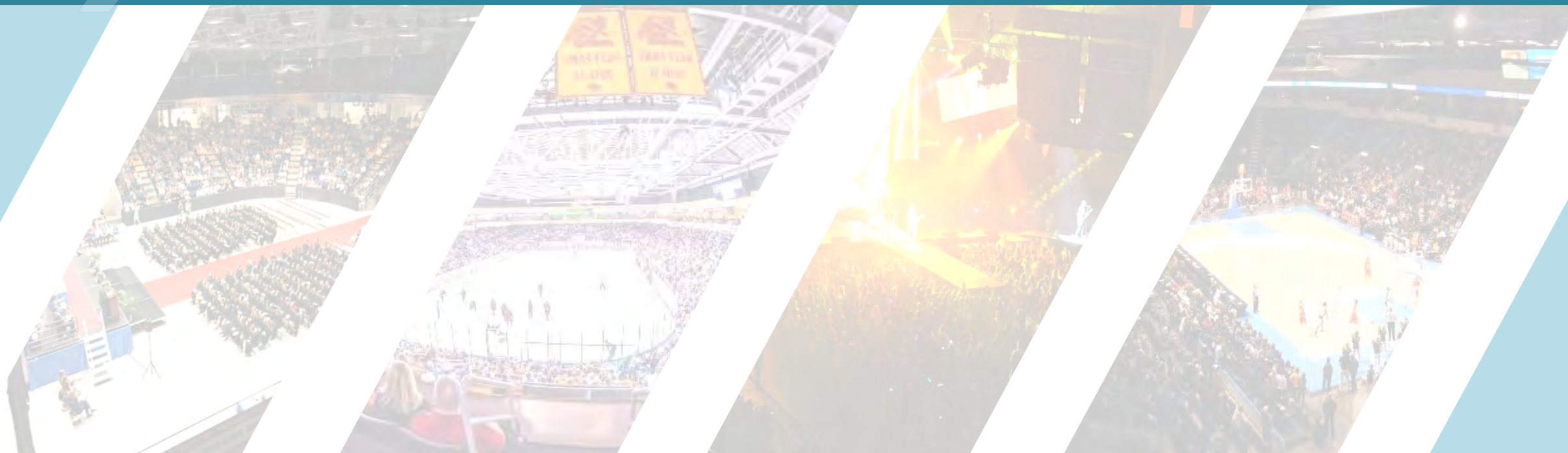


CITY OF SPRUCE GROVE

EVENT CENTRE / ARENA COMPLEX BUSINESS CASE ANALYSIS



PRESENTATION TO COUNCIL
JANUARY 14, 2019


Sierra Planning and Management
advice • strategy • implementation



PERKINS+WILL

PART A: PROJECT RECAP

PART B: DETAILED ASSESSMENT OF THE FACILITY OPTIONS

PART C: COMPARING THE OPTIONS

PART D: DEFINING THE PROJECT

PART E: SITE PLANNING

PART F: FUNDING STRATEGY AND RISKS

PART G: IMPLEMENTATION

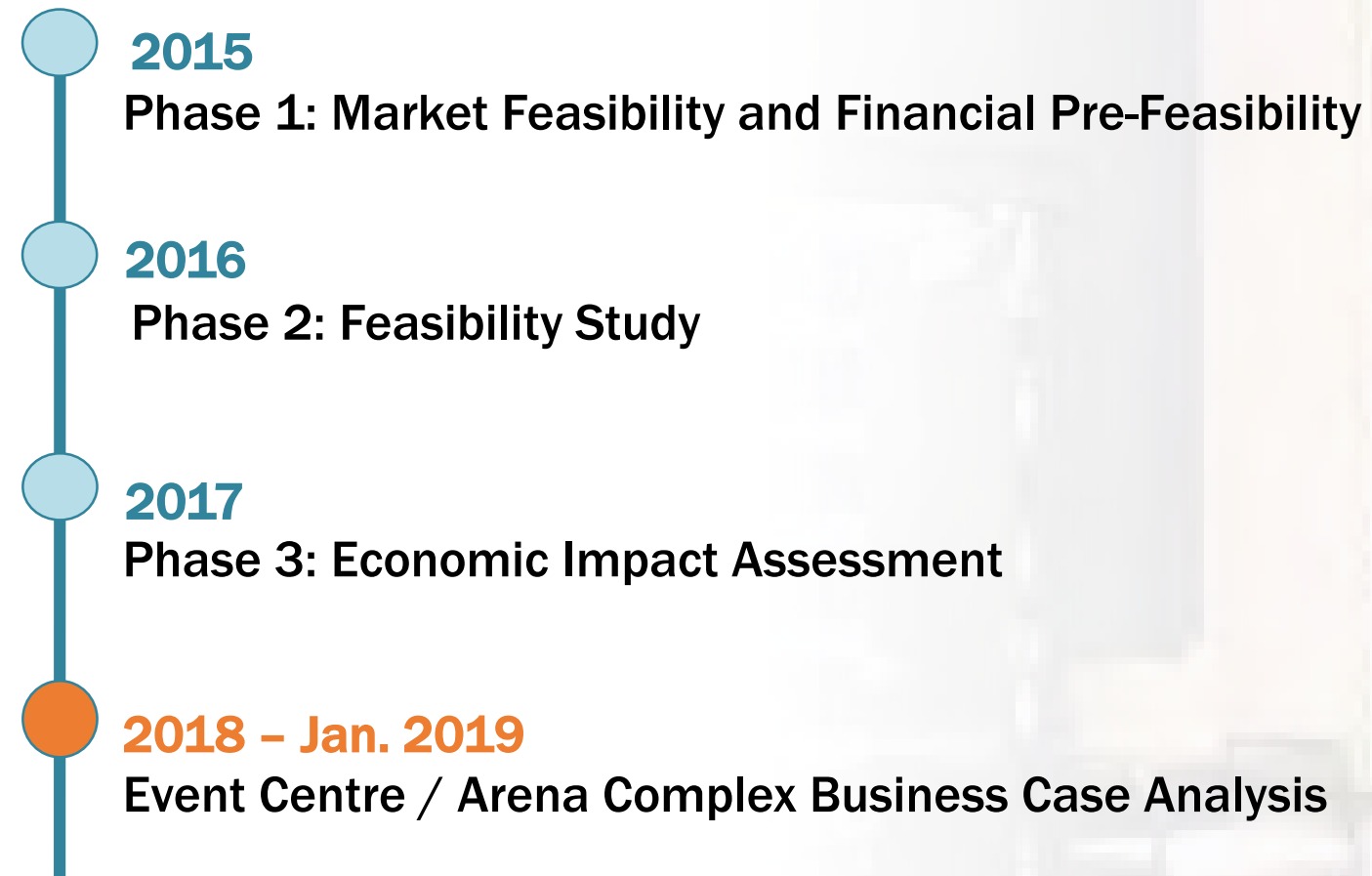




PART A: PROJECT RECAP

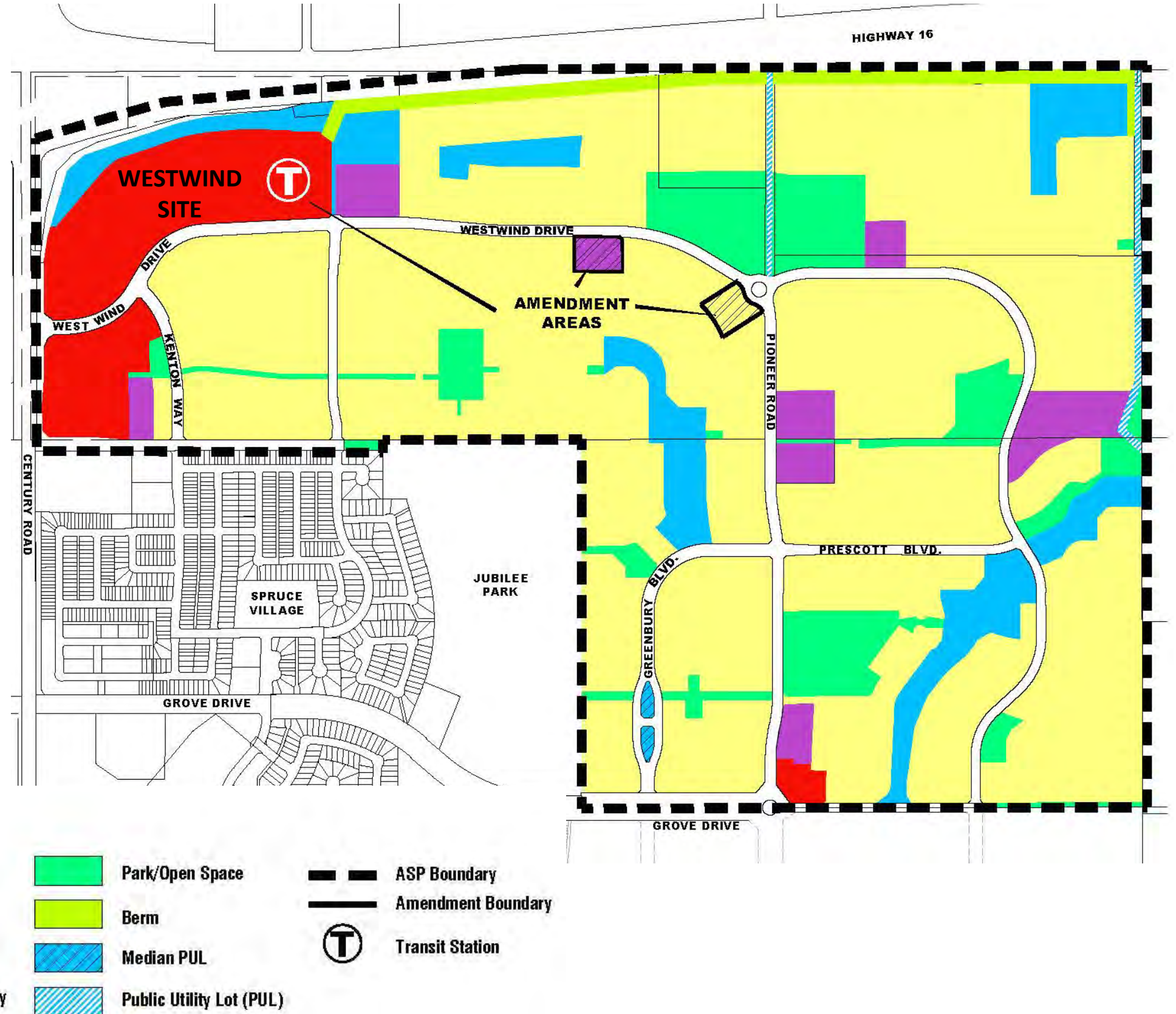
PROJECT BACKGROUND

Business Case Analysis is an evolution beyond the work completed to date



PROJECT BACKGROUND

- Long-range planning
- Destination gateway
- Community infrastructure needs
- Multiple policy goals



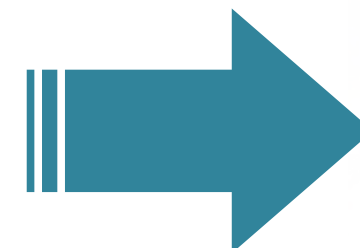
CURRENT ANALYSIS & REPORT

Aims and Objectives

Council directed staff to develop a Business Case Analysis that looks at 3 distinct options:

- OPTION **1**: Twin-Pad **Arena**
- OPTION **2**: 2,500 Seat **Arena** and Community Ice Pad
- OPTION **3**: 3,500 Seat **Multi-Use Sport and Event Centre** and Community Ice Pad

The Business Case Analysis is intended to provide Council with the appropriate information to make an informed decision regarding an event centre / arena.



