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New Event Centre – Administrative Review
EXECUTIVE SUMMARY – CONCLUSIONS AND
RECOMMENDATIONS

This report provides City Council with information, conclusions and recommendations regarding Part III pre-development of a New CMH Event Centre Project (NCECP) based on Council's direction of April 7, 2007.

Terms of Reference and Methodology

On April 7, 2007, City Council approved:

- that the City commit to the construction of the NCECP with a capacity of at least 6,500 seats and a spectator capacity of at least 7,100 people for hockey based on a gross building area of at least 175,000 square feet;
- that the construction of a new NCECP be deferred until 50% of the cost has been raised and deposited in a reserve account;
- that a final review of various sites including the Box Springs Road, Leisure Centre, and other possibilities be conducted, and a review of the facility capital and operating costs be completed;
- that the "Friends of the New Event Centre Committee" (FNECC) be appointed by the mayor to raise money, including contributions from the private sector and senior levels of government.

On January 7, 2008, City Council adopted and received a preliminary report and a Project Charter and Terms of Reference for the Event Centre Committee. This report further defined critical success factors/project objectives for Part III including: establish site criteria, analysis and site recommendation of various sites; capital costs including a review of construction escalation and engineering services and transportation; operating budget; finance and fundraising sources; possible partnership options involving private and public funding (FNECC); research/comparative analysis from other cities; operating model options; review the long term lease/license agreement with the major tenant and user groups; construction timing; construction procurement options; and property requirements.

Projected Capital Costs – Building

The New Event Centre project estimate was completed by GEC Architecture Ltd. (GEC) in January 2007. Since that time (19 months), construction costs have increased by approximately 20% due to the rising costs of labour and materials. In July 2008, GEC has submitted a revised estimated project value of \$108M, up from \$89M, which includes building, design, escalation, land, furnishings and equipment, and contingencies. The current construction estimate of the building is based on \$325 (previously \$280.00) per square foot. GEC has indicated that the current construction climate in Alberta appears to be leveling out rather than continuing to increase at a rapid rate. This revised amount should be reliable for a later 2008 construction start, and should take the project towards a completion date of 2011 (30 months). A substantial escalation allowance has been carried in addition to a project contingency. (Approximately \$23M or 21% of the total project value)

	Budget	Jul-08 Revised Budget
DIRECT COSTS		
off-site infrastructure	\$1,000,000	\$1,000,000
building - 175,000 SF	\$49,000,000	\$56,875,000
parking & related site work (2100 spaces)	\$6,300,000	\$11,130,000
escalation to midpoint construction	\$14,919,500	\$8,531,250
Total Direct Construction Costs	\$71,219,500	\$77,536,250
INDIRECT COSTS		
site remediation/demolition allowance	\$750,000	\$500,000
operating equipment FF&E	\$1,960,000	\$3,200,000
soft costs - legal, permits, survey, geotechnical, architectural, engineering (15%)	\$10,682,925	\$12,185,438
land costs, building, 3 acre site (city valuation)	\$42,857	
land costs, parking, 12 acre site (city valuation)	\$157,143	
land costs allowance		\$500,000
Total Land and Soft Costs	\$13,592,925	\$16,385,438
project contingency	\$4,240,621	\$14,013,253
TOTAL PROJECT VALUE	\$89,053,046	\$107,934,941
*land values based on a 15 acre site		

City administration reviewed the capital costs of ten (10) recently constructed sport and entertainment venues in Canada and the United States. A review of the information indicates that the data provided by GEC Architecture is comparable. Considering that the building cost per square foot (\$) is escalated to a 2011 opening date in the current active construction climate, it is not unreasonable to assume a \$325 per square foot estimate to build.

Administration has concluded that the total estimated project cost for the New Event Centre to be constructed in 2008 is \$108M plus offsite development costs.

Project Capital Costs - Offsite Servicing and Transportation/Parking Analysis

City administration contracted two local engineering firms to review and analyze on site and offsite servicing and transportation/parking requirements based on four potential sites identified by City Council. These reports have been provided to the Fundraising Committee appointed by City Council. (Excluding Lansdowne Hamptons site information which was identified later by the Fundraising Committee as a potential site)

Total capital funding required varies depending on the site. In each case, the building costs are assumed identical, however parking and other offsite infrastructure costs vary. In the revised July 2008 GEC capital building budget, \$1M is included for onsite service connections and minor intersection improvements to the facility, which depending on location should be sufficient according to the consulting firm. It is estimated that an additional \$15M may be required dependent on the final site chosen for on site and offsite improvements i.e. access roads, intersection improvements, utility and road over sizing, storm water management, etc. These additional costs are attributable to the total project value.

Based on the review of the four sites requested by City Council, Box Springs Business Park (BSBP) is the least expensive site to develop at \$108M. From an engineering perspective, the BSBP site is the only one that has all the basic engineering requirements in place that can be developed in 2008. It should be noted that while capital costs are an important determining factor regarding site selection, other criteria such as economic and community development are also important considerations.

TOTAL PROJECT VALUE (BUILDING + ONSITE/OFFSITE + SITE DEVELOPMENT)

	Cost Estimates (\$000)			
	<u>FLC</u>	<u>BSBP</u>	<u>MHES</u>	<u>HAMPTONS</u>
Building (Direct + Indirect Costs)	107,934	107,934	107,934	107,934
Transportation & Parking	9,000	-	3,775	5,760
Utility Servicing	3,308	-	3,047	-
Site Area Surface Work Requirements	2,142	2,142	-	-
Totals	122,384	107,934	116,898	113,694

It is recommended by Administration, that depending on the site chosen, that the Medicine Hat New Event Centre host 2,100 parking stalls on a minimum site size of 27 acres if it is a standalone facility and does not have adjacent parking support. Any greater number than this amount discourages the promotion and design for the utilization of a public transportation system for events, and increases the final value of the project. 500 parking stalls equals an approximate savings/increase of \$2.6M - \$3.0M.

Administration is recommending that, depending on the site chosen, an additional \$11M is required for supporting onsite and offsite improvements i.e. access roads, intersection improvements, utility and road over sizing, storm water management, etc. that is attributable to the project.

Administration has concluded that of the four sites reviewed by Administration, the Box Springs Business Park is the least expensive site to develop and is the only site that has all the basic engineering requirements in place that can be developed in 2008 or early 2009.

Administration is recommending that, depending on the site chosen, the New Event Centre ideally host a minimum of 2,100 parking stalls on a minimum site size of 27 acres. Any greater number than this amount, discourages the promotion and design for the utilization of a public transportation system for events and increases the final project budget.

