the building to go from a hockey configuration to a concert configuration, etc.

In addition to the key management personnel within the SEC, most facilities require numerous part time support personnel (accounting clerk, assistant box office manager, supervisor of operations, sales and marketing representatives, chef, catering supervisor) depending on the size of the SEC and the various events that the facility offers. The more diverse the event calendar, the more extensive the staff becomes.

Further, SEC's require a significant complement of part time employees who work only on event days or on the days immediately following events. Such would include ushers, ticket takers, security, custodial staff, housekeeping staff, concession workers, servers, food preparation staff, and conversion crews). To function efficiently, most midsize SEC's have a part time support staff of between 150 and 200 people to insure all scheduled sport and entertainment events are adequately staffed to provide the best in customer service.

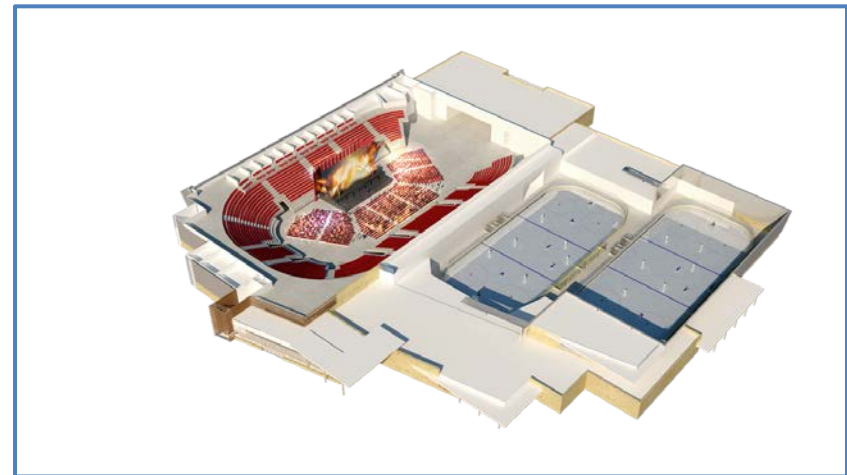
4 Design Functionalities for an SEC for Spruce Grove

As noted in the Phase 2 work, while the Event Centre will be operated first and foremost as an entertainment venue and home of the Spruce Grove Saints, 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 Twin 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. Therefore, 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, One Properties Centre, and the emerging commercial and residential development directly south of Highway 16.

The Phase 2 work consisted of developing concept level floor plans and perspectives of the design options developed. This section of the report furthers the design functionalities of the space and presents a range of concert and event configurations that would be possible within an SEC for Spruce Grove.

Amphitheatre Mode

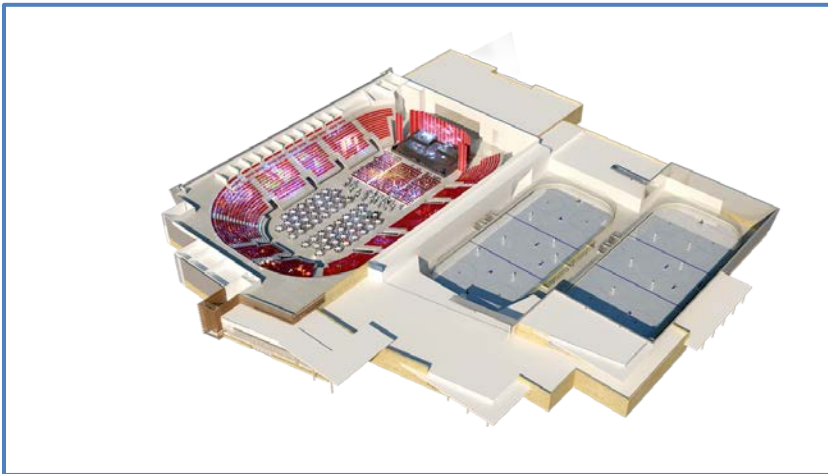
This configuration is often used for religious community assemblies (graduation, Remembrance Day, religious gatherings), rallies, political conventions, and events where event broadcasting is looking to show a large number of spectators. While this format does not maximize the number of people attending the event, it does broadcast a very energetic environment with the farthest seat from the stage being much closer than in other end-stage options.



Stage/Banqueting

This configuration is often used for smaller (Provincial or regional) conferences. While the arena floor is also used for a trade show, this particular configuration allows one of the community pads to function as a trade show component while the main spectator rink is used for the plenary event and major banqueting. The fact that the seating bowl is three-sided allows the stage to be pulled back, maximizing the flat floor space available for banqueting and seating.

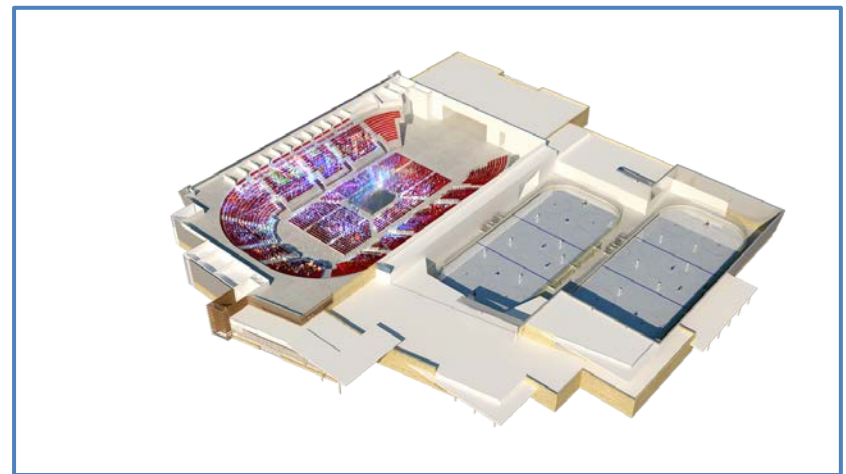
Other configurations in this report illustrate the trade show opportunities for the community arena.



Centre Stage

The centre stage format along with the end stage alternate provides the greatest seating capacity for a concert. Centre stage is used for concerts with performers who prefer this format, and for a variety of combative sports.

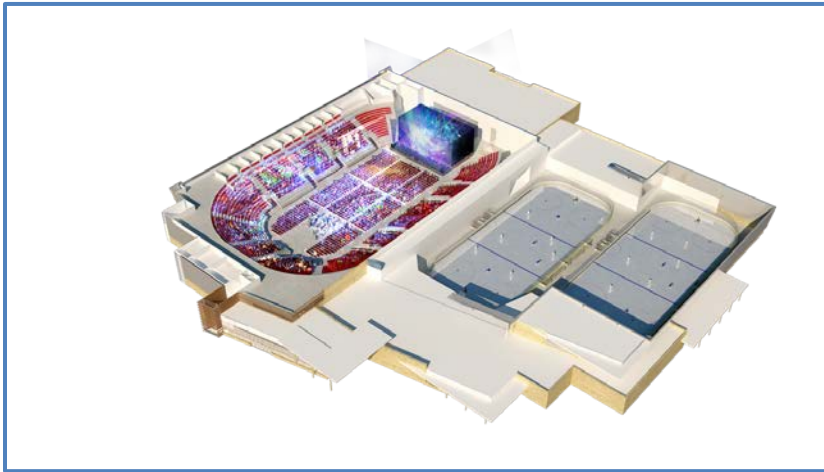
The centre stage arrangement typically has a smaller stage area – a maximum of 40' x 40' versus the more standard 40' x 60'.