**OPTION 3 (MUSEC) IS
DISTINCT FROM ARENA
OPTIONS 1 AND 2.**





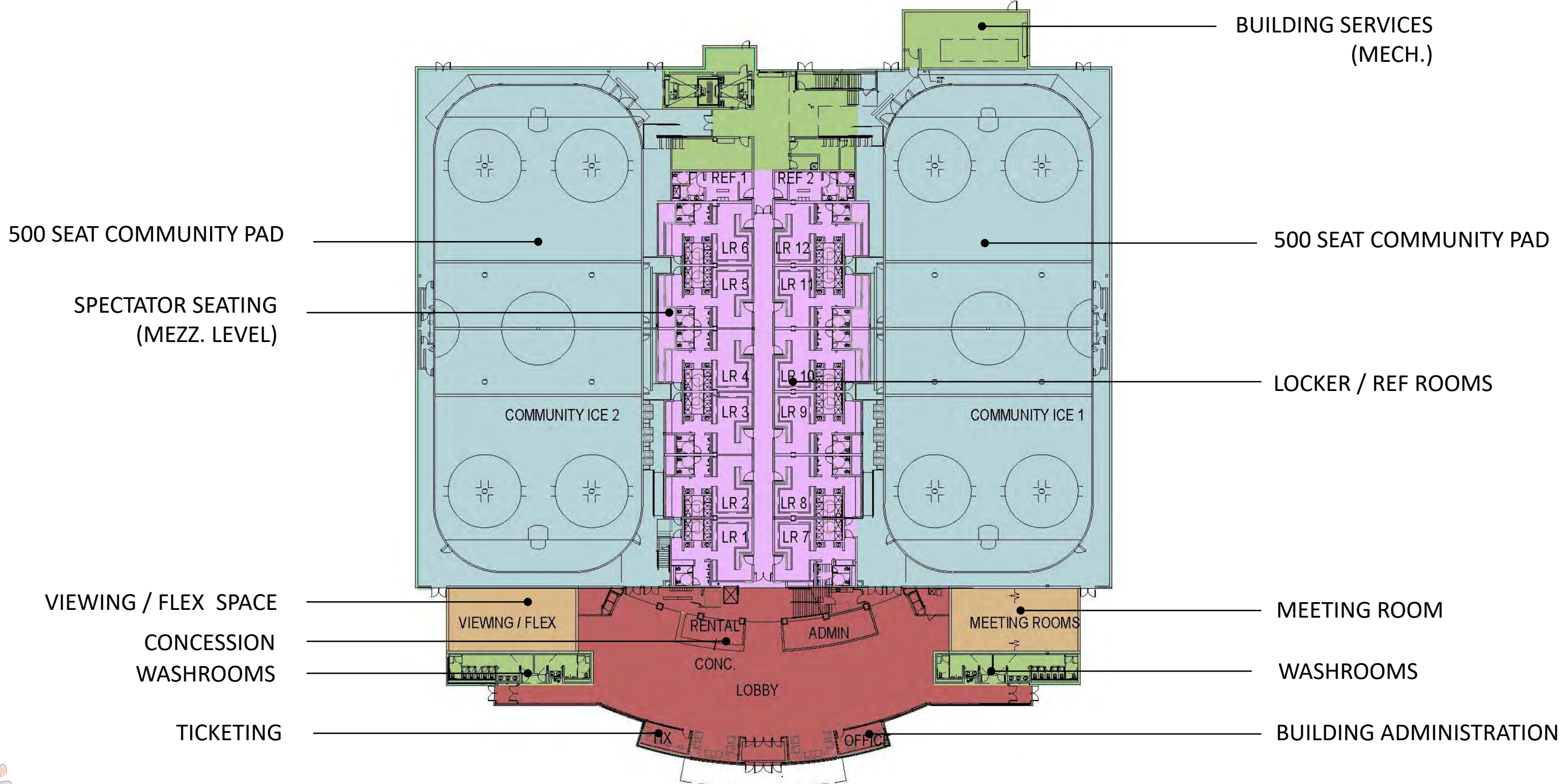
PART B: DETAILED ASSESSMENT OF THE FACILITY OPTIONS



OPTION 1: Twin-Pad Community Arena

OPTION 1: Twin Pad Community Arena

Floor Plans + Building Components



OPTION 1: Twin Pad Community Arena

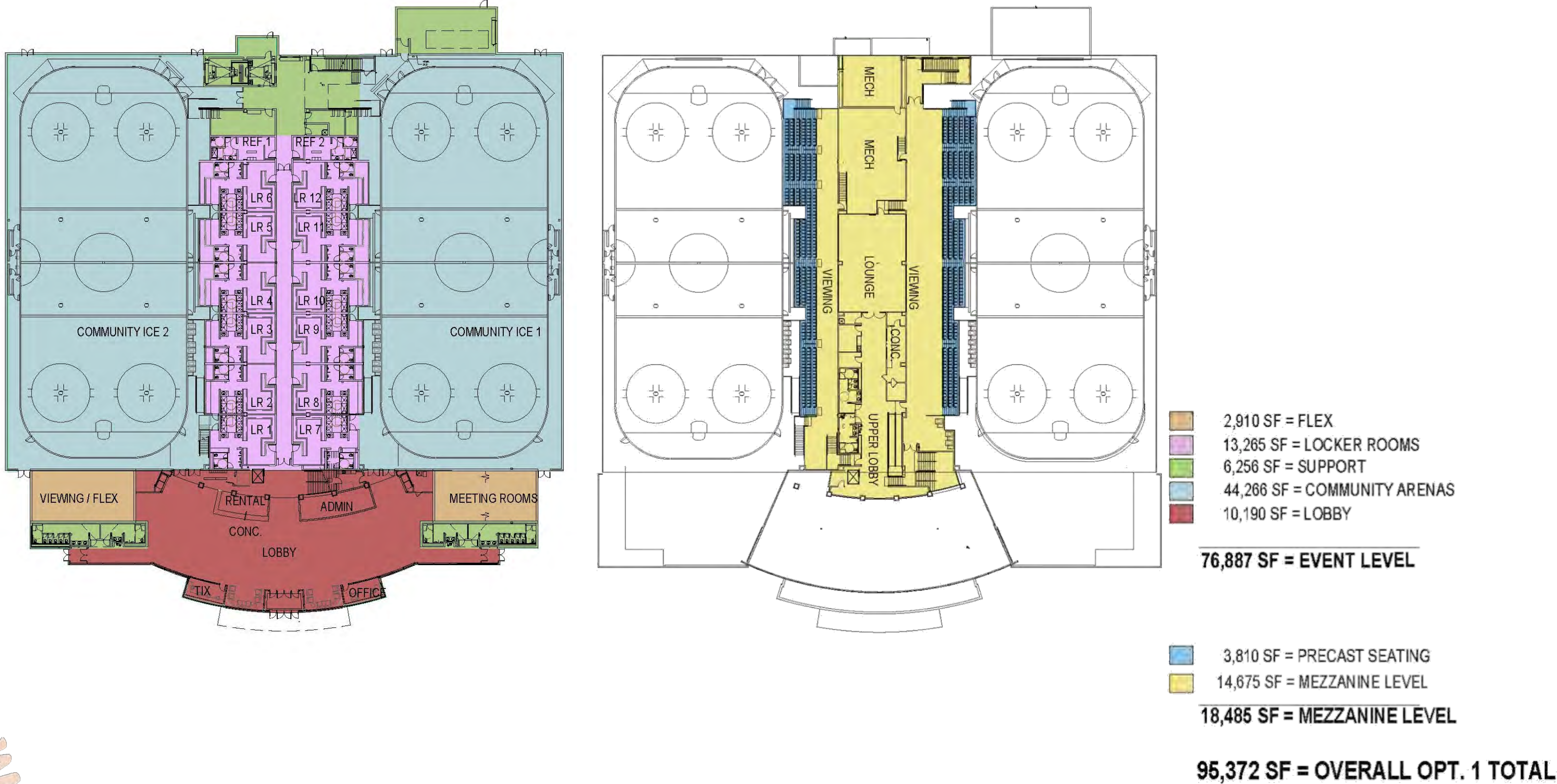
Functionality and Use/Scalability of Building

- Can represent best practice twin-pad complex in design and operating terms.
- Not multi-use.
- Can be multi-ice sport and dry floor summer use.
- Not a significant economic driver.
- Great addition to quality of life amenities.
- Not appropriate for Westwind site (not highest and best use).