Capital Scenarios and City Sources for Funding

The financial models previously prepared by Administration (Part II Report) presumed that between \$25M and \$45M in capital funds should be generated from government grants and third-party funding, and that the balance of funds required for the project could be financed through a combination of private and public funding, borrowing and other City funding sources over three or four years (the expected design-construction period).

Depending on the final capital plan and sources of revenues chosen, this project could result in a significant annual debt payment attributable to the New Event Centre necessitating tax revenue to address the debt-servicing and operating costs for the facility. Annual debt repayments on \$54M is \$3,892,000 per year based on a 5.25% interest rate over 25 years.

Capital Expenses and Funding Sources (\$ 000) – Debt Financing @ \$54M
 (Source: City of Medicine Hat)

Description	Revised Budget (BSBP Site – lowest cost)
EXPENSES	
Total Projected Capital Cost (rounded)	108,000
FUNDING SOURCES	
Government Grants/Donations (50% of building costs)	54,000
Debenture Debt	54,000
DEBT/TAXES/ANNUAL MEDIAN HOME INCREASE	
Annual Debt payments (25 years @ 5.25% interest)	3,892
% Tax Increase	9.22%
Annual Increase per Median Home (assessed value of \$238,000)	\$96.39

* Above table does not include operating costs of the project.

Administration has concluded that a New Event Centre project could result in a significant annual debt payment attributable to the New Event Centre and necessitate tax revenue to address the debt-servicing and operating costs for the facility and that City Council consider these financing options in relation to the best funding plan available.

Role of Sport & Entertainment Facilities on Urban Growth

Administration has reviewed information from a number of cities throughout North America, reviewed literature, and attended a planning seminar in Edmonton. Experts indicate that cities are building sport and entertainment centres for their communities recognizing the important role these projects play on sport and economic development. There is a huge public investment in sport facilities, using significant public funds, justified by tangible benefits (jobs, increased tax revenues, consumer spending) and intangible (civic pride) benefits to the community.

Urban centres have employed sports and entertainment facilities as anchors of broader urban infrastructure projects. The value of a New Event Centre project for economic, community and regional development is significant and will enhance the region's image, while leveraging public and private investment in housing, retail (hotels, restaurants, and shopping), office buildings, meeting and convention space, and other supporting and complementary projects.

A review of other cities arena developments conclude that you do not build these major facilities to support a user group, a franchise, or to host a specific major event or more events. The investment of taxpayer money is for a much broader economic and community development principle.

Administration is recommending that the planning and location of a New Event Centre in Medicine Hat emphasizes that the project be a significant anchor and catalyst for further economic development and enhance the region's image.

Construction Economic Climate

The market in Medicine Hat and Southern Alberta is significantly influenced by what occurs in Calgary. The market in Alberta and specifically Edmonton and Fort McMurray influences the Calgary market. All Calgary senior construction firms have limited capacity and/or project superintendents to take on more work in a robust commercial construction climate.

The construction market in Alberta is experiencing unprecedented pressures in terms of both availability of labour and materials. Since 2007, project costs due to rising material and labour costs have risen approximately 10% to 15% per year depending on which market and the type of work. The current situation is stabilizing but not expected to change significantly in the foreseeable future as the pace of development and the demands on the construction industry are expected to continue. GEC has indicated in July 2008 that the forecasted annual escalation costs can be lowered, dependent upon economic conditions.

Administration has verified that, like most construction industry leaders expect based on activity thus far this year, that construction is beginning to level out and that 2008 will be slightly slower than the rapid 2007 construction period. Most construction associations are witnessing more general contractors looking for jobs than last year, the number of bids is up on all projects, and more sub trades are looking for work.

Administration has concluded that the construction market in Alberta is stabilizing but not expected to change significantly in the foreseeable future as the pace of development and the demands on the construction industry are expected to continue. That escalation projection for capital projects, including the New Event Centre, is reduced in the revised July 2008 budget as indicated by GEC.

Options to Reduce the Capital Investment

GEC has also reviewed the size of the building in relation to the number of seats/seating capacity. It is their opinion that a 175,000 square foot gross building area has little room to reduce if one of the building's major requirements is multi-use/special events.

GEC offered three options to control costs of the NCECP project:

- a) reduce the seating capacity of the facility and thus the overall gross area of the building from 175,000 square feet;
- b) push forward or "fast-track" the project through a design-build or construction management construction procurement method to reduce escalation costs;
- c) reduce the off-site infrastructure of the project (i.e. parking, utility servicing) and place the facility where current infrastructure is already in place.
- d)

A review by Administration of the options from GEC Architecture confirms their assumptions. Comparative analysis has indicated that the building is sized appropriately for the number of seats and program planned and is similar to other

facilities recently constructed in Canada and the United States. Reducing the size of the building will save capital costs. Careful consideration is required if significant reductions are contemplated as building size reductions can potentially impact the multi-purpose nature of the building.

The construction market in Alberta is stabilizing in 2008 but costs are not expected to go down as there is an abundance of commercial infrastructure projects currently planned and underway, and a shortage of materials and labour continues. Inflationary/escalation costs will likely continue to increase the total cost of the project for each year it is delayed. Pushing the project forward will reduce escalation costs. GEC has indicated that the City can likely save 7 to 8% of the total project cost if construction is fast-tracked in 2008.

Locating the facility where off-site parking can be shared and where onsite and offsite servicing costs are less, can also significantly reduce the total capital investment required by the City.

Administration has concluded that three options for City Council's consideration to control costs of the NCECP project are to a) reduce the seating capacity of the facility and thus the overall gross area of the building from 175,000 square feet; b) push forward or "fast-track" the project through a design-build or construction management construction procurement method to reduce escalation costs; or c) locate the facility to reduce the onsite and offsite infrastructure of the project.

Options – Renovate the Current Arena

Discussions with GEC have confirmed that the current Arena can be renovated (modernized) to improve the amenities required to watch and participate in spectator events such as hockey and concerts. A major upgrade would be expected to add another 10 to 15 years to the life of the building but would not significantly increase the current seating bowl capacity of 4,006.

Total estimated cost for a full modernization project is \$47M (includes escalation and consulting costs) which is 44% of the total replacement value of the estimated \$108M proposed for a New Event Centre. (See Table 8.)

Administration is recommending that City Council continue to proceed with the construction of a New Event Centre. If the option to modernize the current Arena is contemplated, a further detailed review and analysis will be required.