End Stage Configuration

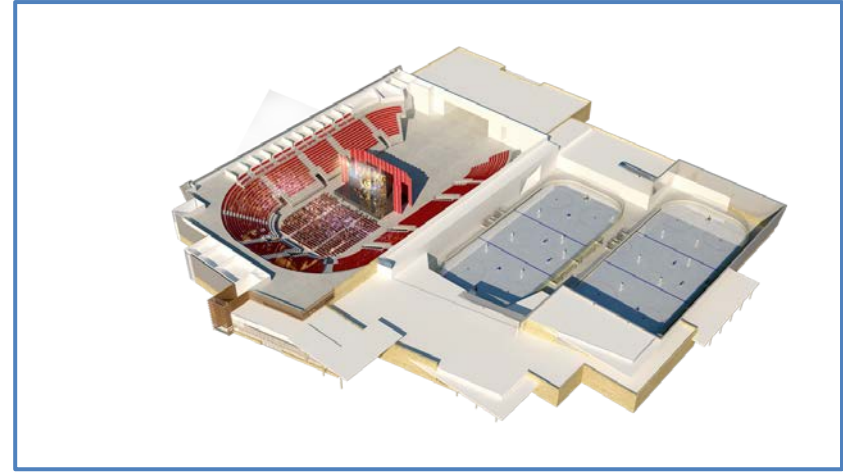
This is the most effective format for accommodating larger concerts and staged events to the facility. In the specific Spruce Grove design the 3-sided seating bowl allows the stage to be pushed back off the refrigerated slab (there or not there is ice), maximize the number of seats on the floor, and minimize the number of “killed” seats behind the stage. Total seating in this particular configuration will be in the 5,000-seat range although the particular configuration and location of the stage could increase the seating number.

There are numerous variations of an end-stage format, all with the intent of fine-tuning the seating capacity to the specific needs of the event.



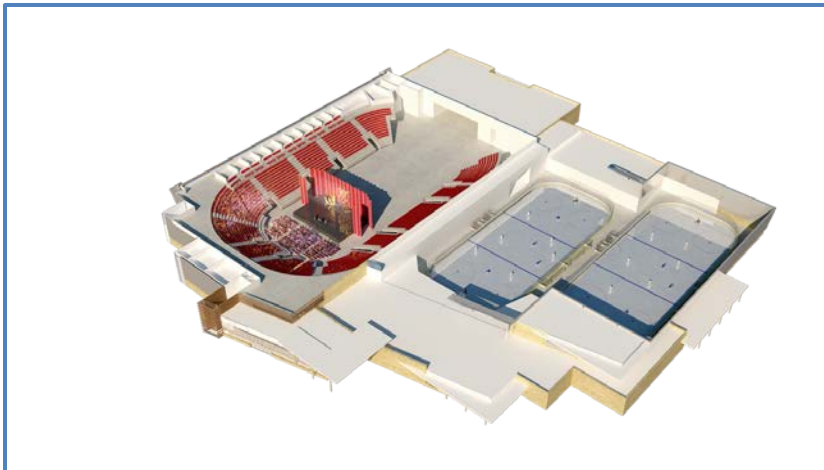
Half House Configuration

This mid-size version of the end stage group of configurations is more intimate and depending on the exact arrangement will provide a seating count between 2,000 and 2,500 seats. This configuration provides significantly more space behind the stage and depending on the event, the back-of-house area could be used for accommodating groups (if there are a large number of performers (or contestants), or as a bus-parking area for traveling performers.



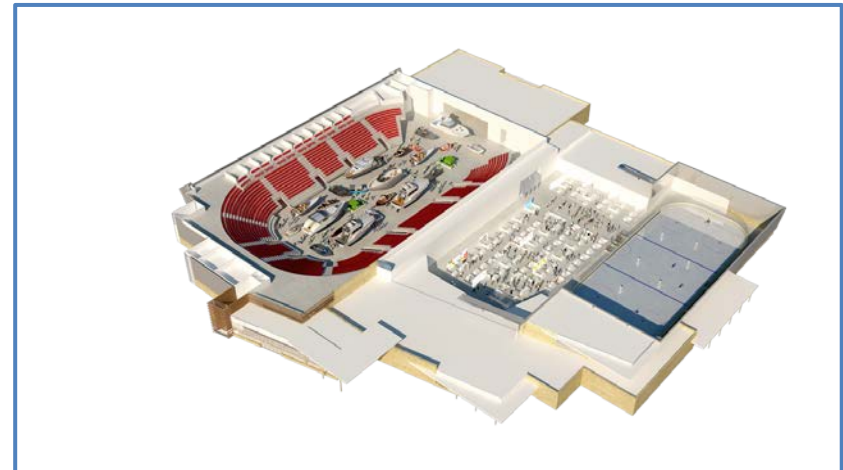
Quarter House Configuration

This variation provides the most intimate number of seats and depending on the location of the stage and the number of seats sold on the sides/curve approaches a mid-size proscenium stage ambiance and scale. This can be enhanced but reducing the size of the stage (a modular system which is typically 40' x 60') and by the use of the curtaining system.



Major Trade Show

The combination of two or three ice surfaces in the building allows for a major trade and convention destination and increases the number of booked hotel nights in the overall One Properties development. The image illustrates a boat show on the spectator slab and a smaller complimentary trade show on the community slab. In a scenario where there are three slabs, the third surface could also be used to support a conference, possibly for presentations and banqueting functions. This is illustrated in part with the Stage/Banqueting format shown earlier.



Rodeo / Dirt Events

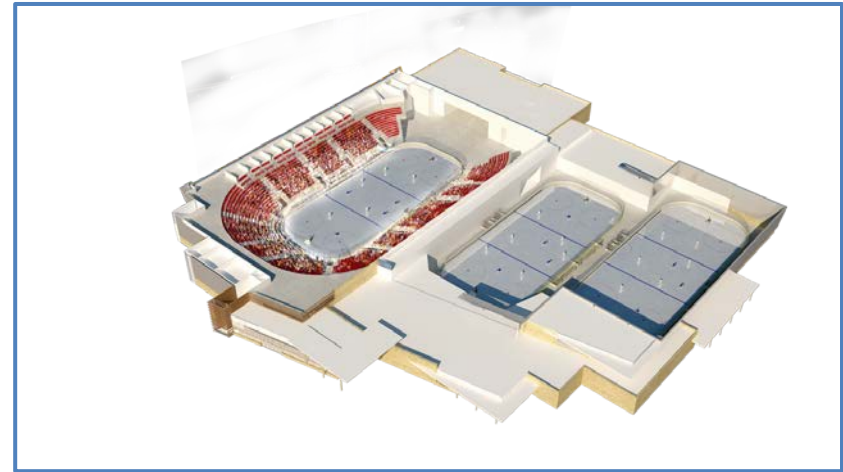
Rodeos and dirt events (motocross, monster truck, kart racing) create a unique entertainment environment and broaden the appeal of the facility to the market. Rodeos and bull riding events reinforce the connection with the agricultural history of the Spruce Grove area.

The three-sided bowl is advantageous for setting up rodeo and dirt events and minimizes the loss of seats. There are no lost or killed seats behind the bucking chutes or judging platform. Depending on the location of the bucking chutes, a reasonable number of animals can be accommodated within the marshalling area of the back-of-house.



Sports Events

Hockey will be the primary sports activity associated with the new facility but other ice and non-ice sports will be featured as well. It is common for a secondary sports franchise to work out of an event centre. These teams typically have a season that compliments hockey and could be lacrosse, basketball, or indoor football.