OPTION 1: Twin Pad Community Arena

Floor Plan Details



OPTION 1: Twin Pad Community Arena

Illustrative Renderings

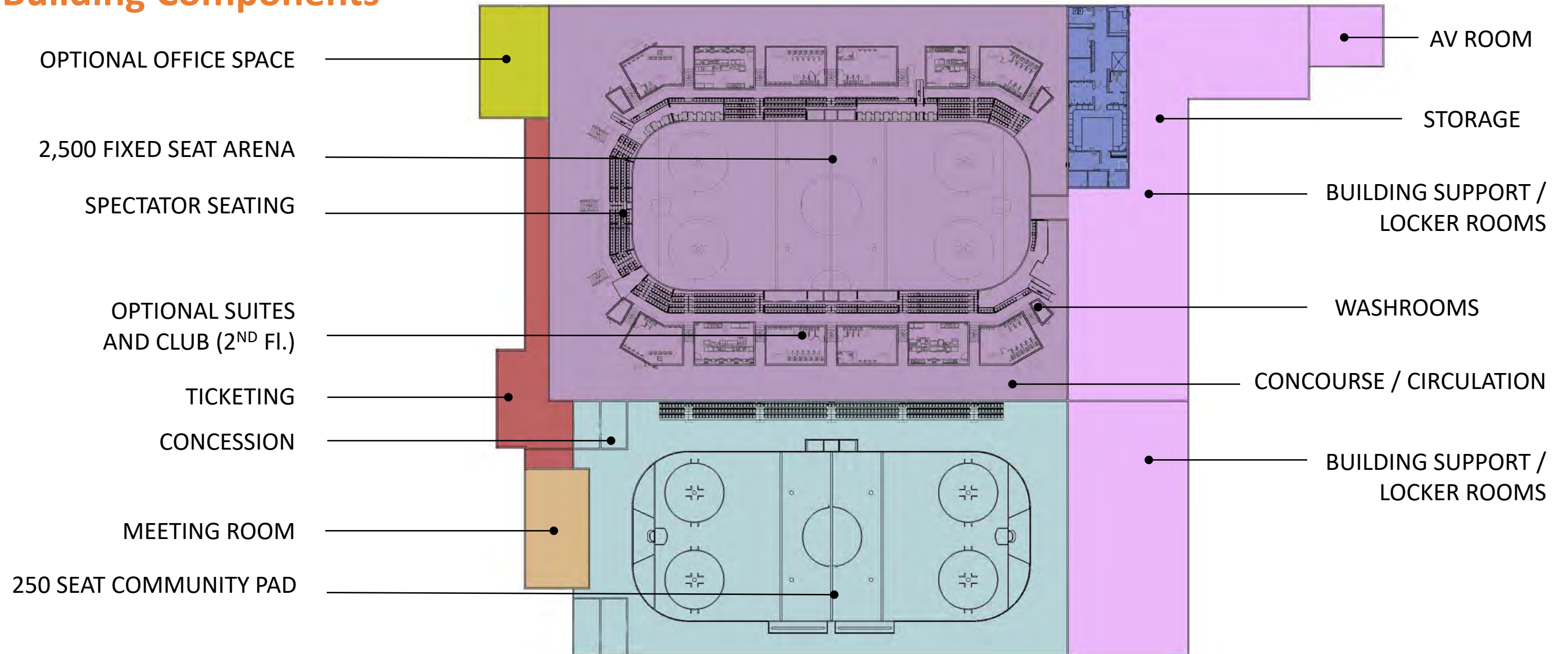




OPTION 2: 2,500 Fixed Seat Arena and Community Ice Pad

OPTION 2: 2,500 Fixed Seat Arena and Community Ice Pad

Building Components



OPTION 2: 2,500 Fixed Seat Arena and Community Ice Pad

Local Events



OPTION 2: Limits of Multi-Use

Design of Option 2 differs significantly from Option 3

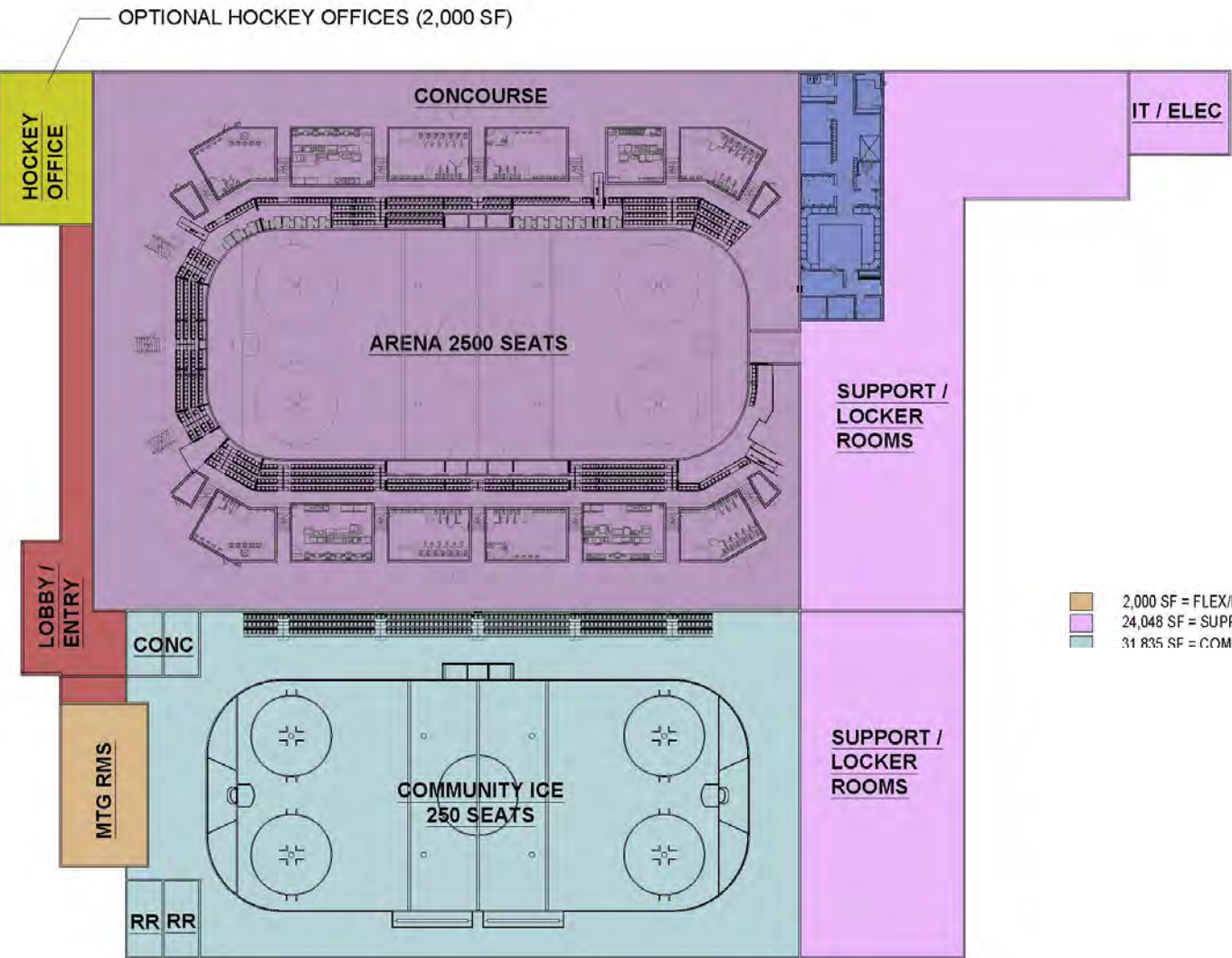
- Not designed to host the variety and complexity of events that are possible within the event centre model.
- Will not compete with multi-use centres.

Option 2 Arena – Facility / Design Constraints	Resulting Limitation
Lower height (floor to bottom of truss) without extra rigging grids.	Difficult to host major concerts or events that require overhead connectivity for speakers and lights.
No lapidaries and baffles imbedded within the trusses and upper concourse walls.	Acoustically challenging for major concert performances or events where sound is a promotional priority.
No retractable seating (side runways, end zones).	Limits the amount of floor space available for conferences, banquets, exhibitions and tradeshow.
No catering kitchen.	Unable to host large banquets/gatherings that require on site catering services.
Limited “back of house” storage areas.	Limited space to accommodate multi–use components (i.e. banquet tables, conference chairs, conference pipe and draping, basketball flooring, etc.)
No “floor power” for concert equipment and television production.	Difficult to host major concerts or events that require connectivity for speakers and lights on floor.

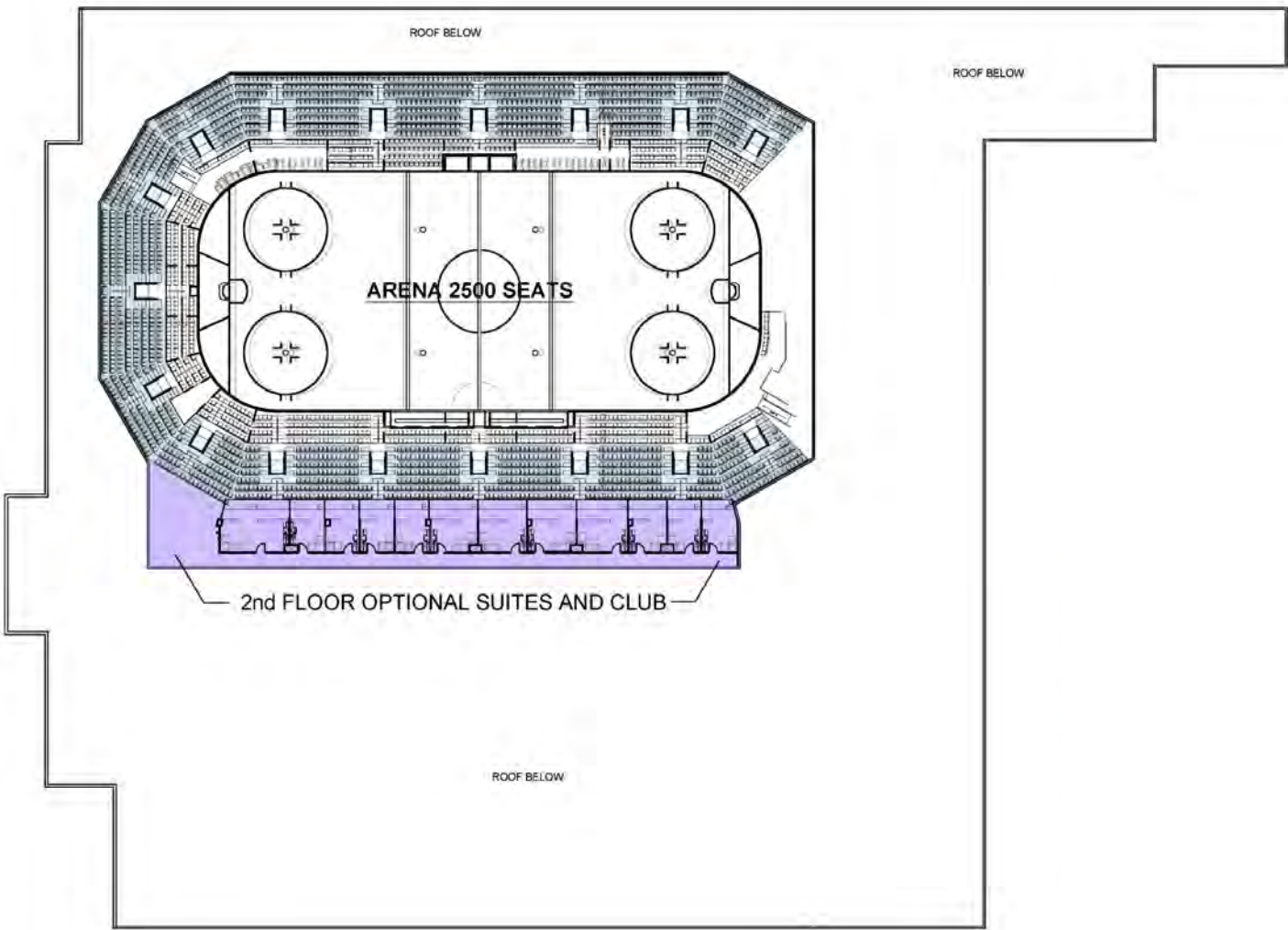


OPTION 2: 2,500 Seat Arena

Floor Plans



- 2,000 SF = FLEX/MEETING
 - 24,048 SF = SUPPORT & LOCKER ROOMS
 - 31,835 SF = COMMUNITY ARENA
 - 51,711 SF = ARENA
 - 3,268 SF = LOBBY/ENTRY
- 112,862 SF = EVENT LEVEL**



- 11,088 SF = PRECAST SEATING
- 11,088 SF = SUITE LEVEL**
- 123,950 SF = OVERALL OPT.2 TOTAL**
- 2,000 SF = EVENT LEVEL HOCKEY OFFICES
- 5,000 SF = SUITE LEVEL



OPTION 2: 2,500 Seat Arena

Illustrative Renderings



OPTION 2: 2,500 Seat Arena

Conclusion

- This model is a large-seating capacity arena.
- Desk research confirms **large seating capacity community arenas do not effectively compete in events market** compared to multi-use sport and entertainment centres.
- Capital cost differences between this and Option 3 reflect the design of Option 2 as an **arena**.