Comparative Analysis with other Venues

Administration conducted a review of ten (10) sport and entertainment venues in North America. Although every building is different, the review attempted to compare:

- the direct building cost per square foot (to ensure that the City is not spending too much on construction quality);
- the gross square foot per seat (to ensure that the proposed building is not too big or too small in relation to the desired seating capacity); and
- the direct building cost per seat (to ensure that we are getting good capacity value for the money spent).

The data collected by administration supports the recommendations provided by GEC on all three above factors relating to construction of the New Event Centre. A multi-purpose building with a total capacity of 8,000 people requires approximately 175,000 square feet of program and service space.

Administration is recommending that the proposed New Event Centre remain a multi-purpose building in order to maximize revenues, utilization, and community benefits, with a capacity of 7,136 for hockey (6,500 fixed seats) and 8,000 people for concerts requiring approximately 175,000 square feet of program and service space (Gross Building Area).

Construction Procurement Methods

Although the City of Medicine Hat has traditionally used the Design-Bid-Build procurement method (Stipulated Sum) for previous community facilities, it is recommended that the City proceed with a Construction Management procurement method, with a maximum guaranteed price, for the New Event Centre. This allows the project to move ahead at a quicker rate with the assistance of a Construction Manager on the planning team, which should result in a high quality end product. By fast-tracking the design and construction of a New Event Centre and securing contractors, materials and labour, it is estimated that a 7 to 8 percent savings can occur. A second option, involving more risk and less Owner control, is to go with a Design-Build procurement method.

Administration is recommending that the City proceed with a Construction Management procurement method, with a maximum guaranteed price for the New Event Centre. This allows the project to move ahead at a quicker rate with the assistance of a Construction Manager on the planning team which should result in a high quality end product that meets the budget for the project.

Role of Public Private Partnerships (P3s)

Governments are currently confronted with infrastructure deficits and more demand for specialized and/or individual services. In addition, the public wants smaller, more efficient governments with strong demands for quality services with no tax increases. The private sector has an interest and expertise in service delivery operations that may assist with these challenges.

Infrastructure deficit problems impose huge costs on governments. In order to narrow the deficit, governments are turning to the private sector for financing, design, construction, and operation of infrastructure projects. Once rare and limited, these P3s are becoming more common. Several benefits to governments addressing their infrastructure shortages or improved efficiencies within their organizations can occur with P3s.

All partnerships have a unique risk/reward allocation and partnerships can take on many forms - a tool that requires careful application. Regardless of the model chosen, a detailed financial assessment is required to determine whether a P3 application will be of benefit to the City of Medicine Hat regarding this project.

Administration has concluded that if, after serious consideration of the financial and legal implications and risks and there is a lack of available financing options and grant sources available for the project, a P3 may be an option.

Operating Analysis

A review of operating revenues and expenses based on consulting company estimates and Administration's review has been conducted. The net operating deficit of a New Event Centre (lowest cost site) is estimated to range from \$151,000 to \$421,000 depending on the business and operating model and the final License Agreement with the major tenant. The median range, administration's recommendation, is estimated at \$ 183,000 per year (includes a \$100,000 contribution towards a capital reserve fund). This amount is equal or slightly better than the current net operating cost of The Arena.

Net operating costs including debt servicing is a huge consideration when building a New Event Centre. This project will result in significant annual debt repayments, necessitating tax revenues to address the debt-servicing and operating cost for the facility. Debt servicing, plus the estimated median operating deficit results in a 9.35% tax hike or \$97.76 per year for a median home assessed at \$238,000.

Alternatives to a new facility are not zero cost. The status quo has a cost, driven by ongoing and escalating cost to provide regular and preventative maintenance to the current Arena. Other lost opportunity costs include not being able to attract concerts and national/international events that would benefit the community.

It would be expected that the development of a new facility would stimulate development of ancillary lands that would potentially result in additional assessment growth and incremental municipal property tax revenues annually.

Administration has concluded that the Net Operating deficit (less debt servicing payments) is estimated to be \$183,000 per year for the New Event Centre, subject to the final business and operating model.

Administration has concluded that the Net Operating deficit, including debt servicing payments is estimated to be \$4.0M per year for the New Event Centre, subject to the final business and operating model.

Administration has concluded that it would be expected that the development of a New Event Centre would stimulate development of ancillary lands that would potentially result in additional assessment growth and incremental municipal property tax revenues annually.

Operating Models

The City is currently exploring and evaluating public-private partnership (P3) models that may contribute to the economic operational sustainability of the New Event Centre.

Management (operating) model options include private facility management firms, City-managed facilities, or an Arms Length Society model that usually have a "legal relationship" with the City. Private company operating models are becoming a common trend in new spectator arenas especially in larger centres.

City Administration has reviewed the three operating models and has concluded that each model has its advantages and disadvantages although any one of the models would work for this project. A New Event Centre in Medicine Hat will need to operate from day one with a solid business plan and an entrepreneurial approach to ensure that

the new multi-purpose events centre operates in an economically sustainable manner and serves the community with the finest services, the greatest entertainment, and most positive customer experiences.

A private company that specializes in building management, entertainment, and operation development is a reasonable option to meet the needs of the community.

Administration is recommending that City Council direct Administration to complete an Expression of Interest process to determine the interest and feasibility of a private management company being retained to operate the proposed New Event Centre.

Major User Groups/Tenant Review

A review of the existing contracts with the major tenant and major user groups was undertaken to determine what considerations are likely to occur should the community proceed with a new modern building. The current Arena Use Agreement (License Agreement) with the major tenant is outdated if a new facility were to be constructed.

Higher contributions/revenues would be required from the major user groups than currently provided in existing agreements. This would have to be negotiated and consideration given for any capital (equity) contribution made toward the facility. This method is done in many other facilities.

It is advantageous, if a New Event Centre is constructed, that the major tenant commits to a long-term lease to occupy and use the new building. Administration has concluded that Medicine Hat is a sustainable market for a WHL franchise for the long term.

It is critical that the New Event Centre and the existing Arena buildings do not compete with one another for events and similar user/spectator markets. With this method, maximum revenues from the new building can be achieved.

The key principles of an agreement with the major tenant of a New Event Centre should be a win-win situation for both parties, which the increased revenues generated from a new building are allocated in a fair manner so that the Club remains sustainable in the long term, relying on the potential revenues of the new building.