PART B: Estimate of Economic Impact for an SEC in Spruce Grove



5 Quantitative Methodology

5.1. Introduction

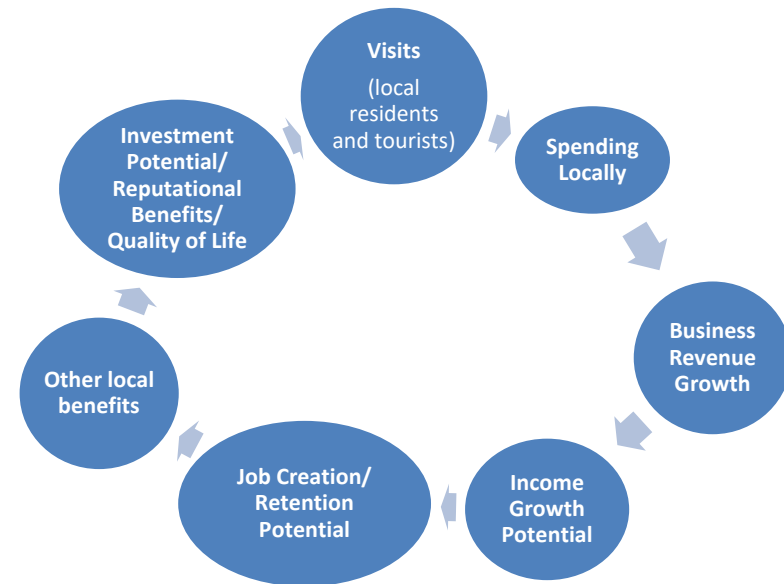
The following section outlines the methodology as well as the sources of information for the analysis.

The core of the methodology is based on the following quantitative analysis:

1. Estimating the economic impact of construction and ongoing operations of the facility in terms of a range of measures: Gross Domestic Product (GDP), capital spending, income, employment, as well as income taxes generated provincially and nationally;
2. The impacts of spending at the SEC – this represents a direct impact on an ongoing basis and is therefore an estimate of economic impact in its own right;

The analysis focuses on those impacts which are net additional to the local economy, as well as the provincial economy. The analysis also identifies and places in context the range of benefits which defy accurate measurement at one point in time, but which are constants which should be borne in mind – the qualitative benefits of investment to the broader community and the quality of life equation in the City and broader region.

Exhibit 10: How Facility Operations Create Impact



5.2. Input-Output Modelling

In terms of both construction and operating impacts, the assessment utilizes input-output modeling which attempts to quantify the mutual interrelationship and interdependence of multiple economic sectors within an economic system. Such modeling determines the patterns of the flows of goods and services in the economy and allows the development of multipliers – ratios of how much iterative investment or job growth is created throughout the economy. Our analysis identifies these multipliers based on latest available information.

5.3. Net Impact

The report identifies “net” impact and “substitution” effects. Both are related in that an assessment of net economic benefit (or cost) associated with the development of a major municipal capital facility should take into account the potential for diversionary impacts – spending and investment that existed elsewhere in the economy but which is diverted to the new facility (e.g. entertainment spending) rather than representing new expenditure to the region. In this case, we define existing spending as that which could reasonably be assigned to existing patrons and more precisely still, those who reside in the market area. We are therefore also concerned with the geographic scale of impact and recognize that there will be some substitution effect related to a new facility as it draws spending from other centres in the Province. However, it is also the case that this facility will create significant spending new to the Province.

The approach to the consideration of impact will address these different scales – the need to establish the net benefits to the City as a whole, as well as the Province as a whole (macro benefits).

5.4. Geographic Scales of Analysis

The scales of analysis within this report recognize the reality of impacts which transcend municipal borders. Hence, the assessment of economic impact at a major sports and entertainment facility must be viewed on a number of geographic scales. The scales of analysis, in general, move from the National, Provincial and regional-wide perspective.

The primary scale of analysis is the broad region and the Province as a whole.

5.5. Input-Output Model Based Impacts

5.5.1. Definition of Terms

Several measures of impact assessment including **direct**, **indirect** and **induced** effects are employed in the analysis which follows. These terms are briefly described below.

Direct Impact

Direct effects are associated with immediate changes in demand generated by employment, personal and household income, governmental expenditures, and private and public capital investment and formation. In our particular study, they are the original investment in construction, the spending and wages in the facility, and the spending outside of the facility by patrons. Direct impacts can be measured in a number of ways – all of which are alternatives and not cumulative measures. These include: total spending, Gross Domestic Product (GDP), income, employment and of other related measures such as sales and income taxes generated. Direct investment and employment will create iterative rounds of income, employment creation and spending. These multiplier impacts are referred to as indirect effects and induced impacts.

Indirect Impact

Indirect effects essentially are inter-industry impacts. Changes in employment, household income, governmental expenditures, and private and public capital investment added from industry purchases

of all items needed to furnish a product or service are measured. Indirect effects measure the impacts of these purchases.

In terms of the employment impacts during construction, indirect employment refers to the employment created in other industries which supply the materials (goods) and other inputs (services) necessary for the construction work. In terms of the ongoing operations of any facility, indirect impact relates to employment created in businesses which supply goods and services necessary for the ongoing operations of the facility.

Induced Impact

Input-Output modeling also can potentially estimate induced effects. Induced effects are changes in spending patterns of households caused by changes in household income--generated by direct and indirect effects. These new expenditures are reintroduced into the economy as a new demand. Induced employment refers to the employment created in the total economy as a result of the so-called “Keynesian Multiplier” effect. This latter impact equates to employment created throughout the economy resulting from the expenditure of incomes generated through the direct and indirect impacts. In terms of the scale of impacts on local and regional economies, direct impacts are the most significant. Indirect and induced impacts are more broadly dispersed through the wider economy.

The analysis does not include estimates of induced impact given the focus on Provincial and regional scale impacts. Induced effects are shallow and wide, and typically generate impacts which in proportionate terms can appear large and comparative to the original direct impacts. However, because they are so dispersed,

they indicate little in terms of the impact on the local area or even the Province.

Our analysis relies on the Provincial Input-Output Multipliers (2010) (Statistics Canada) which assumes an open output model and excludes the estimation of induced multipliers.

5.6. Key Assumptions

The 2015 Phase 2 report for a potential SEC in Spruce Grove provided capital costs and a detailed financial and operational assessment for an SEC in the City of Spruce Grove. For the purpose of this analysis our estimates of impact are based on the facility concept for an Event Centre and 1 Community Pad (i.e. Concept Option #1) as presented in the 2015 Phase 2 report. Specifically:

- Phase 2 capital cost estimates for an Event Centre and 1 Community Pad form the basis of assumptions on which construction-related GDP, employment and tax impacts have been assessed.
- The Phase 2 operational proforma for an Event Centre and 1 Community Pad provided a basis of assumptions for annual event hosting, revenues and in-facility spending. This report furthers the Phase 2 analysis and presents impact scenarios based on high and moderate event attendance and makes assumptions on off-site visitor spending and overnight visitation capture rates related to the venue. These assumptions are based on our understanding of the market area.

5.7. Variables Measured

The economic impact model presented in proceeding sections of the report measures a number of economic impacts related to construction and operations of the facility. In terms of construction related impacts, the following variables are measured:

- Construction Spending Impacts;
- Employment Impacts from Construction;
- GDP Impacts from Construction;
- Income Tax Impacts from Construction; and
- Sales Tax Impacts from Construction.

In terms of operation relates impacts, the following variables are measured:

- Employment Impacts from Operation;
- Direct Spending Impacts;
- Indirect Spending and GDP Impacts; and
- Tax Impacts from Operation.

In addition to impacts related to construction and operations of the facility, the following is calculated: Off-site direct and indirect spending.

5.8. Accounting for Greater Visitation

The spending of patrons is expected to increase both for existing residents as well as out of town visitors.

- **More off-site spending:** Out-of-town patrons are more likely to go to a restaurant before a game, more likely to go out for a snack or beverage, more likely to shop in the immediate area, more likely to partake in a tourist activity. This assessment anticipates an increase in out-of-town visitation related to the operation of the SEC.
- **More guests:** Likewise, a facility of this nature is expected to attract more out-of-town guests to future games hosted in the City.