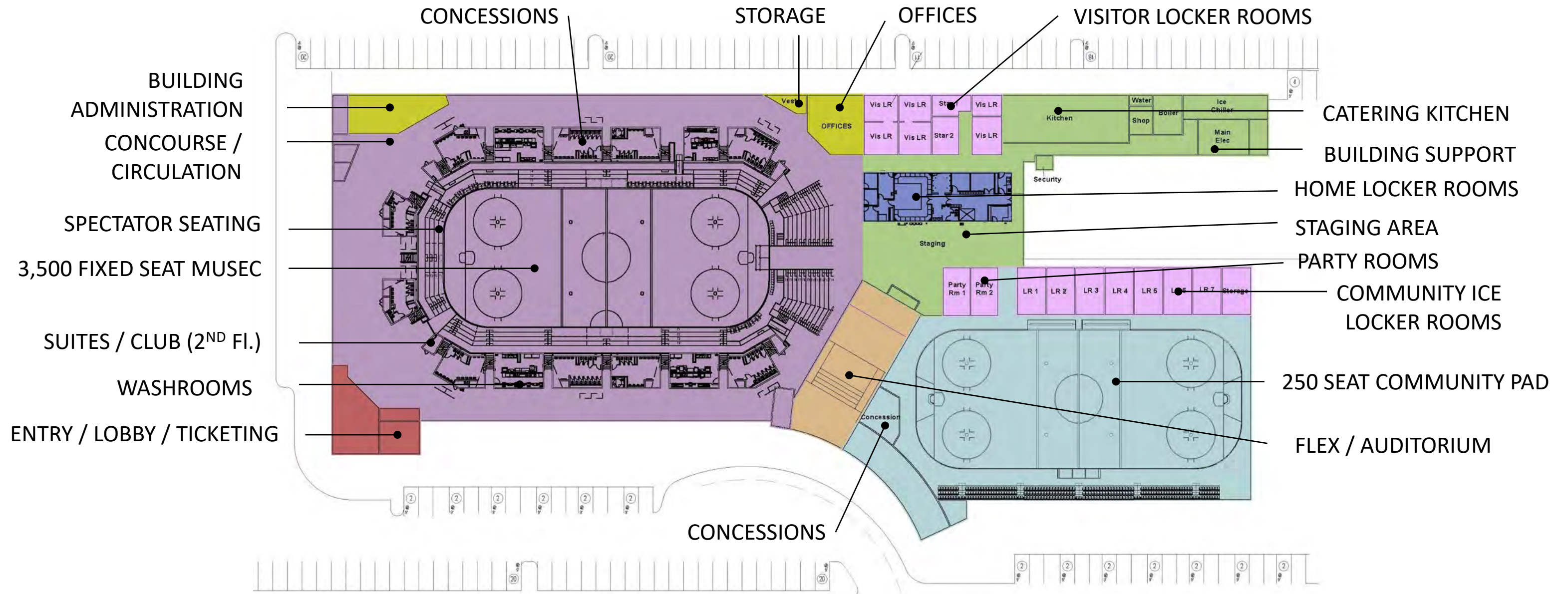




OPTION 3: 3,500 Seat Multi-Use Sport and Event Centre and Community Ice Pad

OPTION 3: 3,500 Seat Event Centre

Building Components



OPTION 3: 3,500 Seat Event Centre

Range of Events

Sporting / Spectator Events



OPTION 3: 3,500 Seat Event Centre

Range of Events

Live Performance Events



OPTION 3: 3,500 Seat Event Centre

Range of Events

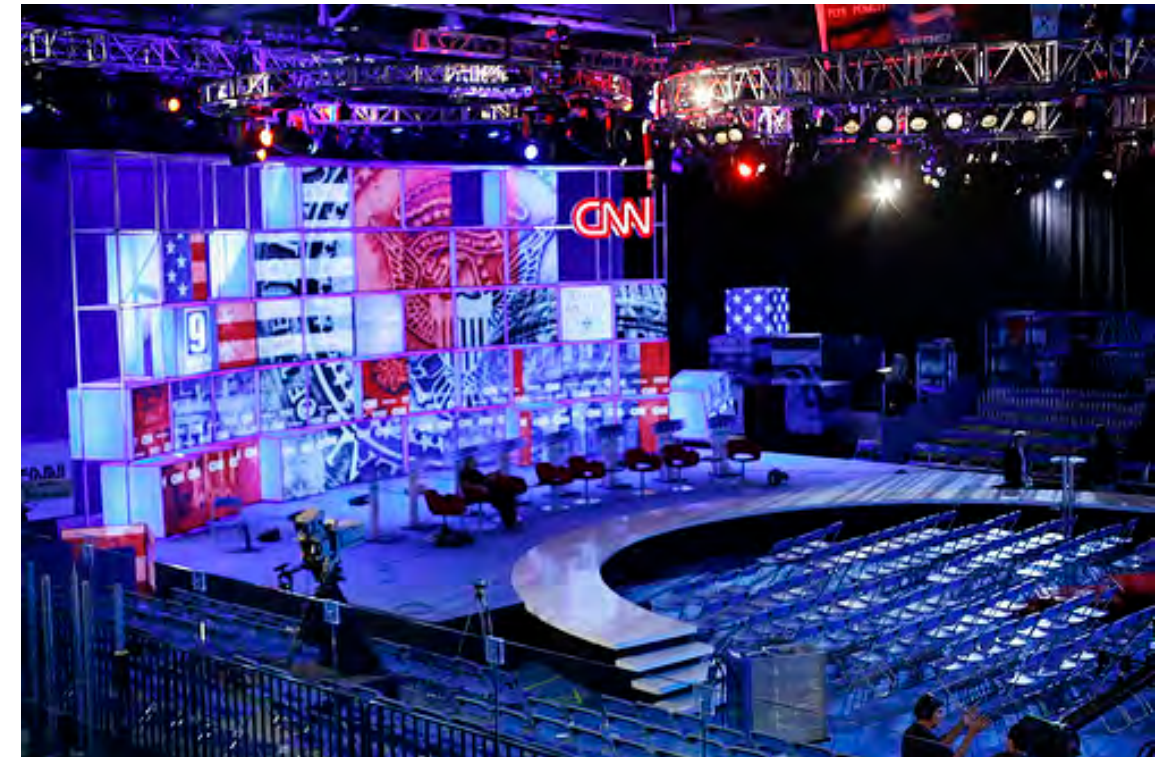
'Flat Floor' Events



OPTION 3: 3,500 Seat Event Centre

Range of Events

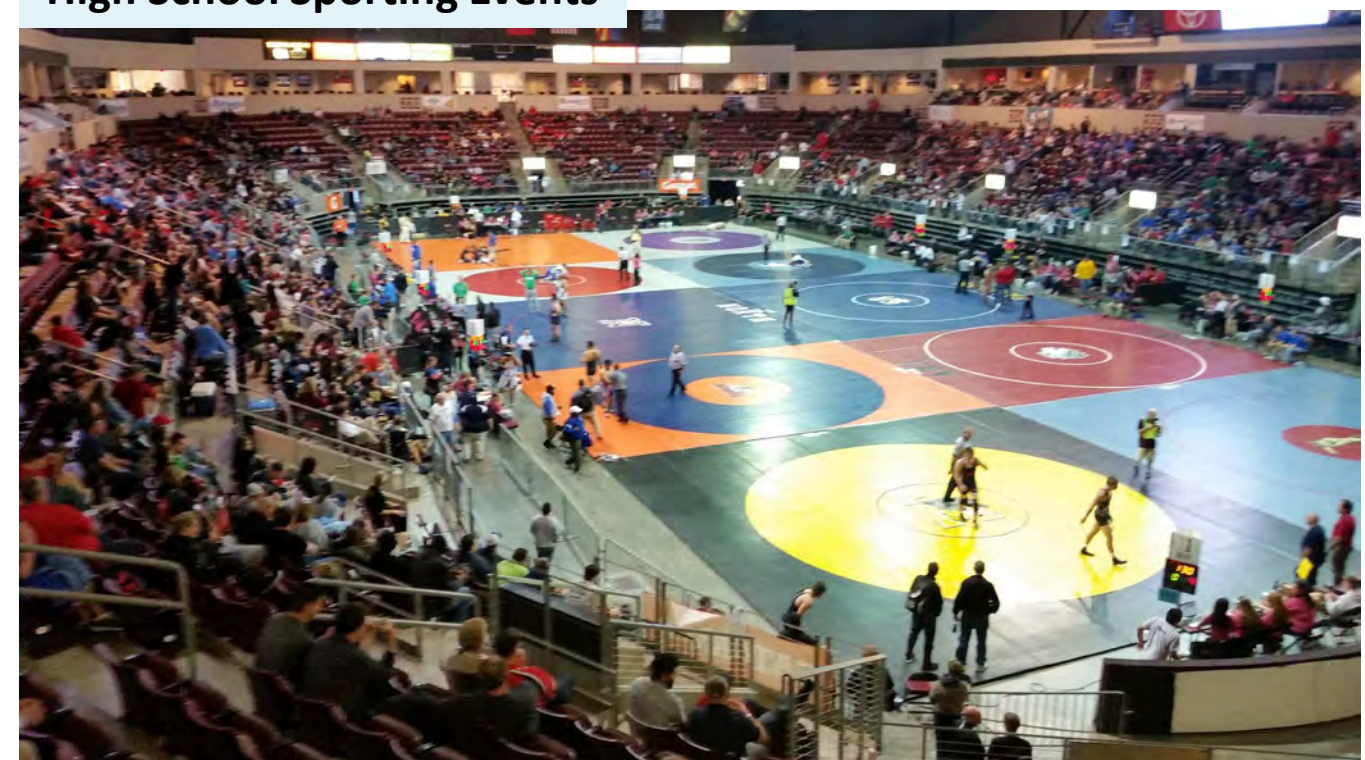
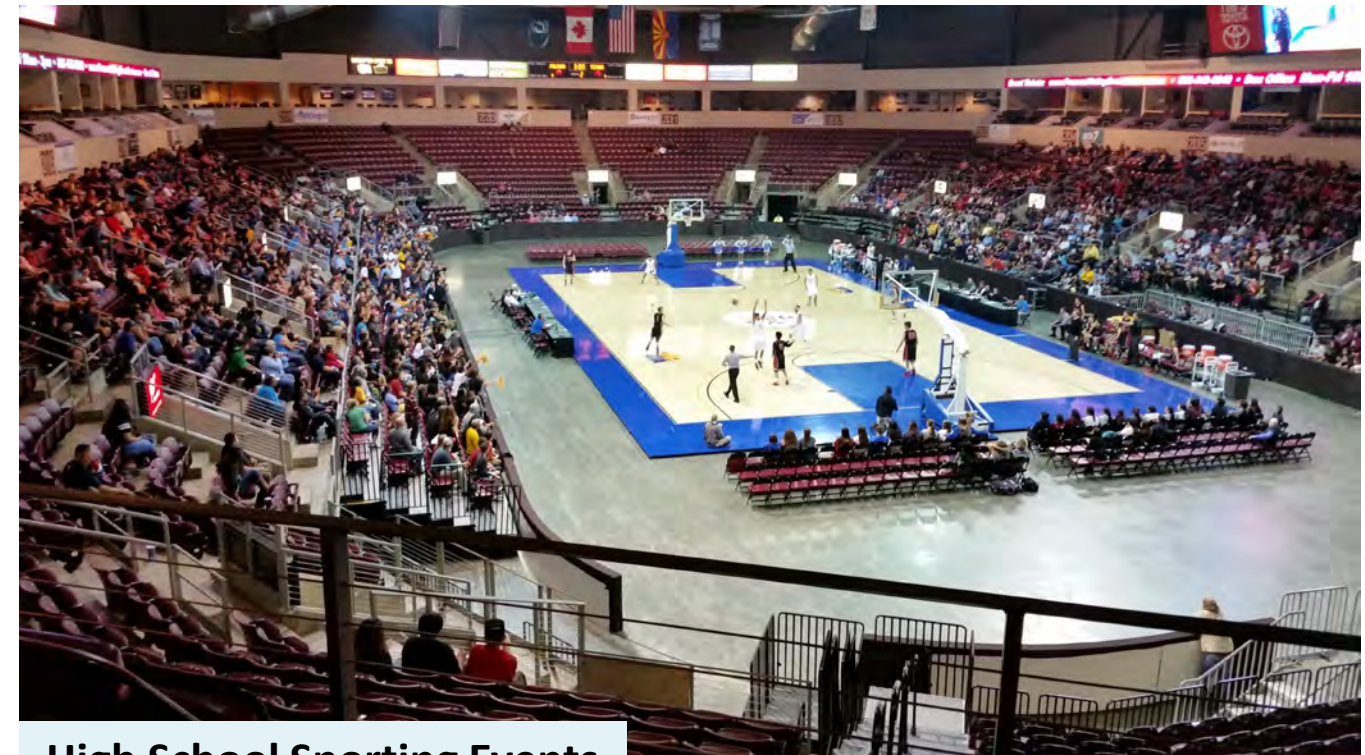
Public Assembly / Civic Events



OPTION 3: 3,500 Seat Event Centre

Range of Events

Community Events



Difference Between 2,500 Seat Arena and 3,500 Seat Multi-Use Sport and Event Centre

- Both can serve hockey and community ice.
- Option 3 includes auditorium.
- Non-sport event types:

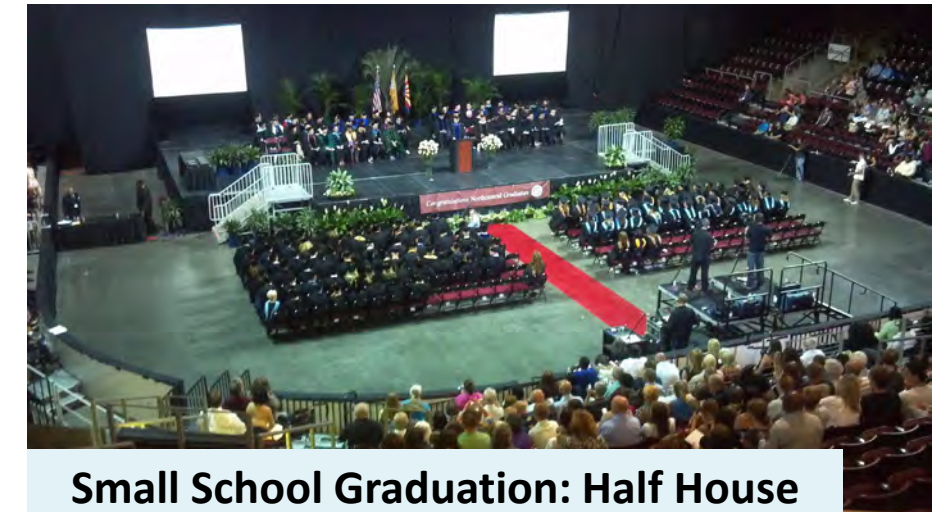
Option 2:

- 'Flat floor' events.
- Local community (fairs, rodeos, small expos).
- Seasonal / ad hoc events.

Option 3:

- Full range based on seating limitations.
- Capacity of MUSECs does not exclude other, community-scaled events similar to what can occur in large seating capacity arenas – it enhances that capacity.