Administration is recommending that a key principle of new agreements and revenue sources with the major tenant and user groups of a New Event Centre is that higher City revenues would need to be generated to offset operating costs and capital investments and debt servicing. This would need to be negotiated and consideration given for any capital (equity) contribution made toward the facility.

Administration has concluded that it is advantageous that if a New Event Centre is constructed, the major tenant commits to a long-term lease to occupy and use the new building. Medicine Hat is a sustainable market for a WHL franchise for the long term.

Administration is recommending that the principles of a new Arena Use Agreement for a New Event Centre with the major tenant should be a win-win situation for both parties, and that the increased revenues generated from a new building be allocated in a fair manner so that the major tenant remains sustainable in the long term and the City acquires necessary revenues to offset debt repayments and operating costs.

Administration is recommending that the New Event Centre and the existing Arena building do not compete with one another for events and similar markets which would result in maximized revenues not being achieved by a new building. Once a new building is constructed, the current Arena should be downsized in seating capacity or decommissioned if the ice surface is replaced elsewhere in the City.

New Event Centre – Administrative Review

TERMS OF REFERENCE AND METHODOLOGY

The City is currently engaged in further planning and analysis to provide City Council with information and recommendations regarding the feasibility of a New Event Centre. The city has a population of approximately 60,000 and has an inventory of six ice surfaces including one twin ice facility, two recreation ice arenas, one Olympic size ice surface and a 37-year old, 4,006-seat spectator arena that houses the WHL's Medicine Hat Tigers Hockey Club (Tigers) along with other sporting and public events.

November 2005, Nustadia Recreation Inc. (Nustadia) completed an Arena Feasibility Study for City Council. March 2006, Administration completed an internal review and analysis of this report and presented its findings to City Council. The two reports concluded that a new multi-purpose events centre was needed by the community to replace the existing facility. A number of potential sites were reviewed, and capital and operating costs were projected.

City Council subsequently approved the appointment of a New Arena Steering Committee and approved Administration initiate the next step in the feasibility planning process (Part II).

In September 2006, GEC of Calgary was retained by the City to provide City Council with recommendations regarding the construction of a new multi-purpose events centre.

GEC submitted their final report to the New Arena Steering Committee and City Council on January 2007. Administration analyzed in detail the contents of the report and provided supplementary information and recommendations to the New Arena Steering Committee/City Council in March 2007.

On April 7, 2007, City Council approved:

- that the City commit to the construction of the NCECP with a capacity of at least 6,500 seats and a spectator capacity of at least 7,100 people for hockey, based on a gross building area of at least 175,000 square feet;
- that the construction of a new NCECP be deferred until 50% of the cost has been raised and deposited in a reserve account;
- that a final review of various sites including the Box Springs Road, Leisure Centre, and other possibilities be conducted, and a review of the facility capital and operating costs be completed;
- that the "Friends of the New Event Centre Committee" (FNECC) be appointed by the mayor to raise money, including contributions from the private sector and senior levels of government

On January 7, 2008, City Council adopted and received a preliminary report and a Project Charter and Terms of Reference from the Event Centre Committee. This report further defined critical success factors/project objectives for Part III including: establish site criteria, analysis and site recommendation of various sites; capital costs including a review of construction escalation and engineering services and transportation; operating budget; finance and fundraising sources; possible partnership options involving private and public funding (FNECC); research/comparative analysis from other cities; operating model options; review the long term lease/license agreement with the major tenant and user groups; construction timing; construction procurement options; and property requirements.

The FNECC has met to explore options for financial support from the private and public sector (various government levels) for a New Event Centre. A grant application has been submitted through the Major Community Facility Program and Build Canada.

This report is to provide Council with information and recommendations regarding Part III Pre-Development of a New Event Centre based on Council's direction of April 7, 2007.

Projected Capital Costs - Building

In January 2007, GEC Architecture Ltd. projected the capital costs (total project value) for construction of a new building with a capacity of 7,136 people (hockey). Basic assumptions included possible urban and suburban sites, 2100 parking spaces, and a commensurate area of land. A substantial escalation allowance (15% + 10%) has been carried in addition to a 5% project contingency. Construction contingencies are included in the construction costs. The consultants have also assumed 15% for soft costs and project expenses and \$3,000 per stall for paved parking.

GEC was asked to review their estimates for this Part III report to confirm whether the current numbers are still reasonable estimates based on the extremely active commercial construction market in Alberta.

GEC has provided Administration with a revised July 2008 budget, which reflects increases in costs and materials over a 19 month period. These figures are included in the following table. Off-site infrastructure costs are rough estimates of minimal site servicing and road upgrade costs, which include the cost of connecting all utilities into the building from the nearest street or utility-right-of-way. Building costs have risen from \$280 to \$325 per square foot. Parking and related site work costs have nearly doubled to an estimated \$5,300 per stall. GEC indicates that 2,100 stalls is still a reasonable number with a variety of approaches to accommodating major events including additional special buses, encouraging car pooling, and shared parking lots to help alleviate the traffic and reduce the costs. Construction escalation has been reduced over a 2-year period, which reflects the current trend that escalation is leveling out in 2008 and projected to be less aggressive in the next few years.

TABLE 1: Projected Capital Costs - Building (Direct & Indirect Costs)

(Source: GEC Architecture Ltd.)

Capital Project Costs	Jan-07 Budget	Jul-08 Revised Budget
DIRECT COSTS		
off-site infrastructure	\$1,000,000	\$1,000,000
building - 175,000 SF	\$49,000,000	\$56,875,000
parking & related site work (2100 spaces)	\$6,300,000	\$11,130,000
escalation to midpoint construction	\$14,919,500	\$8,531,250
Total Direct Construction Costs	\$71,219,500	\$77,536,250
INDIRECT COSTS		
site remediation/demolition allowance	\$750,000	\$500,000
operating equipment FF&E	\$1,960,000	\$3,200,000
soft costs - legal, permits, survey, geotechnical, architectural, engineering (15%)	\$10,682,925	\$12,185,438
land costs, building, 3 acre site (city valuation)	\$42,857	
land costs, parking, 12 acre site (city valuation)	\$157,143	
land costs allowance		\$500,000
Total Land and Soft Costs	\$13,592,925	\$16,385,438
project contingency	\$4,240,621	\$14,013,253
TOTAL PROJECT VALUE	\$89,053,046	\$107,934,941

* Land costs based on a 15-acre site

The following January 2007 budget chart provided by GEC outlined the projected escalation for the next two years. Forecasts and models beyond that point in time are unreliable. The estimated construction costs for the New Event Centre project have incorporated these escalation factors. Escalation is calculated to the mid-point of construction (roughly a 15-month period).