As a result of the new facility (as indicated by evidence elsewhere) this will likely increase the proportion of overnight visitors to Spruce Grove – in part related to new events able to be accommodated within the proposed SEC – and will certainly increase the visitor draw to area, and hence, spending in area. This likelihood is factored into the spending analysis.

6 Estimation of Facility Construction Related Economic Impacts

6.1. Estimated Capital Cost

Estimated capital costs of construction are shown below based on the most recent capital cost estimates available (per the 2016 Phase 2 Report - Potential for an Event Centre in Spruce Grove). The economic impact assessment only reports those costs which pertain to labour, materials, design and other identifiable and assignable costs. For the purposes of impact, the following costs are excluded:

- The assumed sale price of land (acquisition services are included as project soft costs);
- Contingency allocations which by their definition do not represent investment assets but rather an allocation of expenditure to defray risk associated with unplanned cost accretion.

The capital costs are in 2016 dollars.

Exhibit 11: Estimated Capital Costs

| Component | Total Cost |
|--|---------------------|
| Hard Costs: Building + Site Works¹ | |
| Building and Site Works | \$68,928,050 |
| Sub-Total Building | \$68,928,050 |
| Soft Costs¹ | \$10,339,209 |
| Other | |
| Land Costs | \$0 |
| GST (Municipal Non-Payable) - Estimated | \$3,963,363 |
| Sub-Total | \$3,963,363 |
| Total Project Costs | \$83,230,622 |
| Capital Cost Elements As Input to Employment and GDP Impact Model | |
| Hard Costs | \$68,928,050 |
| Soft Costs | \$10,339,209 |
| Sub-Total | \$79,267,259 |
| ¹ in 2016 Dollars | |

6.2. Estimated Income Direct and Indirect

The estimated direct income is based on assumptions as regards the proportion of capital costs associated with labour versus materials. The principal assumption is that labour costs (including all supplementary benefits and other employer costs) account for 45% of the net cost of the building (after developer profit is taken into account).

The resulting total labour cost is estimated at \$27,915,860 for the construction project.

The resulting labour cost associated with the soft costs (design and other consulting/project management fees) to delivery of the building are based on an assumption of 50% of total soft costs accounted for by labour. The resulting labour costs are estimated at \$5,169,605.

The income generated by the construction of the facility represents a portion of the total labour costs (net of supplementary benefits and other employment costs paid by the employer). These are estimated to be:

Exhibit 12: Employment Income from Facility Construction

| Employment Income in Province from Facility Construction | | | |
|--|---------------------|--------------------|---------------------|
| | Hard Construction | Soft Costs | Total |
| Direct (in Province) | \$27,915,860 | \$5,169,605 | \$33,085,465 |
| Indirect (in Province) | \$16,191,199 | \$1,137,313 | \$17,328,512 |
| Combined Direct and Indirect (in Province) | \$44,107,059 | \$6,306,917 | \$50,413,977 |

6.3. Total Employment Impact

Total employment impact is based on a detailed appreciation the potential range of skills and therefore job classifications needed to ensure the design and construction of this facility.

The job totals shown below represent person years of employment. These are full time equivalent (FTE) jobs for a period of a year. The concept of person years represents the total amount of employment created by an investment as a multiple of a single FTE position and assuming the average wage, supplementary benefits and other employer costs per FTE position¹.

Exhibit 13: Summary of Employment Arising from Total Construction Costs

| | In-Province Construction-Related Employment | | |
|--|--|------------|------------|
| | Direct | Indirect | Total |
| Estimated Employment on Total Labour Costs | 398 | 230 | 627 |
| Estimated Employment on Soft Cost Labour | 63 | 14 | 77 |
| Total Employment | 461 | 244 | 704 |

Note: Labour cost estimated at 45% of labour and material costs

Note: Soft cost labour estimated at 50% of soft costs

| | Out-of-Province Construction-Related Employment | | |
|--|--|------------|------------|
| | Direct | Indirect | Total |
| Estimated Employment on Total Labour Costs | 0 | 131 | 131 |
| Estimated Employment on Soft Cost Labour | 0 | 6 | 6 |
| Total Employment | 0 | 138 | 138 |

Note: Labour cost estimated at 45% of labour and material costs

Note: Soft cost labour estimated at 50% of soft costs

¹ A single person-year of employment is equivalent to single person employed full-time for a period of one year plus all required supplementary benefits and other costs attributable to a single FTE position.

The employment generated during the design and construction phase of the project is not enduring employment – it represents the so called “one-off” impact arising from the capital expenditures on development. Notwithstanding, it is significant as shown above, and represents the equivalent of a number of years of employment generated in operating the facility (approximately 15 years). While these jobs are not retained permanently and a portion are not local (whereas most employment associated with operating the facility is accounted for by local residents), the combined effect of the design and construction is highly significant – some 704 person years of employment retained within the Province of Alberta, and an additional 138 person years of employment in the rest of the country as an indirect impact beyond the Province.

6.4. Total Gross Domestic Product Impact

Gross Domestic Product (GDP) is an alternative measure of impact and conceptually equates to measures of economic production (output), income (employment income plus profit for owners and corporations) and spending². It is essentially a measure of value added as a result of a particular economic activity. At the scale of the national economy, gross value added, plus any taxes generated on products, and less any subsidies provided by government, represents Gross Domestic Product. For purposes of this analysis, GDP multipliers for the relevant sectors have been drawn from the

² The production approach to measuring GDP estimates the value of an output (goods or services) less the value of inputs used in the output’s production process; the income approach to measuring GDP estimates the wages (individuals) and profits (owners and corporations) arising from the

2010 Input-Output tables produced by Statistics Canada and referenced earlier.

The summary below captures the estimates of GDP as a measure of impact of the construction of the facility, including:

- Direct impacts
- In-Province only impacts (both Direct and Indirect)
- National indirect impacts.

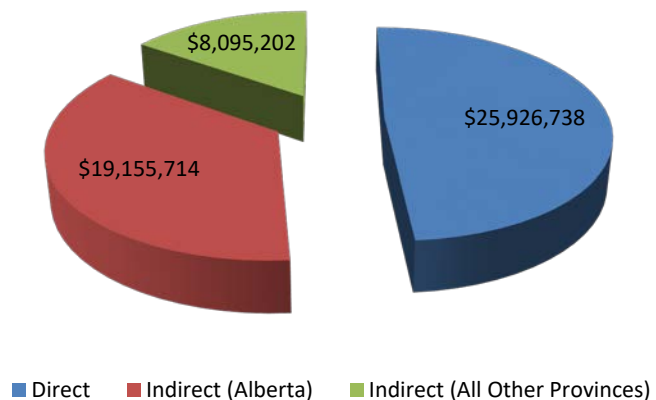
Exhibit 14: GDP Construction Impacts for the SEC

| | Hard Costs | Soft Costs |
|---------------------------|--------------|--------------|
| Construction Value | \$68,928,050 | \$10,339,209 |

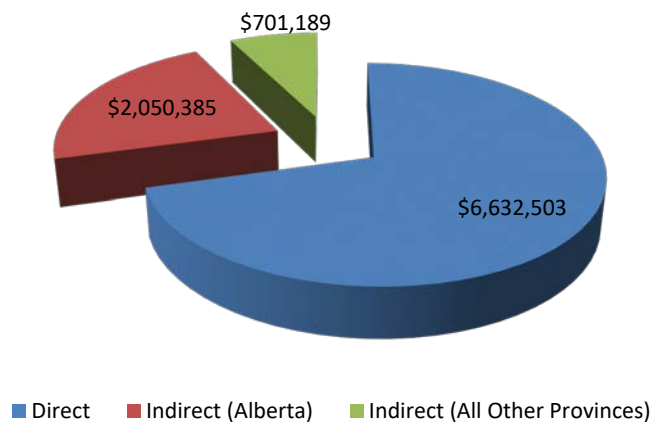
| | Construction GDP Multipliers | | Results | |
|-----------------------------------|------------------------------|------------|--------------|-------------|
| | Construction | Consulting | Construction | Consulting |
| Direct | 0.38 | 0.64 | \$25,926,738 | \$6,632,503 |
| Direct & Indirect (Alberta) | 0.65 | 0.84 | \$45,082,452 | \$8,682,888 |
| Direct & Indirect (All Provinces) | 0.77 | 0.91 | \$53,177,654 | \$9,384,077 |
| Indirect (Alberta) | 0.28 | 0.20 | \$19,155,714 | \$2,050,385 |
| Indirect (All Other Provinces) | 0.12 | 0.07 | \$8,095,202 | \$701,189 |

production of good and services; and, the spending approach to measuring GDP estimates total expenditure on finished or final goods and services produced in the domestic economy.