Scalability of a MUSEC



Auditorium / Flex Space



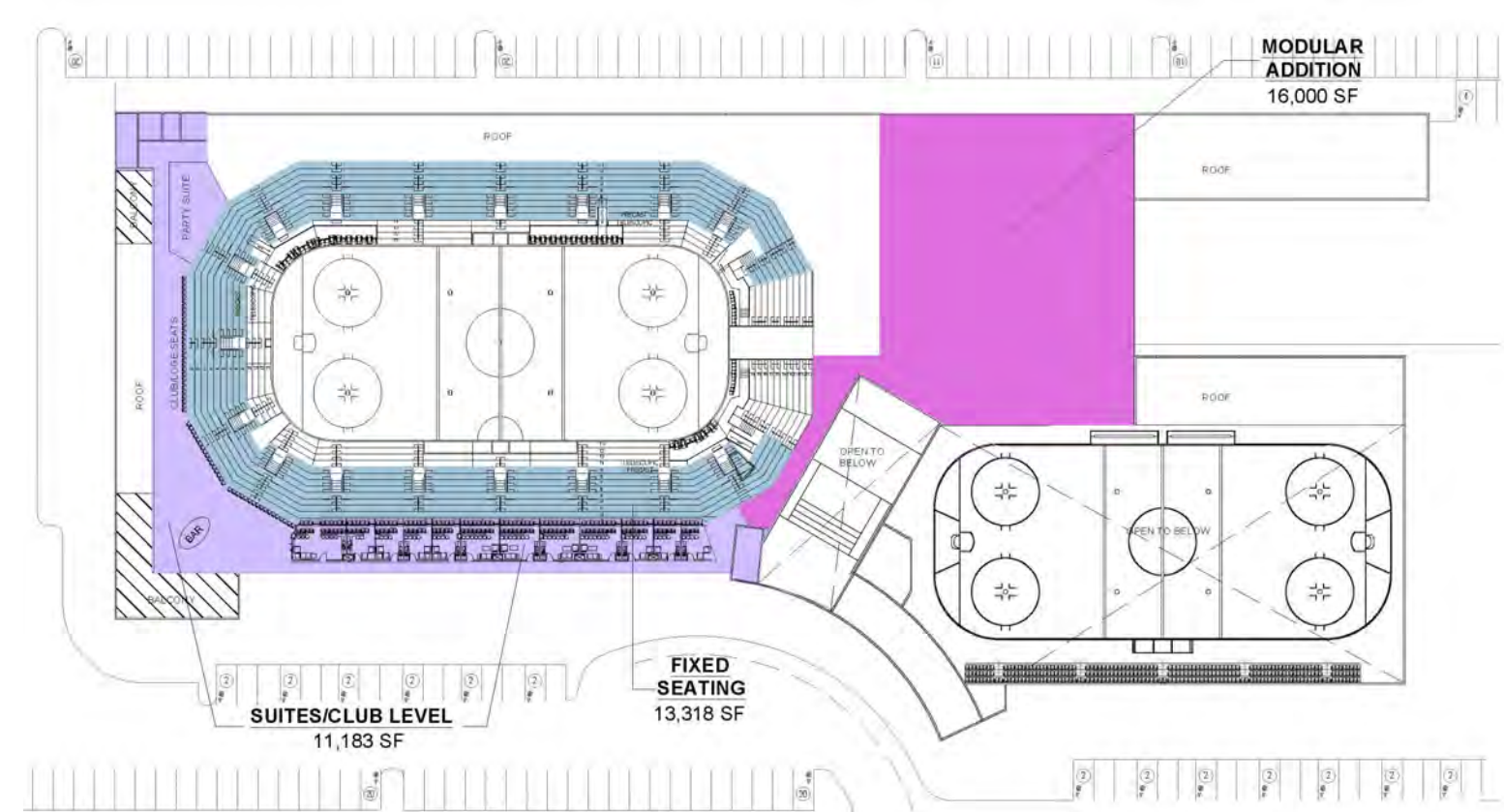
OPTION 3: 3,500 Seat Event Centre

MUSEC-Specific Events

- Sporting Events / Games
- Exhibition / Showcase Games
- Tournaments / Championships / Qualifiers (Competitive or rotational)
- Music and Dance Events
- Family-Oriented Events
- Animal / Equestrian Events
- Other Live Performance Events



Floor Plans



- | | |
|---|----------------------------------|
|  | 2,704 SF = OFFICE |
|  | 4,000 SF = FLEX/MEETING |
|  | 11,567 SF = SUPPORT |
|  | 27,173 SF = COMMUNITY ARENA |
|  | 59,646 SF = ARENA |
|  | 2,045 SF = LOBBY/ENTRY |
|  | 8,540 SF = VIS/COMM LOCKER ROOMS |
|  | 2,882 SF = HOME LOCKER ROOM |
| <hr/> | |
| 118,557 SF = EVENT LEVEL | |
| <hr/> | |
|  | 13,616 SF = PRECAST SEATING |
|  | 11,183 SF = SUITE/CLUB |
| <hr/> | |
| 24,799 SF = SUITE LEVEL | |
| <hr/> | |
| 143,356 SF = OVERALL OPT.3 TOTAL | |
| <hr/> | |
|  | 16,000 SF = MODULAR ADDITION |



OPTION 3: 3,500 Event Centre

Illustrative Renderings



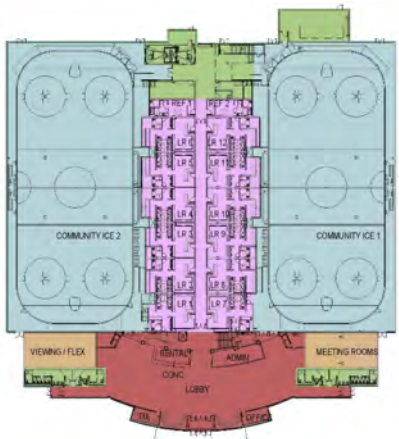


The background of the slide is a collage of two images. The top image is a wide-angle shot of a large indoor arena, likely a hockey rink, with a high, arched ceiling supported by a complex steel truss system. The arena is filled with spectators in the stands. Various banners are visible along the top of the rink, including 'link', 'ECLIPSE', 'CanadianSolar', 'Tim Hortons', and 'CCM'. The bottom image is a close-up of a stage during a concert at night, featuring bright yellow and orange stage lights and a large, illuminated structure.

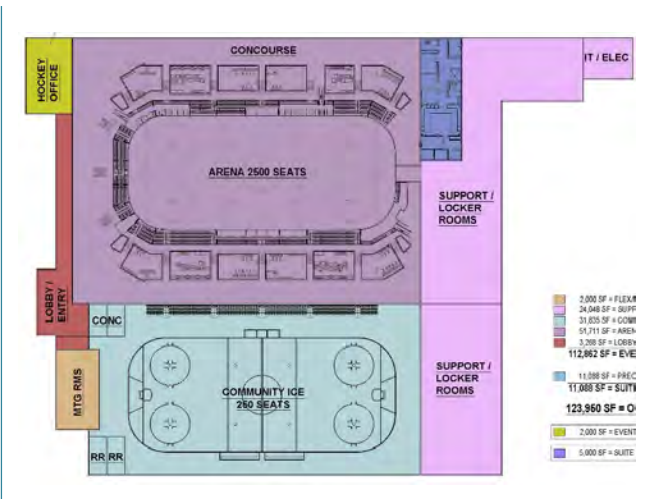
PART C: COMPARING THE OPTIONS

CAPITAL COSTS

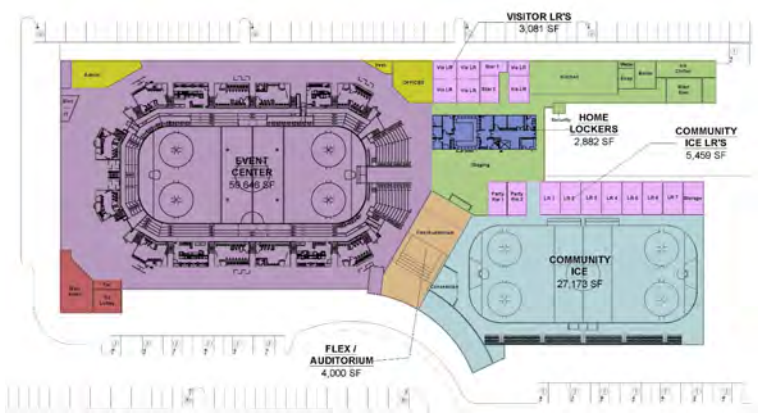
Order of Magnitude Capital Costs



Option 1



Option 2



Option 3

	Range		Range		Range	
	Contractor A	Contractor B	Contractor A	Contractor B	Contractor A	Contractor B
Construction Costs	\$31,616,108	\$35,738,532	\$43,403,427	\$40,291,318	\$48,970,121	\$47,131,496
Design and Project Management	\$3,575,000	\$3,575,000	\$4,050,000	\$4,050,000	\$5,000,000	\$5,000,000
Furniture Fixtures & Equipment	\$713,349	\$713,349	\$2,804,366	\$2,804,366	\$5,512,636	\$5,512,636
Parking	\$1,425,983	\$1,246,602	\$3,653,341	\$3,231,242	\$4,531,648	\$3,938,270
Total Project Costs	\$37,330,440	\$41,273,483	\$53,911,134	\$50,376,926	\$64,014,405	\$61,582,402
Net Land Costs	\$0	\$0	\$2,117,360	\$2,117,360	\$3,059,000	\$3,059,000
GRAND TOTAL	\$37,330,440	\$41,273,483	\$56,028,494	\$52,494,286	\$67,073,405	\$64,641,402

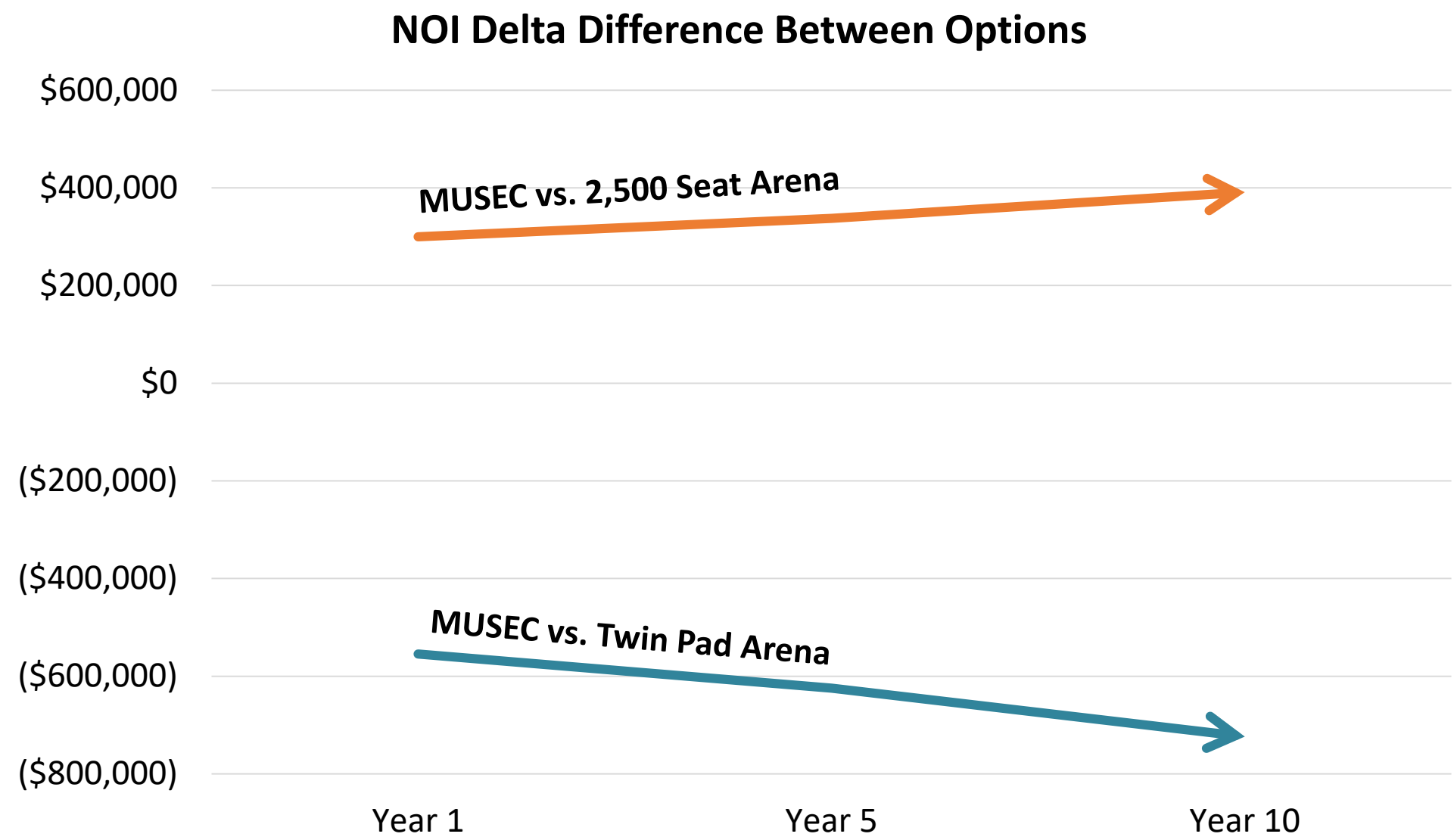
Note: Option 3 costs do not include costs associated with option for additional office space (estimated at \$2.9 to \$3.4 M).