In addition to construction escalation, a geographic location factor is sometimes applied to projects where both labour and materials are not readily available in a particular market area. In the case of Medicine Hat, it is assumed that the estimated construction value will be similar to that of Calgary.

There are uncertainties related to the project that could impact the financial models, but these uncertainties also affect major renovation or upgrades to the existing Arena. Uncertainties such as:

- inflation/escalation;
- the structure of any long-term lease arrangements with the major tenant;
- and the ability to time and stage the opening date of a new facility.

Projected Capital Costs – Onsite Services, Offsite Services, and Transportation/Parking Analysis

City administration contracted two local engineering firms to review and analyze onsite and offsite servicing and transportation/parking requirements based on four potential sites identified by City Council. Reports have been received by Associated Engineering Alberta Ltd. (AEA) and Scheffer Andrew Ltd. Planners & Engineers (SA).

Each firm was required to, at a preliminary level; prepare comparative cost estimates for probable utility, transportation, parking, and site improvements at the four proposed sites. The purpose of these studies was to provide a better understanding of the costs and risks associated with each site. These planning level cost estimates (plus/minus 25%) can be used for comparative purposes. The more detailed analysis and cost estimates that will be required for the purposes of budgeting and implementation of the approved site is not included in these reports.

It is important to stress that these additional costs are required to support this development, and according to the local engineering firm Scheffer Andrew Ltd. Planners & Engineers, utility servicing should be a direct cost to the project as a development expense. Also of importance is that these offsite improvements may be completed prior to opening the facility, or some can be deferred to await the outcome/impact of the development to see what the priorities and needs are, if any, prior to phasing the work needed.

AEA identified that the New Event Centre site should include 2,700 stalls (1:3 persons) for parking to accommodate patrons attending events. The minimum land required to accommodate the New Event Centre and associated parking lot is 11 hectares or 27 acres. A number of transportation mitigation measures and a transportation matrix was identified and this information, along with other site analysis information prepared by City Administration, was submitted to the Regional Major Event Centre Fundraising Committee (“Fundraising Committee”) for their review.

SA’s report was also submitted to the Fundraising Committee for their site analysis review. In addition to total onsite and offsite utility costs, estimates for the land areas required for each site was based on the different servicing requirements. Area requirements differ for each site mainly on the area required for storm water management and internal roads. An estimate of the costs to develop the site to support the building, such as paved lots, installing sidewalks, landscaping, parking lot lighting, is also provided. SA has indicated that depending on the final site and the amount of services and amenities that are planned for the New Event Centre, a site of up to 45 acres may be optimal. (See Appendix for more detail)

All costs from the two reports as well as the revised GEC Projected Capital Costs have been summarized by Administration and presented in the following tables. These tables represent the total cost impact of the project including buildings, on-site and off-site development costs.

TABLE 2: Total Project Value (Building + Onsite/Offsite & Site Development

(Source: City of Medicine Hat)

	Cost Estimates (\$000)			
	<u>FLC</u>	<u>BSBP</u>	<u>MHES</u>	<u>HAMPTONS</u>
Building (Direct + Indirect Costs)	107,934	107,934	107,934	107,934
Transportation & Parking	9,000	-	3,775	5,760
Utility Servicing	3,308	-	3,047	-
Site Area Surface Work Requirements	2,142	-	2,142	-
Totals	122,384	107,934	116,898	113,694

Note: Onsite costs are defined as those costs that are required to bring utilities from peripheral roads and/or utility right-of-ways into the facility plus Site Development Costs. GEC has indicated that the Projected Building Budget (revised July 2008) should be sufficient to cover the Utility Servicing Costs (not including Storm Management) and \$5,300 per parking stall that should allow for lighting, storm sewer, and modest landscaping and Site Development costs.

Offsite costs are defined as those costs that would bring transportation links and utilities to the site. The BSBP site has significant off-site costs that have been/will be paid by the BSBP developer. GEC has indicated that the capital Building budget does not include any significant upgrades to offsite utilities, roads and transportation costs.

The above projected capital expense estimates are provided for each site based on GEC's analysis of a minimum requirement of 15 acres of land for the building and parking stalls. Extra costs for additional land are not included because of the many variables associated with what extra amenities (bus lanes, landscaping, drop-off areas, service bays, etc.) are chosen as well as negotiations for land from third parties (if required).

Administration has concluded that the Box Springs Business Park is the least expensive site to develop of those reviewed and is the only site that has all the basic engineering requirements in place that would allow for construction to occur in 2008 or early 2009. It should be noted that capital costs should not be the only determining factor regarding site selection, and that other criteria such as economic and community development are important considerations.

Associated Engineering indicates that 27 acres of land is required for 2,700 parking stalls (1 stall: 3.00 seats), parking for 100 staff, the building footprint, and a 10% landscaping allowance. Scheffer Andrew Ltd. Planners & Engineers indicates as much as 36 to 45 acres of land (depending on the site) is optimal for the entire site development, which includes building footprint (4 acres), stormwater management (1.7-3.3 acres), pedestrian linkages, parking (22 acres), internal roads (5-7 acres), accommodation of large event support vehicles, public transit facilities, handicapped transportation drop-off zone, private vehicle drop off zone, landscaping (3.5 acres) , and a recycling facility (4.9 acres).

Administration has contacted Lethbridge and Saskatoon regarding their site development. Lethbridge indicates, that with their planned expansion, they will have 1,950 parking stalls for a full capacity of 6,500 patrons (1 stall:3.33 seats) on a total site of 25 acres. Saskatoon indicates that they have 3,000 paved parking stalls (plus another ~1,000 dirt stalls) for a full capacity of 13,192 patrons (1 paved stall:4.39 seats) on a total site of approximately 15 acres. Saskatoon's website indicates that they have a system in place to promote public transportation during major events. For most publicly attended events they have transit service from the downtown bus mall. For high attendance events they arrange extra transit services and advertise the originating locations. Lethbridge does not actively promote public transportation to Enmax events. It should also be noted that on an "event day", as many as 250 event day staff travel to the site in advance of the event to work.