**GDP Impacts from Construction Activity
Construction Employment**



**GDP Impacts from Construction Activity
Consulting Employment**



7 Estimation of Facility Economic Impacts from Operations

7.1. Introduction

The operation of the facility represents an assumed ongoing annual statement of impact – the annual impacts can be expected to vary from year to year as the operations, level of activity and overall function of the building evolve over time. The estimates contained herein are based on the existing Phase 2 business plan prepared for the facility. Relevant measures include:

- The overall spending in the local and regional economy as a result of the operations of the facility;
- The GDP created by this annual spending;
- The employment created as a result of this spending; and
- Taxes generated by the employment created.

Each of these measures is discussed below.

7.2. Estimating Facility Operating Expenditure and GDP Impacts

Annual spending as a result of the facility covers both the revenue and cost sides of the ledger for the facility (i.e. gross revenues from spending at the facility for which a portion this income is used to offset expenses). As a result of the facility opening its doors to the public, it generates revenues from ticket sales, irrespective of the

proportion that is retained by the facility versus the anchor tenant (the Spruce Grove Saints) or event promoters.

In addition, in order to stage events, sell food and beverage and other items, as well as operate the building systems, the facility has a detailed operating expenses schedule. Based on our earlier business plan, both the revenues and operating costs which arise because of the existence of the facility can be demonstrated.

The extent to which the in-facility spending totals are retained locally, regionally and provincially is difficult to estimate but a larger proportion of facility operations are likely to be retained within the region/market area compared with certain revenue items such as concerts or cost of sale items under food and beverage. The following outlines the GDP implications of the above spending data (assumed to represent normalized operations).

The SEC is estimated to generate approximately \$6.7 million in gross revenues, which will boost direct and indirect (all provinces) industry output by \$12 million. This economic activity is supported by new employment – full time equivalent (FTE) jobs – in the economy as a result of SEC operations.

Exhibit 15: GDP Impacts from Operations Spending

Total Spending \$6,704,347

Industry Output (Direct and Indirect All Provinces) \$11,992,301

| | GDP Multiplier | Results |
|-----------------------------------|----------------|-------------|
| Direct | 0.47 | \$3,134,448 |
| Direct & Indirect (Alberta) | 0.74 | \$4,987,151 |
| Direct & Indirect (All Provinces) | 0.84 | \$5,606,697 |
| Indirect (Alberta) | 0.28 | \$1,852,703 |
| Indirect (All Other Provinces) | 0.09 | \$619,546 |

Multipliers: 2010 Arts, Entertainment, Recreation

The resulting impacts in terms of indirect impacts vary by type of position, the lowest impact both within Province and nationally being for retail related jobs, while the greatest impact pertains to those managerial staff that operate as municipal facility managers and operating staff.

7.3. Estimating Employment Impact

We have assessed the scale of employment based on the existing business plan and translated this into an estimate of direct employment at the SEC - including a box office function. The result is an estimated FTE base of 36.4.

Exhibit 16: Employment from Facility Operations

| Employment | FTE |
|---|-------------|
| Number of Direct Employment (FTE) | 36.4 |
| Indirect Employment (FTE) In Province | 10.4 |
| Sub-total | 46.8 |
| Indirect Employment (FTE) Out of Province | 4.8 |
| Total | 51.6 |

7.4. Estimating Net Tax Impacts to Federal and Provincial Governments

Estimates of income tax generated by the employment at the facility were based on marginal tax rates in effect for 2016, along with latest

available rates for non-refundable tax credits. The analysis includes the estimate of Provincial versus Federal taxes generated and applied to the assumed average income of each FTE position generated by the project. The average is based on the likely salary for central services/management staff and separately an average for all other staff.

Exhibit 17: Income Tax Estimate - Operation

| 2016 Income Tax Estimate - Operation | | | | | | |
|---|-------------|-------------------------------|--------------------------|----------------------------------|-----------------------------|------------------|
| | FTE | Average Federal Tax/FTE | Estimated Federal Tax | Average Provincial Tax/FTE | Estimated Provincial Tax | Total Taxes |
| Direct - Central Services | 10.0 | \$6,105 | \$61,048 | \$2,116 | \$21,160 | \$82,208 |
| Direct - Other | 26.4 | \$1,804 | \$47,702 | \$514 | \$13,590 | \$61,292 |
| Indirect | 10 | \$6,297 | \$65,267 | \$104 | \$1,078 | \$66,345 |
| Total | 46.8 | | \$174,017 | | \$35,828 | \$209,845 |

Note: Tax estimates are reduced by the amount of basic personal allowance and non-refundable tax credits

8 Total Spending Impacts to City/Region from New Facility

The development of a new multi-use sports and event centre facility in Spruce Grove is expected to generate additional patronage to the city, additional visitation to Downtown Spruce Grove and additional tourism visitation to the broader market area – more specifically the Edmonton CMA. It is important to note that the economic impacts related to visitor spending are not simply limited to the City of Spruce Grove, but will be experienced directly across the market area/Edmonton CMA. The following analysis provides an estimate of the total off-site spending expected to be generated by patrons of the new facility.

This analysis assumes two scenarios for patronage to the facility – a moderate attendance scenario and a higher attendance scenario. Visitation estimates are based on the Phase 2 Business Plan event hosting and attendance assumptions as follows:

Exhibit 18: Attendance Assumptions for the SEC by Type of Event and Patronage (same day versus overnight visitation)

| A: AJHL Hockey | Attendance per Game | Total Annual Attendance | Annual Attendance by Patron Origin |
|---|---------------------|-------------------------|------------------------------------|
| Expenditure by Patrons - Same Day Trips | | | |
| Moderate Revenue Assumptions | 1,200 | 39,600 | 37,620 |
| Higher Revenue Assumptions | 1,600 | 52,800 | 50,160 |
| Expenditure by Patrons - Overnight Trips | | | |
| Moderate Revenue Assumptions | 1,200 | 39,600 | 1,980 |
| Higher Revenue Assumptions | 1,600 | 52,800 | 2,640 |

Assumptions

95% of total attendance comprises same day trips

5% of total attendance comprises overnight trips

33 Events Per Year

| B: Tournaments | Attendance per Event | Total Annual Attendance | Annual Attendance by Patron Origin |
|---|----------------------|-------------------------|------------------------------------|
| Expenditure by Patrons - Same Day Trips | | | |
| Moderate Revenue Assumptions | 2,700 | 24,300 | 12,150 |
| Higher Revenue Assumptions | 3,375 | 30,375 | 15,188 |
| Expenditure by Patrons - Overnight Trips | | | |
| Moderate Revenue Assumptions | 2,700 | 24,300 | 12,150 |
| Higher Revenue Assumptions | 3,375 | 30,375 | 15,188 |