Assumes Option 1 located on Westwind site

OPERATING PERFORMANCE

Options Compared



OPERATING PERFORMANCE

Event Centre Compared to Twin-Pad

Delta Difference Compared to a Community Twin Pad			
	Year 1	Year 5	Year 10
A: Option 3 - Event Centre plus Community Ice Pad			
Total Facility Revenues	\$3,054,791	\$3,438,194	\$3,985,809
Total Facility Expenses	(\$3,736,022)	(\$4,204,926)	(\$4,874,661)
Net Cash Flow (revenues over expenses)	(\$681,231)	(\$766,731)	(\$888,852)
Net Cash Flow before Management Fee	(\$681,231)	(\$766,731)	(\$888,852)
B: Option 1 - Community Twin-Pad Arena			
Net Operating Deficit (Illustrative)	(\$181,480)	(\$204,258)	(\$236,791)
Delta (A - B)			
Delta - NOI Before Management Fee	(\$499,751)	(\$562,474)	(\$652,061)
Delta Including Management Fee			
1. Event Centre Plus Single Community Arena Management Fee	(\$180,000)	(\$202,592)	(\$234,859)
2. Community Twin Pad (Assuming Third Party Management)	(\$125,000)	(\$140,689)	(\$163,097)
Delta Including Event Centre Management Fee (Community Twin Pad management fee 70% of Event Centre fee)			
	(\$554,751)	(\$624,376)	(\$723,823)

Note: Escalation at 3.00% per annum.



OPERATING PERFORMANCE

Event Centre Compared to 2,500 Seat Arena

Delta Difference Compared to a 2,500 Seat Arena

	Year 1	Year 5	Year 10
A: Option 3 - Event Centre plus Community Ice Pad			
Total Facility Revenues	\$3,054,791	\$3,438,194	\$3,985,809
Total Facility Expenses	(\$3,736,022)	(\$4,204,926)	(\$4,874,661)
Net Cash Flow (revenues over expenses)	(\$681,231)	(\$766,731)	(\$888,852)
Net Cash Flow before Management Fee	(\$681,231)	(\$766,731)	(\$888,852)
B: Option 2 - 2,500 Seat Arena plus Community Ice Pad			
Net Operating Deficit	(\$980,940)	(\$1,104,057)	(\$1,279,905)
Delta (A - B)			
Delta - NOI Before Management Fee	\$299,709	\$337,325	\$391,053
Delta Including Management Fee			
1. Event Centre Plus Single Community Arena Management Fee	(\$180,000)	(\$202,592)	(\$234,859)
2. 2,500 Seat Arena Plus Community Arena Management Fee	(\$180,000)	(\$202,592)	(\$234,859)
Delta Including Event Centre Management Fee	\$299,709	\$337,325	\$391,053

Note: Escalation at 3.00% per annum.



ECONOMIC IMPACT

Net economic impact will be **greatest for the multi-use event centre**, and lowest for a community twin-pad.



Construction Impacts



Operating Impacts



Off-Site Spending Impacts

The background of the slide is a collage of two images. The top image shows a large indoor arena with a high, vaulted ceiling and tiered seating. The bottom image shows a stage performance with bright spotlights and a large audience.

PART D: DEFINING THE PROJECT

ALIGNMENT WITH TRI-MUNICIPAL FACILITIES PLAN

- Project contemplated in Option 2 or Option 3 has many moving parts as all such projects contribute significant economic development potential do.
- This project, whether Option 2 or Option 3, has been advanced to the point of implementation.
- Community recreation plans emanating from surrounding communities are not alternatives to this project.

STRATEGIC DOCUMENTS

Tri-Region Indoor Recreation Plan (2017)

RELEVANT OUTCOMES

New multiplex facility to include aquatics, twin-pad arena, fieldhouse, fitness / wellness facility, walking track, and indoor adventure centre.

Ice-specific needs: Identifies the need for 1.5 additional ice pads by 2021 and 2.5 by 2026.

2009 Plan identified the potential need for a spectator ice arena (2,000+ seats).



ALIGNMENT WITH CITY STRATEGY

Option 3 Aligns with City Strategy More than Option 2

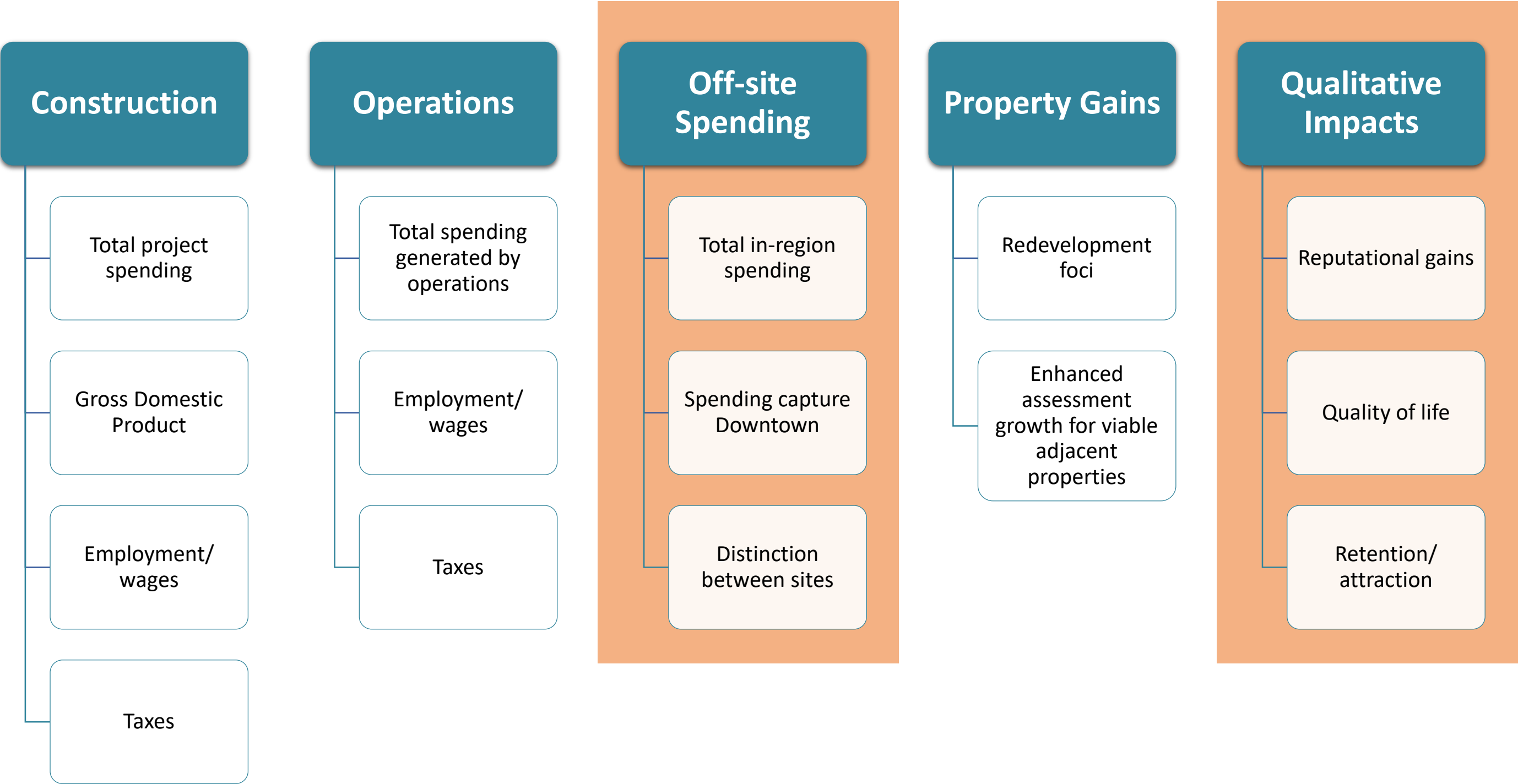
- Both serve Strategic Plan.
- Only Option 3 negates the need to build other venues (e.g. performing arts) because of multi-use capacity.
- Option 3 meets market opportunity.
- Fundamental to north-end hotel, entertainment hub.

STRATEGIC DOCUMENTS	RELEVANT OUTCOMES
Strategic Plan (2019)	Vision for Spruce Grove to be a destination for hosting major events by 2035.
Economic Development Strategy (2017)	Seeks to promote Spruce Grove as an event destination that enhances the experience of the City’s sense of place and contributes to economic prosperity.
Regional Event Hosting Strategy	Recognizes that the City’s existing event infrastructure is dated and “lacks the ability to provide efficient year-round programming and event hosting capabilities”.
Cultural Master Plan (2016)	Identifies the need for two performing arts venues within the City, including a smaller ‘black box’ theatre and a larger (550 to 800 seats) performance facility.



ECONOMIC IMPACT

Ideal Range of Measures



ECONOMIC IMPACT

Outcomes of Analysis: Off-Site Spending

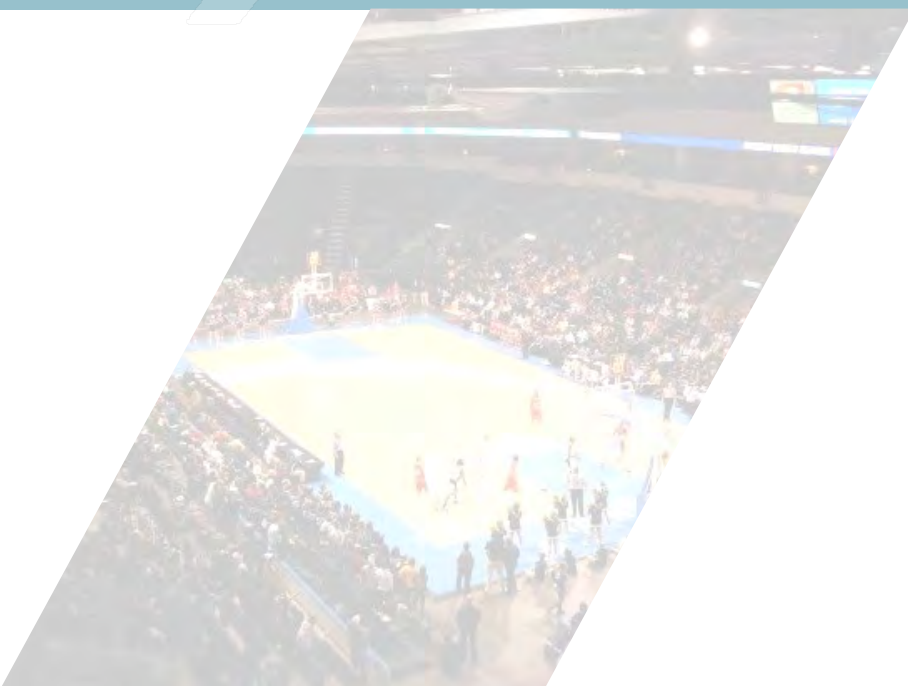
- Impact for Option 1 is provided through an **example** of original work conducted by Sierra for a similarly scaled twin-pad facility (Bell Aliant Centre in Charlottetown).
 - The example likely overstates equivalent potential to some degree and represents the top end of what can be achieved in Spruce Grove.
- Impacts for Option 2 and Option 3 have been **estimated** by Sierra.