TABLE 3: Parking Lot Capacity and Site Size (acres) – Two Scenarios

(Source: City of Medicine Hat)

Description	2,100 Parking Stalls	2,700 Parking Stalls
Building footprint	3.95	3.95
Parking stalls	18.87	21.70
Large support vehicles	.25	.25
Public transit facilities	.17	.17
Public/handicapped drop off area	.34	.34
Landscaping allowance	3.42	3.59
TOTAL ACRES OF LAND	27.00	30.00
Max. Capacity Ratio – Stalls per seat (hockey)	1:3.38	1:2.62
Max. Capacity Ratio – Stalls per seat (concerts)	1:3.80	1:2.96

Note: that if the average attendance at an event was 5,400 people, then a 1,800 stall parking lot would meet the 1:3.0 parking stall per seat ratio as recommended by Associated Engineering.

Parking lot size (number of stalls and total acres) and amenities is a public policy issue. The final size of the property depends on the amount of amenities the community wants, what ratio is used for the number of stalls per acre (experts indicate the range from 120-190 stalls per acre), the location of the venue, and what image the community wants to create regarding a large community facility and potentially huge amounts of open space and infrastructure. A suburban site will require significantly more land than a downtown or regional commercial area where shared parking can be relied upon. Other factors are the availability of a public transit system, sustainable storm water management, landscaping and open public space considerations.

It is recommended by Administration, that depending on the site chosen, that the Medicine Hat New Event Centre host 2,100 parking stalls on a minimum site size of 27 acres if it is a standalone facility and does not have adjacent parking support. Any greater number than this amount discourages the promotion and design for the utilization of a public transportation system for events, and increases the final value of the project. 500 parking stalls equals an approximate savings/increase of \$2.6M - \$3.0M.

Capital Scenarios and City Sources for Funding

The financial models previously prepared by Administration presumed that between \$25M and \$45M in capital funds would be generated from government grants and third-party funding, and that the balance of funds required for the project could be financed through a combination of public and private funding, borrowing, and other funding sources. Council's direction as of April 2007 is that the construction of a new NCECP be deferred until 50% of the cost has been raised and deposited in a reserve account. Considering the revised July 2008 GEC budget, borrowing 50% of the project cost would result in significant annual debt repayments attributable to the New Event Centre

and necessitate tax revenue to address the debt-servicing and operating costs for the facility.

The Administrative review confirmed the value of considering other financial initiatives and researching other funding sources to assist with the large capital and operating (debt-servicing) dollars required to finance this project. The revenue options become part of this new initiative.

Table 4: Capital Expenses and Funding Sources (\$000) – Debt Financing @ \$54M
(Source: City of Medicine Hat)

Description	Revised Budget (BSBP Site – lowest cost)
EXPENSES	
Total Projected Capital Cost (rounded)	108,000
FUNDING SOURCES	
Government Grants/Donations (50% of building costs)	54,000
Debenture Debt	54,000
DEBT/TAXES/ANNUAL MEDIAN HOME INCREASE	
Annual Debt payments (25 years @ 5.25% interest)	3,892
% Tax Increase	9.22%
Annual Increase per Median Home (assessed value of \$238,000)	\$96.39

* Above table does not include operating costs of the project.

The following table shows various borrowing amounts and the required annual debt payments, tax increase, and monthly/annual increase per median home with an assessment of \$238,000. The purpose of this graph is for comparative purposes only.

TABLE 5: Debenture Debt Borrowing Options to Finance (\$000)
25 Years @ 5.25%
(Source: City of Medicine Hat)

Borrowing Amount	Annual Debt Payments	% Tax Increase	Monthly Increase per Median Home	Annual Increase per Median Home
\$ 35,000,000	\$ 2,520,000	6.30%	\$ 4.79	\$ 57.46
\$ 45,000,000	\$ 3,240,000	8.10%	\$ 6.16	\$ 73.87
\$ 55,000,000	\$ 3,960,000	9.90%	\$ 7.52	\$ 90.29
\$ 65,000,000	\$ 4,680,000	11.70%	\$ 8.89	\$ 106.70
\$ 75,000,000	\$ 5,400,000	13.50%	\$ 10.26	\$ 123.12
\$ 85,000,000	\$ 6,120,000	15.30%	\$ 11.63	\$ 139.54

* Above table does not include operating costs of the project.

The following table shows various sources of funding that Administration has reviewed. Certain grants and reserve funds have commitments and criteria that limit or restrict the use of these funds for a major community project.

TABLE 6: Funding Sources – Options to Finance (\$M)
 (Source: City of Medicine Hat)

Description	Current Balance (\$M)	Commitments (\$M)	Available Funds \$(M)	Notes
1. CAMRIF (Federal & Provincial Grant)	\$6.0	\$6.0	0	The City was awarded projects totaling \$6.0M in 2007 (the maximum allowable to any one community).
2. Building Canada Fund (Federal & Provincial)				More information will be available once Alberta signs an agreement with Canada respecting this program. It appears this project would be eligible to receive some funding under this program.
3. AMIP (Provincial)	\$51.0	\$46.9	\$4.1	Eligible projects are prioritized by type of infrastructure. Recreational Facilities are included in the second classification of priorities and the municipality must certify that its Core Infrastructure is in good condition to have funding approved for this classification. If these funds were used to finance a New Event Centre, debt would have to be issued to meet core infrastructure needs. \$10.2M is available yearly over 5 years based on projected cash flows for projects and maximum yearly funding available.
4. NDCC (Federal)	\$8.1	\$4.6	\$3.5	This funding is eligible for use on core infrastructure with similar conditions as AMIP funding. The \$8.1M is apportioned out yearly over 5 years based on eligible project funding requirements.
5. Municipal Sustainability Initiative (Provincial)	\$159.0	n/a	\$159.0	This is a 10 year plan for yearly capital and operating funding streams ranging from \$4.99M in 2007 increasing to a projected \$19.77M per year from 2010 to 2016/2017. 2007 funding restrictions are very specific, but are significantly less so for 2008 and on. Availability of funds and spending restrictions on future year's funding streams may be changed subject to changing economic and political situations. Therefore considerable risk is associated with proceeding with a very large project that relies on future year's allocations due to the potential changes to Grant conditions. If these funds are used to finance a New Event Centre debt would have to be issued to meet core infrastructure needs.