Assumptions

50% of total attendance comprises same day trips

50% of total attendance comprises overnight trips

9 Event Days Per Year (3 events 3 days each)

| C: Non-AJHL Sporting Events | Attendance per Event | Total Annual Attendance | Annual Attendance by Patron Origin |
|---|----------------------|-------------------------|------------------------------------|
| Expenditure by Patrons - Same Day Trips | | | |
| Moderate Revenue Assumptions | 2,500 | 10,000 | 8,500 |
| Higher Revenue Assumptions | 3,250 | 13,000 | 11,050 |
| Expenditure by Patrons - Overnight Trips | | | |
| Moderate Revenue Assumptions | 2,500 | 10,000 | 1,500 |
| Higher Revenue Assumptions | 3,250 | 13,000 | 1,950 |

Assumptions

85% of total attendance comprises same day trips

15% of total attendance comprises overnight trips

4 Event Days Per Year

| D: Concerts / Family Shows | Attendance per Event | Total Annual Attendance | Annual Attendance by Patron Origin |
|---|----------------------|-------------------------|------------------------------------|
| Expenditure by Patrons - Same Day Trips | | | |
| Moderate Revenue Assumptions | 2,048 | 43,000 | 25,800 |
| Higher Revenue Assumptions | 2,662 | 55,900 | 33,540 |
| Expenditure by Patrons - Overnight Trips | | | |
| Moderate Revenue Assumptions | 2,048 | 43,000 | 17,200 |
| Higher Revenue Assumptions | 2,662 | 55,900 | 22,360 |

Assumptions

60% of total attendance comprises same day trips

40% of total attendance comprises overnight trips

21 Events Per Year

| E: Trade Show and Community Events | Attendance per Event | Total Annual Attendance | Annual Attendance by Patron Origin |
|---|----------------------|-------------------------|------------------------------------|
| Expenditure by Patrons - Same Day Trips | | | |
| Moderate Revenue Assumptions | 2,000 | 24,000 | 21,600 |
| Higher Revenue Assumptions | 3,000 | 36,000 | 32,400 |
| Expenditure by Patrons - Overnight Trips | | | |
| Moderate Revenue Assumptions | 2,000 | 24,000 | 2,400 |
| Higher Revenue Assumptions | 3,000 | 36,000 | 3,600 |

Assumptions

90% of total attendance comprises same day trips

10% of total attendance comprises overnight trips

12 Event Days Per Year

Estimates of per capita spending and capture rates are based on various sources.

The analysis makes a key assumption with regard to the different per capita spending estimates between residents/same day visitors and visitor patrons/overnight guests. Additionally, the per capita spending estimates differ by type of event recognizing that different events will draw different users with differing propensities for spending. The following tables summarize the estimated per capita expenditures by same day and overnight patrons of the facility.

Exhibit 19: Per Capita Expenditure by Type of Event

| Per Capita Expenditure by Patrons from the SEC Market Area (same day trips) | | | |
|---|----------------------|---------|---------|
| | Per Capita Spending: | Food | Retail |
| A: AJHL Hockey | | \$10.00 | \$5.00 |
| B: Tournaments | | \$10.00 | \$20.00 |
| C: Non-AJHL Sporting Events | | \$15.00 | \$15.00 |
| D: Concerts/Family Shows | | \$10.00 | \$20.00 |
| E: Trade Shows/Community Events | | \$10.00 | \$20.00 |

| Per Capita Expenditure by Patrons outside of the SEC Market Area (overnight trips) | | | |
|--|---------|---------|---------------|
| Per Capita Spending: | Food | Retail | Accommodation |
| A: AJHL Hockey | \$50.00 | \$40.00 | \$114.00 |
| B: Tournaments | \$50.00 | \$30.00 | \$114.00 |
| C: Non-AJHL Sporting Events | \$50.00 | \$45.00 | \$114.00 |
| D: Concerts/Family Shows | \$50.00 | \$50.00 | \$114.00 |
| E: Trade Shows/Community Events | \$50.00 | \$25.00 | \$114.00 |

The per capita estimates for overnight spending are assumed to be net of HST. At a rate of \$114 per night, this likely represents a somewhat conservative estimate of per capita spending when viewed against existing estimates of spending for different types of events in the City.

The proportion of patrons categorized as same day visitors and overnight visitors differ by category of event.

Exhibit 20: Percentage Patrons as Overnight Visitors

| Event Type | Percentage Patrons Overnight Visitors |
|-----------------------------|---------------------------------------|
| AJHL Hockey | 5% |
| Tournaments | 50% |
| Non-AJHL Sporting Events | 15% |
| Concerts/Family Shows | 40% |
| Trade Show/Community Events | 10% |

The analysis of local/market area capture of off-site spending assumes a capture rate of 95%, recognizing a potential leak of off-site spending outside of the market area. In interpreting this, we are referring to capture of expenditures in-region only in respect of people who visit the new SEC as their primary trip motivator. Accordingly for the types of spending categories included in this analysis (which includes hotel, food and retail but excludes transportation costs), it is reasonable to assume a high capture rate for the market area as the destination region. The regional off-site spending estimates are presented below.

Exhibit 21: Off-Site Spending to the SEC Market Area

| Regional Off-Site Spending: Moderate Attendance Scenario | | | | |
|--|--------------------------------------|--------------------|--------------------|-----------------------------|
| Expenditure by All Patrons All Events | Total Annual Expenditure by Category | | | Total Annual Expenditure |
| | Food & Beverage | Retail | Accom. | |
| A: AJHL Hockey | \$475,200 | \$267,300 | \$214,434 | \$956,934 |
| B: Tournaments | \$656,100 | \$546,750 | \$1,315,845 | \$2,518,695 |
| C: Non-AJHL Sporting Events | \$182,250 | \$175,500 | \$162,450 | \$520,200 |
| D: Concerts / Family Shows | \$1,238,400 | \$1,238,400 | \$1,862,760 | \$4,339,560 |
| E: Trade Show/Community Events | \$336,000 | \$492,000 | \$259,920 | \$1,087,920 |
| Total Annual Direct Expenditure | \$2,887,950 | \$2,719,950 | \$3,815,409 | \$9,423,309 |
| Total Annual Indirect Expenditure | \$2,021,565 | \$1,169,579 | \$2,670,786 | \$5,861,930 |
| Total Direct and Indirect Expenditure | \$4,909,515 | \$3,889,529 | \$6,486,195 | \$15,285,239 |

| Regional Off-Site Spending: Higher Attendance Scenario | | | | |
|--|--------------------------------------|--------------------|--------------------|-----------------------------|
| Expenditure by All Patrons All Events | Total Annual Expenditure by Category | | | Total Annual Expenditure |
| | Food & Beverage | Retail | Accom. | |
| A: AJHL Hockey | \$633,600 | \$356,400 | \$285,912 | \$1,275,912 |
| B: Tournaments | \$820,125 | \$683,438 | \$1,644,806 | \$3,148,369 |
| C: Non-AJHL Sporting Events | \$236,925 | \$228,150 | \$211,185 | \$676,260 |
| D: Concerts / Family Shows | \$1,308,060 | \$1,609,920 | \$2,421,588 | \$5,339,568 |
| E: Trade Show/Community Events | \$504,000 | \$738,000 | \$389,880 | \$1,631,880 |
| Total Annual Direct Expenditure | \$3,502,710 | \$3,615,908 | \$4,953,371 | \$12,071,989 |
| Total Annual Indirect Expenditure | \$2,451,897 | \$1,554,840 | \$3,467,360 | \$7,474,097 |
| Total Direct and Indirect Expenditure | \$5,954,607 | \$5,170,748 | \$8,420,731 | \$19,546,086 |

9 Quantitative Estimates of Bed-Night Demand Generation

9.1. Hotel Spending in the Region

The following analysis provides an estimate of the total annual overnight stays generated by the new facility. Approximately 35,230 bed nights are estimated to be generated by the new facility annually under the moderate attendance scenario, representing 3.05% of the total bed nights available annually in the regional market area.