OPTION	TOTAL ANNUAL OFF-SITE EXPENDITURE (DIRECT & INDIRECT)
OPTION 1: Community Twin-Pad <i>(top end example)</i>	\$6.7 M
OPTION 2: 2,500 Seat Arena <i>(estimated range)</i>	\$5.5 to \$7.1 M
OPTION 3: 3,500 Seat Arena <i>(estimated range)</i>	\$13.3 to \$16.9 M





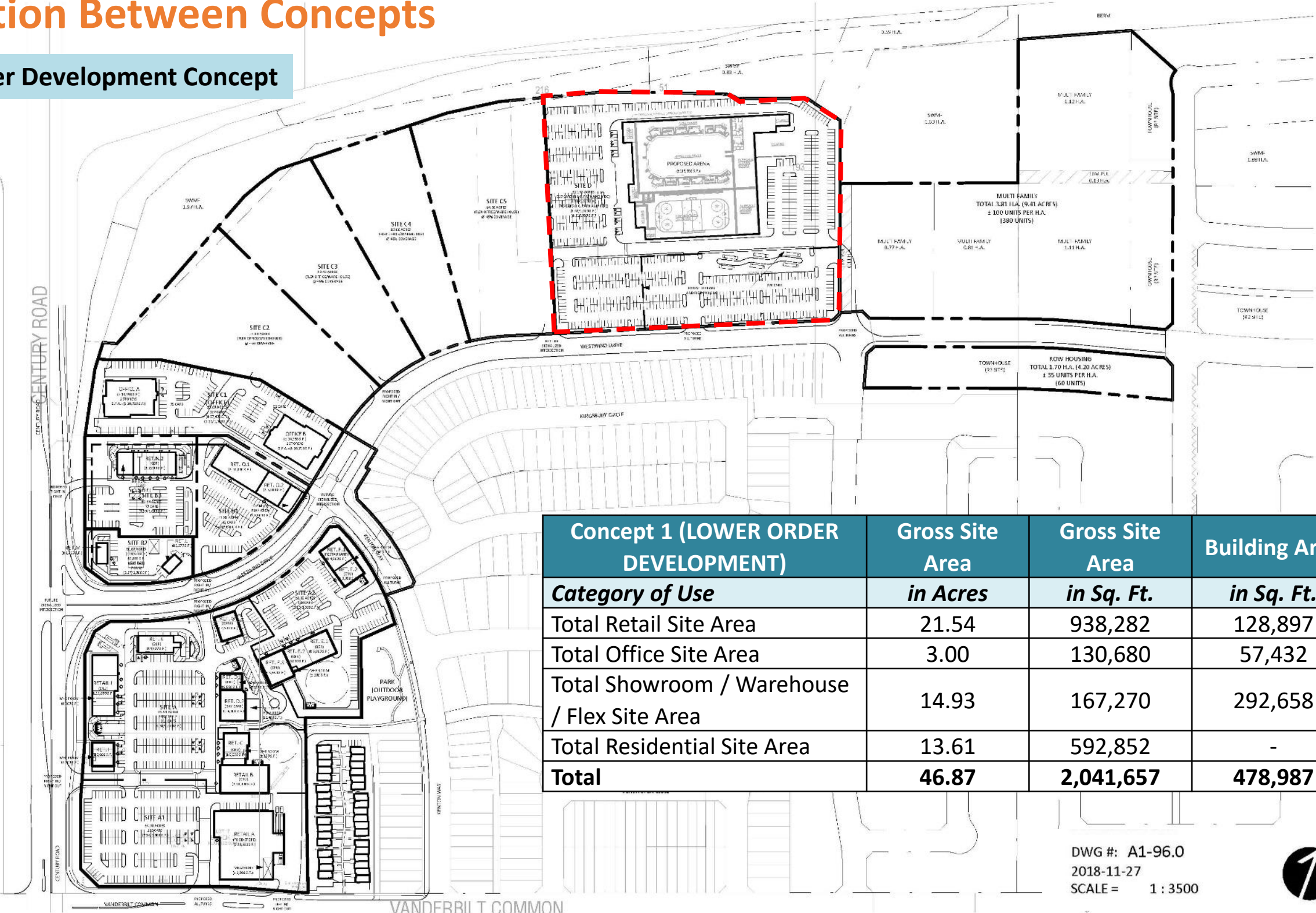
PART E: SITE PLANNING



WESTWIND SITE CONCEPTS

Distinction Between Concepts

Lower Order Development Concept



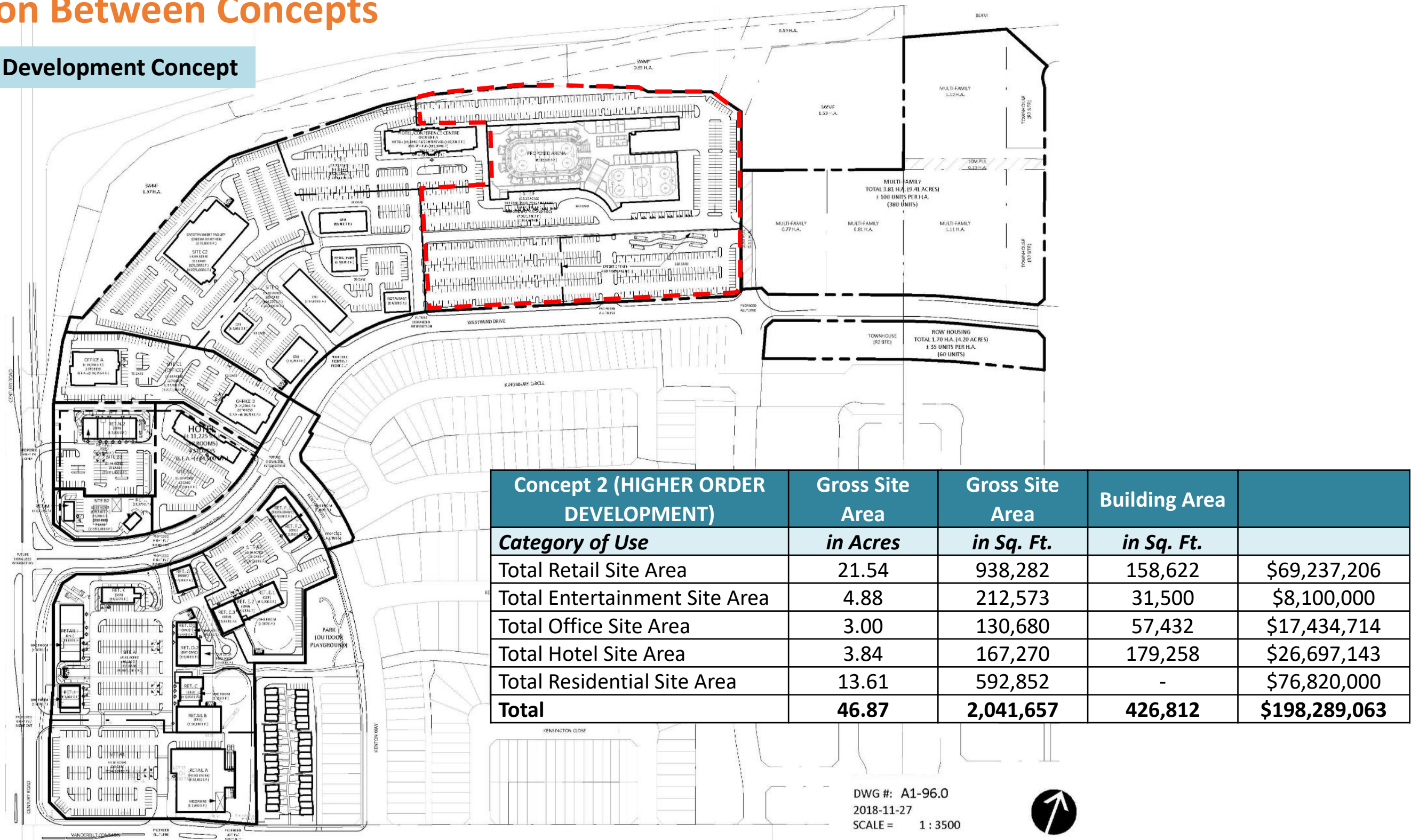
Source: One Properties Inc.



WESTWIND SITE CONCEPTS

Distinction Between Concepts

Higher Order Development Concept

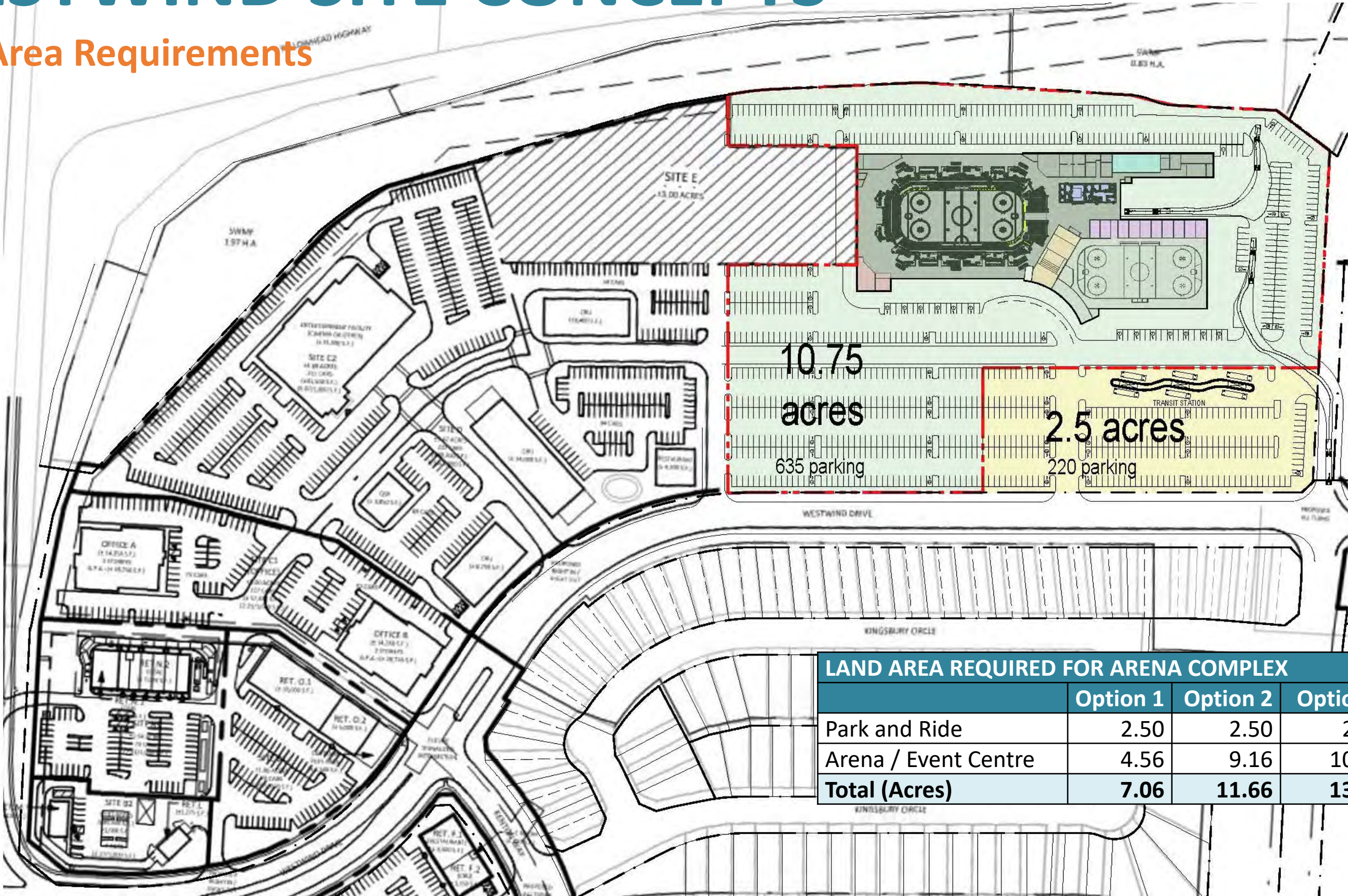


Source: One Properties Inc.



WESTWIND SITE CONCEPTS

Land Area Requirements

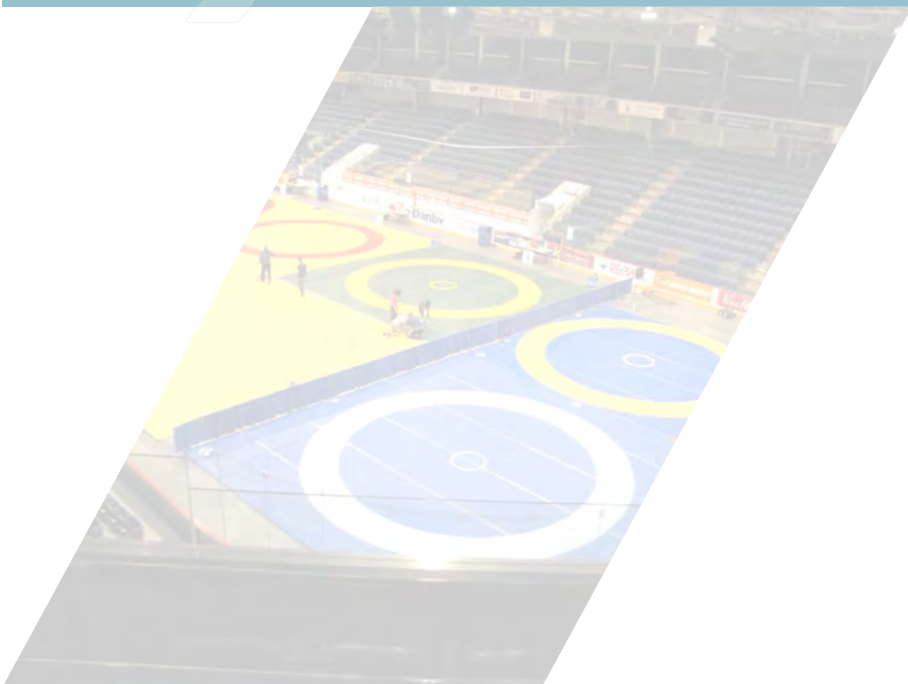


LAND AREA REQUIRED FOR ARENA COMPLEX			
	Option 1	Option 2	Option 3
Park and Ride	2.50	2.50	2.50
Arena / Event Centre	4.56	9.16	10.75
Total (Acres)	7.06	11.66	13.25





PART F: FUNDING STRATEGY AND RISKS



FUNDING ASSESSMENT

Funding Analysis Approach

1. Funding Strategy is established for each option based on a series of key inputs similar to each option:
 - MSI funding
 - Partner funding
 - Debenture funding from ACFI
 - Equivalent access to recreation levy between options
 - Equal funding period
2. Analysis is conservative - assumptions regarding escalation of tax revenues is modest (2% p.a.).
3. Approach to incremental tax uplift is conservative.
4. Recreation levy is discounted to reflect a risk based approach.
5. Resulting deficit annually on capital account should not therefore be viewed as inevitable.