Description	Current Balance (\$M)	Commitments (\$M)	Available Funds \$(M)	Notes
6. Major Community Facilities Program (Provincial)	\$0	\$0	\$10	This new grant program will assist communities to plan, upgrade and develop large community-use facilities and places in order to enhance community life and citizen well-being. An application has been submitted to receive funding from this program.
7. Gas Depletion Reserve (CMH)	\$123	\$23	\$100	The objective is to reinvest these funds in the purchase of oil and gas reserves. The long-term plan for Gas Utilities indicates that new reserves must be purchased to ensure the City's ability to provide gas to the citizens of Medicine Hat. Funds are required to be available to meet this need as opportunities for re-investment are realized. \$15M was contributed to the Esplanade capital project.
8. Land & Properties Contribution (CMH)	\$6.3 deficit	\$41 over next 2 years	\$12 surplus estimated by 2010	The objective is to reinvest these funds in Subdivision and Land Development. The use of a large amount of the surplus that is projected may negatively affect the City's ability to remain in the Land Development business. The surplus estimate is one year old and needs to be updated to recognize the escalation of costs in the construction sector. \$17M was contributed to the FLC capital project and \$12M was contributed to the Esplanade capital project.
9. Infrastructure Reserve	\$5 (at Dec 31, 2007)	\$5	\$3.3 Estimated Balance at Dec 31, 2009	The objective of this reserve is to provide a source of funding for capital projects valued at less than \$1M. The goal was to have \$6.3M in this reserve by December 31, 2009. This would give the City flexibility to meet unforeseen demands. Use of these funds would result in the need to debt finance municipal projects. \$2.8M was contributed to the Esplanade capital project.

Role of Sport & Entertainment Facilities on Urban Growth

Event Centres – a Catalyst for Urban Development

Administration has reviewed information from a number of Cities throughout North America, reviewed literature, and attended a planning seminar in Edmonton. Experts indicate that cities are building sport and entertainment centres for their communities recognizing the important role these projects play on sport and economic development. The following text is key points learned from this review.

- There is a huge public investment in sport facilities, using significant public funds, justified by tangible benefits (jobs, increased tax revenues, consumer spending) and intangible (civic pride) benefits to the community.

- Cities seek ways to compete and be different from others, to find their niche, and highlight their uniqueness (Branding). Sport and entertainment is completely woven into the fabric of this community and can accelerate a process of renewal and change, and be a focus for increased confidence as a place to play, invest, work, and live.
- Urban centres have employed sports and entertainment facilities as anchors of broader urban infrastructure projects. Of significance is the value of these projects for economic and community development and a region's image. Every project is unique, intent to "knit" a city together with urban design. It's not about complexity of design, but quality.
- An Event Centre can be a catalyst in urban development projects with a series of small projects linked together to be a real success. The development of major public space can create private investment 5 to 20 times the original public investment. The result is that the city's image will change forever; anchored by a consolidated sports and entertainment plan.
- Sport facilities are 30-40 year plans. Event Centres host between 100-200 events per year with the ability to generate huge commercial potential.
- The 1970's sport facility development approach was, "They came, they saw, they left." Parking ruled the day.
- Today's approach is to integrate the building into the entire urban lifestyle. What cities are learning is don't build it and hope something happens. A successful facility not only creates an "Arena District", but it is planned, constructed, and operated in a very active and cost-efficient manner, generating significant revenue streams and relying less on tax subsidies.
- A new Regional Event Centre will allow the City of Medicine Hat and area to compete with other Alberta and Saskatchewan mid-sized cities to host major events and to attract and retain human capital by reinforcing that Medicine Hat is a great place to live, play, and do business.
- The value of an Event Centre project for economic, community and regional development is significant. It will enhance the region's image, while leveraging public and private investment in housing, retail (hotels, restaurants, and shopping), office buildings, meeting and convention space, and other supporting and complementary projects.

The challenge for all cities, including Medicine Hat, is what is the ultimate goal(s) of an Event Centre? Is it public image/civic pride or the best capital and/or operating business case? Is it to create an economic stimulus to develop or re-develop an area of the city or support commercial, agricultural, or convention/trade show development? Is it to create a recreation showcase or "hub" in one location, or some other community goal? The lesson learned from other cities is that you do not build these major facilities to support a user group, a franchise, or to host a specific major event or more events. The investment of taxpayer money is for a much broader economic and community development principle. A catalyst for the community to enhance the image and overall strategy as a community of choice, where people are attracted to as a place to work, invest, and live.

It is important, and recommended by Administration, that the planning and location of a New Event Centre in Medicine Hat ensure that the project will be a significant anchor and catalyst for further economic development and enhance the region's image.

On June 21, 2007, Administration met with Graham Edmunds Cartier Architecture Ltd. (GEC) and a prominent Canadian construction company to discuss capital construction options, 3P partnerships, review the functional study for possible site and space reductions, and to discuss construction/economic indicators and the effect of the current construction “boom” economy on the New Event Centre project.

They indicated that according to Alberta Infrastructure, escalation is currently 1.3% per month (2007). Other projects are coming in at 1.6%-1.7% compounded monthly. According to the construction company, 2006's escalation was 18.4% for the year. According to the Alberta Budget 2007 – Economic Outlook, building construction costs rose 19% in the 4th quarter of 2006. In the major construction marketplace, fewer bidders, fewer trades i.e. electrical, and a shortage of materials are driving project costs up.

According to Alberta Economic Development (March 2008), in 2006 Alberta's economy grew 6.8% and experts predict Alberta will have one of Canada's top performing economies in the future. In 2006, Alberta investment per capita was \$22,296, more than twice the national average. Alberta's vibrant economy translates into a healthy job market and the average unemployment rate in 2006 was the lowest in Canada at 3.4%. Increased investment in oil sands, utilities, information and communication technologies, manufacturing and business services is expected to sustain investment growth over the next three to four years. Conventional energy investment is expected to remain strong. Alberta's tight labour market is expected to place continuing pressure on wages, particularly in high-demand sectors such as construction.

Stats Canada indicates that low mortgage rates, accelerated income growth, high consumer confidence, a secure job market and falling vacancy rates have all contributed to a large increase in the construction demand. There is enormous demand for residential and commercial construction in Alberta's booming economy. Non-residential construction activity showed that Alberta had the largest gain, at 40%, due to higher investment in commercial buildings; owing to strong retail sales, lower office vacancy rates, low interest rates, and record corporate profits. Alberta has been in the lead of the strongest period of economic growth ever recorded by a province, thanks to the huge income of money from higher oil prices and capital investment. Increases in residential and non-residential construction have led to a shortage of workers in the building trades. Scotiabank Group (Economics – April 2007) indicates that controlling wages and materials for construction projects may prove very difficult given current stretched conditions in Alberta and BC's ambitious infrastructure agenda, laid out through 2010. Resources, particularly skilled labour, will remain scarce. The market in Medicine Hat and Southern Alberta is significantly influenced by what occurs in Calgary. The market in Alberta and specifically Edmonton and Fort McMurray influences the Calgary market.