Under the higher attendance scenario the SEC patronage is estimated to generate 45,738 bed nights on an annual basis. This represents 3.96% of total bed night available in the market area on an annual basis.

In our view, the new facility has significantly greater potential to positively impact the hotel and wider accommodations sector in the region – but also within the City itself.

Exhibit 22: New Facility as Overall Demand Generator of Bed Nights in Region

| Facility as Overall Demand Generator of Service Area Bed Nights | | | | | | |
|---|--|-------------------|--------------------------------------|------------------------------------|---|----------------|
| | A: AJHL Hockey | B: Tournaments | C: Non-AJHL Sporting Events | D: Concerts/ Family Shows | E: Trade Show & Community Events | Total |
| Total Annual Attendance | | | | | | |
| Moderate Attendance Scenario | 39,600 | 24,300 | 10,000 | 43,000 | 24,000 | 140,900 |
| Higher Attendance Scenario | 52,800 | 30,375 | 13,000 | 55,900 | 36,000 | 188,075 |
| Total Annual Overnight Stays | | | | | | |
| Percentage Patrons Overnight Visitors: | 5% | 50% | 15% | 40% | 10% | |
| Moderate Attendance Scenario | 1,980 | 12,150 | 1,500 | 17,200 | 2,400 | 35,230 |
| Higher Attendance Scenario | 2,640 | 15,188 | 1,950 | 22,360 | 3,600 | 45,738 |
| Assumed # of Beds in West Edmonton / Spruce Grove Service Area | | | | | | 3,163 |
| # of Bed Nights in Service Area | | | | | | 1,154,495 |
| Moderate Attendance Scenario | Proportion of Service Area Bed Nights Potentially Generated By Facility | | | | | 3.05% |
| Higher Attendance Scenario | Proportion of Service Area Bed Nights Potentially Generated By Facility | | | | | 3.96% |

10 Broader Site Development

The SEC is to be part of a 60.69-acre area development plan comprising office, retail, commercial and residential uses. Patronage to the SEC facility is linked to broader site development which is expected to encompass hotel accommodations and a range of complementary food and beverage, entertainment and retail services to support overnight and same-day visitation at the facility.

An assessment of economic impact of the broader site reflect a holistic view of the local, regional and provincial benefits of public and private sector investment in the site.

10.1. Variables Measured

The economic impact model for broader site development (excluding the SEC) reflect the latest development proposal by the One Properties/Beaverbrook development group. In terms of construction related impacts, the following variables are measured:

- Construction Spending Impacts;
- Employment Impacts from Construction;
- GDP Impacts from Construction;
- Income Tax Impacts from Construction; and
- Sales Tax Impacts from Construction.

In terms of operation relates impacts, the following analysis is focused employment impacts related to the operation of retail,

commercial and other uses on site – specifically direct and indirect jobs and labour income generated from the proposed development.

10.2. Estimation of Site Construction Related Economic Impacts

The following is a summary of uses proposed, at the time of this report, for broader site development:

| Development Type/ | Gross Site Area | Gross Site Area | Building Area |
|-------------------------------|-----------------|------------------|------------------|
| <i>Category of Use</i> | <i>in Acres</i> | <i>in Sq.Ft.</i> | <i>in Sq.Ft.</i> |
| Total Retail Site Area | 21.54 | 938,282 | 190,733 |
| Total Entertainment Site Area | 4.88 | 212,573 | 31,500 |
| Total Office Site Area | 3.00 | 130,680 | 57,432 |
| Total Hotel Site Area | 3.84 | 167,270 | 160,064 |
| Total Residential Site Area | 13.61 | 592,852 | - |
| Total | 46.87 | 2,041,657 | 439,729 |

10.3. Estimated Capital Cost and Construction Impacts

Estimated capital costs of hard construction are shown below based on the application of square foot construction costs³ to the site metrics detailed above. Associated soft costs were estimated to account for 20% of hard construction costs.

³ Per the 2016 Altus Construction Cost Guide (Edmonton region estimates)

Exhibit 23: Estimated Capital Costs

| Component | Total Cost |
|--|----------------------|
| Hard Costs: Building + Site Works¹ | |
| Building and Site Works | \$192,639,877 |
| Sub-Total Building | \$192,639,877 |
| Soft Costs¹ | \$38,527,975 |
| Other | |
| Land Costs | \$0 |
| GST (Municipal Non-Payable) - Estimated | \$11,558,393 |
| Sub-Total | \$11,558,393 |
| Total Project Costs | \$242,726,245 |
| Capital Cost Elements As Input to Employment and GDP Impact Model | |
| Hard Costs | \$192,639,877 |
| Soft Costs | \$38,527,975 |
| Sub-Total | \$231,167,852 |
| <i>¹ in 2016 Dollars</i> | |

Construction labour costs are assumed to account for 45% of the net cost of the building (after developer profit is taken into account). The resulting total labour cost is estimated at \$78,019,150 for the construction project. With respect consulting labour costs (for design and other consulting/project management requirements), these were assumed to be 50% of total soft costs. The resulting labour costs are estimated at \$19,263,988.

The income generated by the construction of the facility represents a portion of the total labour costs (net of supplementary benefits and other employment costs paid by the employer). These are estimated to be:

Exhibit 24: Employment Income from Broader Site Construction

| Employment Income in Province from Site Construction | | | |
|--|----------------------|---------------------|----------------------|
| | Hard Construction | Soft Costs | Total |
| Direct (in Province) | \$78,019,150 | \$19,263,988 | \$97,283,138 |
| Indirect (in Province) | \$45,251,107 | \$4,238,077 | \$49,489,184 |
| Combined Direct and Indirect (in Province) | \$123,270,257 | \$23,502,065 | \$146,772,322 |

The following exhibit details the estimates of total employment impact (that is, person years of employment or full-time equivalent (FTE) jobs for a period of a year) based on a detailed appreciation the potential range of skills needed to ensure the design and construction of the site.

Some 2,040 person years of employment are estimated to be retained within the Province of Alberta due to the construction of the site, and an additional 391 person years of employment in the rest of the country as an indirect impact beyond the Province.

Exhibit 25: Summary of Employment Arising from Total Construction Costs

| | In-Province Construction-Related Employment | | |
|--|--|------------|--------------|
| | Direct | Indirect | Total |
| Estimated Employment on Total Labour Costs | 1,111 | 642 | 1,754 |
| Estimated Employment on Soft Cost Labour | 235 | 51 | 286 |
| Total Employment | 1,346 | 694 | 2,040 |

Note: Labour cost estimated at 45% of labour and material costs

Note: Soft cost labour estimated at 50% of soft costs

| | Out-of-Province Construction-Related Employment | | |
|--|--|------------|------------|
| | Direct | Indirect | Total |
| Estimated Employment on Total Labour Costs | 0 | 367 | 367 |
| Estimated Employment on Soft Cost Labour | 0 | 24 | 24 |
| Total Employment | 0 | 391 | 391 |

Note: Labour cost estimated at 45% of labour and material costs

Note: Soft cost labour estimated at 50% of soft costs

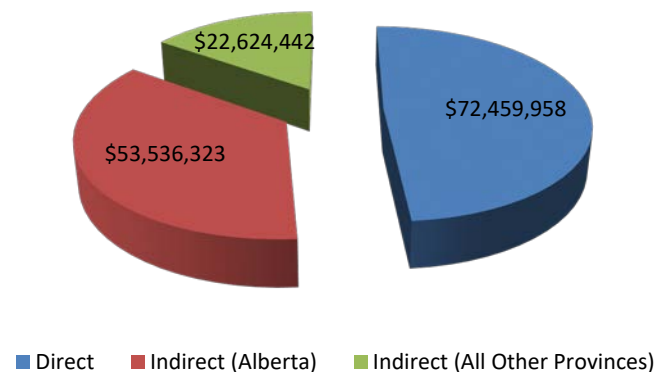
The summary below captures the estimates of GDP as a measure of impact of the construction of the site, including:

- Direct impacts
- In-Province only impacts (both Direct and Indirect)
- National indirect impacts.