FUNDING ASSESSMENT

Funding Model for Community Twin-Pad Arena

ASSUMES ZERO CAPITAL COST ESCALATION

Community Twin-Pad Arena

A - Capital costs (mid-point of cost range)		(\$39,246,875)				
Includes all costs (land costs inclusive) excluding option for upper floor space						
B - Direct Capital Funding Available to Project						
1 - MSI Municipal Sustainability Initiative	\$23,500,000					
2 - Other Government Grants / Partnership Funding	\$9,000,000					
3 - Land Sales Market Adjustment	\$600,000					
C - Net Capital Costs		(\$6,146,875)				
D - Long-Term Debt - Annual P&I Payment						
Based on ACFA (rate at 3.392%, 30 yrs)	(\$328,122)	(\$328,122)	(\$328,122)	(\$328,122)	(\$328,122)	(\$328,122)
E - Annual Funding Sources to Address Long-Term Debt						
1 - Incremental Property Taxation at Build-Out (Includes Municipal Portion of Property Tax Only) ¹	\$0	\$0	\$0	\$0	\$0	\$0
2 - Possible Future Off-Site Levies for Recreation ²	\$328,122	\$328,122	\$328,122	\$328,122	\$328,122	\$328,122
Sub-Total	\$328,122	\$328,122	\$328,122	\$328,122	\$328,122	\$328,122
F - Net Annual (Shortfall)/Surplus		\$0				



FUNDING ASSESSMENT

Funding Model for 2,500 Seat Arena and Community Pad

ASSUMES ZERO CAPITAL COST ESCALATION

2500 Seat Arena +
1 Community Pad

	Year 5 Build-Out	Year 10	Year 15	Year 20	Year 25	Year 30
A - Capital costs	(\$54,122,640)					
Includes all costs (land costs inclusive) excluding option for upper floor space						
B - Direct Capital Funding Available to Project						
1 - MSI Municipal Sustainability Initiative	\$23,500,000					
2 - Other Government Grants / Partnership Funding	\$9,000,000					
3 - Land Sales Market Adjustment	\$600,000					
C - Net Capital Costs	(\$21,022,640)					
D - Long-Term Debt - Annual P&I Payment						
Based on ACFA (rate at 3.392%, 30 yrs)	(\$1,122,194)	(\$1,122,194)	(\$1,122,194)	(\$1,122,194)	(\$1,122,194)	(\$1,122,194)
E - Annual Funding Sources to Address Long-Term Debt						
1 -Incremental Property Taxation at Build-Out (Includes Municipal Portion of Property Tax Only) ¹	\$0	\$0	\$0	\$0	\$0	\$0
2 - Possible Future Off-Site Levies for Recreation ²	\$598,868	\$598,868	\$598,868	\$598,868	\$598,868	\$598,868
3 - Ticket Surcharge - All Events (2% increase per annum)	\$108,200	\$119,461	\$131,895	\$145,623	\$160,779	\$177,513
Sub-Total	\$707,067	\$718,329	\$730,763	\$744,490	\$759,647	\$776,381
F - Net Annual (Shortfall)/Surplus	(\$415,126)	(\$403,865)	(\$391,431)	(\$377,703)	(\$362,547)	(\$345,813)



FUNDING ASSESSMENT

Funding Model for MUSEC and Community Pad

	Event Centre + 1 Community Pad					
	Year 5 Build-Out	Year 10	Year 15	Year 20	Year 25	Year 30
ASSUMES ZERO CAPITAL COST ESCALATION						
A - Capital costs (mid-point of cost range)	(\$65,857,404)					
Includes all costs (land costs inclusive) excluding option for upper floor space						
B - Direct Capital Funding Available to Project						
1 - MSI Municipal Sustainability Initiative	\$23,500,000					
2 - Other Government Grants / Partnership Funding	\$9,000,000					
3 - Land Sales Market Adjustment	\$600,000					
C - Net Capital Costs	(\$32,757,404)					
D - Long-Term Debt - Annual P&I Payment						
Based on ACFA (rate at 3.392%, 30 yrs)	(\$1,748,598)	(\$1,748,598)	(\$1,748,598)	(\$1,748,598)	(\$1,748,598)	(\$1,748,598)
E - Annual Funding Sources to Address Long-Term Debt						
1 -Incremental Property Taxation at Build-Out (Includes Municipal Portion of Property Tax Only) ¹	\$655,328	\$584,796	\$598,866	\$661,196	\$730,014	\$805,994
2 - Possible Future Off-Site Levies for Recreation ²	\$598,868	\$598,868	\$598,868	\$598,868	\$598,868	\$598,868
3 - Ticket Surcharge - All Events (2% increase per annum)	\$235,169	\$259,646	\$286,670	\$316,507	\$349,449	\$385,820
Sub-Total	\$1,489,365	\$1,443,309	\$1,484,403	\$1,576,570	\$1,678,330	\$1,790,682
F - Net Annual (Shortfall)/Surplus	(\$259,234)	(\$305,289)	(\$264,195)	(\$172,028)	(\$70,268)	\$42,084



FUNDING ASSESSMENT

Conclusion

- BCR captures the net difference between each option including any potential unfunded debt or risks thereto.
- The capital cost difference between Option 2 and Option 3 is about \$11 to \$12 million, but when both the capital and operating costs are considered together in present value terms, the difference is even less – about \$4.5 million.
- In terms of the benefits and costs of the project relative to the other options, **Option 3 is by far the preferred investment in terms of value for money.**

30-Year Net Present Value (NPV at 5% discount rate)	Option 1: Twin Pad Arena	Option 2: 2,500 Fixed Seat Arena	Option 3: 3,500 Fixed Seat Multi-Use Community Sport and Event Centre
PV Total Capital Cost	(\$41.3 Million)	(\$56.0 Million)	(\$67.1 Million)
PV Total Net Operating (Excl. capital reserve)	(\$4.1Million)	(\$26.2Million)	(\$19.4 Million)
PV Capital and Operating	(\$45.4 Million)	(\$82.2 Million)	(\$86.5 Million)
PV Off-Site Economic Impact Benefits	\$124.2 Million	\$130.6 Million	\$311.1 Million
Net (over 30 years)	\$78.8 Million	\$48.4 Million	\$224.6 Million



FUNDING ASSESSMENT

Risks Identified (All Options)

- There is little difference in risks between the options.
- Upside is greatest for Option 3.

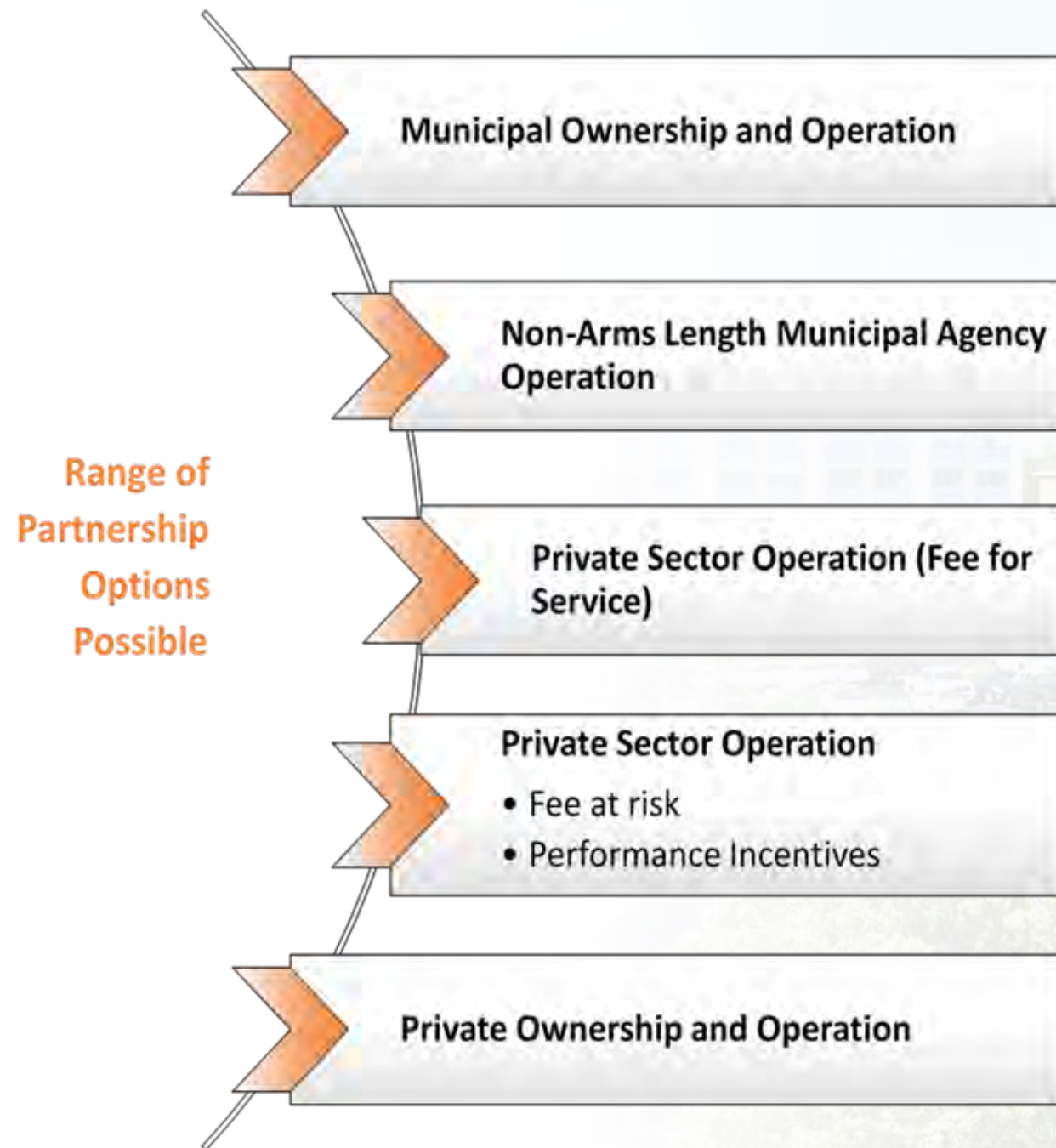
Risk	Mitigation
Capital Costs	Cost estimates will decline (like for like) excluding Construction Price Index increases.
Construction Risk	Follow detailed design process and selection of General Contractor (or Design-Build team).
Operating Risk	Real for any venture. Market demand exists – high-quality management required to ensure operational deficits maintained as projected.
Economic Impact Risk	As long as the facility is operated as recommended, and Municipal “Open for Business” policy, tax and regulatory approach is maintained – economic impact achieved. Competition always a risk but Spruce Grove ahead of competition assuming timely delivery.



The background of the slide is a collage of three images related to winter sports. The top-left image shows a large crowd in a stadium. The top-right image shows a wide view of a curling rink with several teams playing. The bottom-left image shows a close-up of an ice hockey rink with players and a goal. A large, stylized, light blue arrow graphic points upwards from the bottom left towards the center text.

PART G: IMPLEMENTATION

RANGE OF PARTNERSHIP OPTIONS



POTENTIAL TIMELINE FOR IMPLEMENTATION