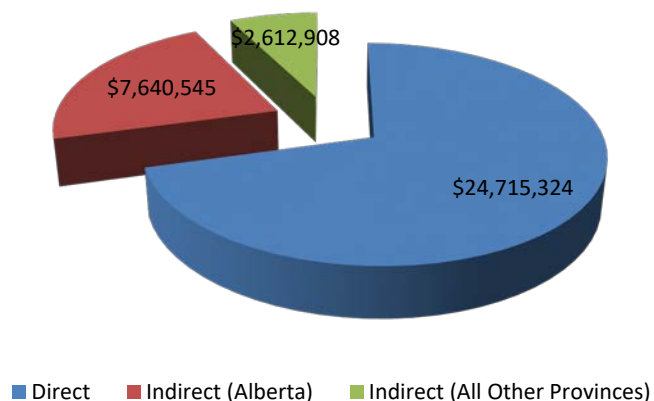
Exhibit 26: GDP Construction Impacts for Broader Site Development

| | Hard Costs | Soft Costs |
|---------------------------|----------------------|---------------------|
| Construction Value | \$192,639,877 | \$38,527,975 |

| | Construction GDP Multipliers | | Results | |
|-----------------------------------|------------------------------|------------|---------------|--------------|
| | Construction | Consulting | Construction | Consulting |
| Direct | 0.38 | 0.64 | \$72,459,958 | \$24,715,324 |
| Direct & Indirect (Alberta) | 0.65 | 0.84 | \$125,996,282 | \$32,355,869 |
| Direct & Indirect (All Provinces) | 0.77 | 0.91 | \$148,620,723 | \$34,968,777 |
| Indirect (Alberta) | 0.28 | 0.20 | \$53,536,323 | \$7,640,545 |
| Indirect (All Other Provinces) | 0.12 | 0.07 | \$22,624,442 | \$2,612,908 |

GDP Impacts from Construction Activity
Construction Employment

**GDP Impacts from Construction Activity
Consulting Employment**



10.4. Estimated Operational Impacts of Site Development

Annual employment impact from operations is demonstrated below based on the assumption of FTE positions. We have assessed the scale of employment using industry/sector specific Floor Area Per Employee ratios applicable to each of the proposed buildings in the existing site plan. The result is an estimated FTE base of 864 and are expected to generate \$35,918,726 in total salaries per annum across various hospitality, entertainment, retail and office related occupations.

Exhibit 27: Employment from Broader Site Operations

| Staffing Descriptors | Number of Direct Employment (FTE) | FTE Salary | Total Salaries | Multiplier (In Province) | Indirect Employment (FTE) In Province | Sub- Total | Multiplier (Out of Province) | Indirect Employment (FTE) Out of Province | Total |
|--------------------------|-----------------------------------|------------|----------------------|--------------------------|---------------------------------------|---------------|------------------------------|---|---------------|
| Hotel and Accommodations | 149 | \$33,503 | \$4,981,964 | 0.22 | 32.88 | 181.58 | 0.16 | 23.39 | 204.97 |
| Entertainment Services | 59 | \$37,940 | \$2,220,586 | 0.28 | 16.65 | 75.17 | 0.11 | 9.21 | 84.38 |
| Retail | 443 | \$37,940 | \$16,807,105 | 0.15 | 68.46 | 511.46 | 0.08 | 47.81 | 559.27 |
| Office Employment* | 213 | \$55,800 | \$11,909,071 | 0.30 | 63.15 | 276.58 | 0.15 | 32.49 | 309.07 |
| Total | 864 | | \$ 35,918,726 | | 181.1 | 1044.8 | | 112.9 | 1157.7 |

* Office-related employment includes professional and financial services including accounting and banking services, print shops, real estate services etc.

Notes: Salary estimates based on 2015 Alberta Wage and Salary Survey for the Edmonton Economic Region applied to an estimated 50 weeks of employment (accounting for 2 weeks of statutory holidays per annum).

Estimates of income tax generated by the employment at the site were based on marginal tax rates in effect for 2016, along with latest available rates for non-refundable tax credits. The analysis includes

the estimate of Provincial versus Federal taxes generated and applied to the assumed average income of each FTE position generated by the site.

Exhibit 28: Income Tax Estimates - Operation

| 2016 Income Tax Estimate - Operation | | | | | | |
|---|----------------|-------------------------|-----------------------|----------------------------|--------------------------|--------------------|
| | FTE | Average Federal Tax/FTE | Estimated Federal Tax | Average Provincial Tax/FTE | Estimated Provincial Tax | Total Taxes |
| Direct - Retail, Ent. & Accommodations | 650.2 | \$1,185 | \$770,391 | -\$284 | -\$184,664 | \$585,727 |
| Direct - Office | 213.4 | \$6,189 | \$1,320,961 | \$3,438 | \$733,752 | \$2,054,713 |
| Indirect | 181.1 | \$6,297 | \$1,140,632 | \$104 | \$18,838 | \$1,159,470 |
| Total | 1,044.8 | | \$3,231,984 | | \$567,927 | \$3,799,911 |

Note: Tax estimates are reduced by the amount of basic personal allowance and non-refundable tax credits

10.5. Property Tax Impacts of Site Development

The proposed development will generate considerable property taxation when fully built out. The multi-use event centre is expected to be designated a municipal capital facility and hence not liable for property tax. Accordingly, the property taxation revenue generated by the site comprises the One Properties commercial lands as well the residential lands to the east of the multi-use event centre. The estimate of the future taxation from these lands is addressed in the Phase 2 report and has involved the use of an independent property assessment specialist.

The resulting estimates of tax yielded by the site at build-out are based on a detailed review of the type of development and the expected nature of commercial uses of the buildings developed. With regard to the residential portion of the site, the property taxation is based on the assumption of some 440 units comprised of apartment and townhouse forms of development. Furthermore, these units are expected to be developed as rental accommodation as opposed to owner-occupied residential. This results in the use of commercial tax rates for the residential portion of the site, as opposed to the prevailing residential tax rate.

The analysis demonstrates that the future tax revenue arising for both the municipal portion of the levy or for the entire tax levy (should the One Properties site be designated for purposes of a Community Revitalization Levy (CRL)) is between \$1.76 and \$2.4 million annually at build-out. Further these impacts will increase based on the escalation of tax rates employed by the City. The current approved annual tax rate increase is 2.9% per annum. Appendix B provides further details regarding the calculation of taxation arising from the Site.

It should be noted that the taxes are considered to be incremental tax revenues generated as a result of the development of the regional multi-use event centre and its capacity to create a destination commercial complex. These revenues are also generated as a result of the City's decision to assemble these lands around the City's key interchange with the Yellowhead Trail. While any tax generated will have a corresponding cost associated with it in terms of the costs to provide municipal services to the developed lands, this is expected to be lowest for the commercial uses and higher for the residential uses. In both cases, however, the site is likely to create a significantly positive fiscal impact. The use of the tax increment as part of the funding for the multi-use event centre represents an approach to funding that has been utilized in other communities, based on the positive attributes of the project in bringing forward development sooner than would otherwise likely happen and creating a higher order of land use and therefore taxation base.



APPENDIX A:

VISITOR SPENDING
IMPACTS – ASSUMPTIONS
AND REVENUE BY TYPE OF
EVENT HOSTED & PATRON



APPENDIX B:

Property Tax Impacts of Broader Site Development

The following illustrates the latest proposed plan for broader site development by One Properties as of November 3, 2016. This Plan may be further refined and was not available at the time of the development of the Phase 2 Assessment Report for the Spruce Grove Multi-Use Sports and Entertainment Centre.