Commodity prices continue to increase and the demand for materials shortens the supply. The price and lack of availability of steel, cement, drywall, copper, bricks, and other construction materials is rising steadily. There is a global marketplace competing and purchasing these raw materials. The reality of supply versus demand is now worldwide for construction materials.

The Medicine Hat Construction Association (MHCA) expects, based on activity thus far this year, that construction is beginning to level out and that 2008 will be slower than the rapid 2007 construction period. Major projects in the City and surrounding region will provide major projects for local contractors. MHCA are witnessing more general contractors looking for jobs than last year, the number of bids is up on all projects (also confirmed by the City of Medicine Hat Purchasing Department), and more sub trades are looking for work. Calgary bulletins for bids are down from 40-50 pages last year to 20-30 pages in 2008. There continues to be a shortage of labour, less employee loyalty, and commodities are in short supply and some price guarantees are only for one week due to the global market and aggressive countries like China competing for materials in Canada. Wages are increasing as the government increases the minimum wage, which affects the entire wage grid. Older trade employees are retiring and there are less apprentices in the construction trades to replace them.

According to the Construction Sector Council (Construction Looking Forward, Labour Requirements from 2007 to 2015 for Alberta), record investment in oil sands projects will last until investment begins to decline in 2010. The main factors behind the strong medium term performance include the large amount of investment scheduled for oil sands development and strong growth in government investment spending. The outlook for investment in the province is the key driver for the demand for construction trades.

TD Economics Special Report (September 2007) indicates that the Calgary-Edmonton Corridor (and all of Alberta) is likely to soften in 2008 and 2009, as cost pressures naturally apply the brakes to activity in key areas such as the oil sands and the housing markets. According to the MHCA, the Calgary Construction Association, and GEC Architecture, 2008 is appearing to be going in this direction.

Options to Reduce the Capital Investment

GEC offered three options to control costs of the NCECP project:

- a) reduce the seating capacity of the facility to 5,000 fixed seats from 6,500 seats, resulting in the gross area of the building being reduced from 175,000 square feet to 150,000, thus saving approximately \$10 million in the project cost;
- b) start the design in 2008 and push forward or “fast-track” the project. Getting the project team in place as soon as possible can save approximately \$10 million in escalation;
- c) reduce the off-site infrastructure of the project and place the facility where current infrastructure and/or commercial areas (i.e. parking lots) is already in place.

A review of the New Event Centre building estimate was completed by GEC in July of 2008. The current construction estimate of the building is now based on \$325.00 per square foot. This amount should be suitable for a 2008 construction start, and should take the project towards a completion date of 2011. The budget includes a \$8.5M for escalation and a \$14M contingency.

Most projects of this magnitude are being planned four (4) years in advance. A new school, hospital expansion, or other major commercial project in the Medicine Hat region may increase costs and place an even greater challenge/demand for competitive bidding, labour and materials. The biggest variable in the total project cost, in the opinion of GEC, is the related costs of location, parking, roads, and other off-site factors.

Their recommendation is that the best way to reduce the financial risk is to push the project ahead in a fast-track mode through a design-build or construction management construction procurement method rather than holding off until the construction economy slows down in Alberta. This can save the project 7 - 8%. "Moving ahead slowly with the New Event Centre does not mitigate the risk, but increases it". The economy may slow down in the near future, but costs will not drop.

Development model options being pursued include construction management and design/build/finance projects. The City has been advised that some larger construction companies will accommodate development capacity if a partnership is available that increases the value of their investment. Companies will consider a design-build or partnership project as a long-term cash flow opportunity.

They indicate that these projects provide value to them as well as the Owner (City of Medicine Hat) by looking ahead and planning resources efficiently. This results in a better alignment of managing projects (securing trades and materials early) and reduces the risk and stress of a major project. Successful partnership projects in Canada include arena stadiums, roads, bridges, shopping centres, and retail space.

Construction companies indicate that they can borrow money and lease the building to the City over the long term and at interest rates not significantly higher than current municipal financing terms. Currently there is a high demand for investors looking for new development opportunities. The more the commercial value of the project, the better the financing costs can be.

GEC and City Administration has recently reviewed the size of the building in relation to the number of seats/seating capacity. It is our common opinion that a 175,000 square foot gross building area has little room to reduce if one of the building's major requirements is multi-use/special events. Other Canadian city venues are in the 175,000 to larger than 200,000 square feet of gross building space to meet the program/user needs, public areas, and storage/service requirements for this type of a building. Reducing the amount of space will dramatically effect program and public requirements, future needs/capacity (minimum 25 year active life span), and revenue generation opportunities.

TABLE 7: Reducing the Size of the Building to save Project Costs

(Source: City of Medicine Hat)

# of Fixed Seats	Estimated Gross Area of Building (sq. ft.)	Estimated Project Costs	Estimated Project Savings over Original Budget	Estimated Percentage Saved over Original Budget
6,500 Original	175,000	\$108M	n/a	n/a
5,000	150,000	\$98M	\$10M	9.25%

Option - Renovate the Current Arena

In the Nustadia report, the consultants reviewed the functionality, limitations and deficiencies of the current Arena. Nustadia and PBK Architects performed a walk-through and met with operations personnel, stakeholders and users to complete an assessment of the overall building deficiencies and limitations. Nustadia also reviewed the Realty Asset Management Plan that was recently commissioned by the City. Based on that review Nustadia provided a phased renovation cost estimate for the Arena. The report indicated that the 38-year old facility is in very good physical condition and that it serves the basic needs required of an ice sheet for youth and adult skating activities, as well as for a 4,006-seat arena for WHL hockey. Based on its condition and the current life-cycle/preventative maintenance program planned by the City, the facility is anticipated to be functional (for hockey only) for at least another 12-15 years.

In their report, 19 points were made regarding the deficiencies of the current Arena. Key areas of concern included lack of circulation, concession and washroom space and barrier-free access. The maximum capacity of the 38-year-old arena is 4,006 seats and it is often at full capacity (sold out consecutively 282 regular and playoff Tiger hockey games) and unable to meet the current demand for major events (i.e. WHL hockey). Concerns relating to the lack of electrical capacity, storage, staging area, fire code regulations limiting ice level seating capacity, non-retractable score clock and non-removable rink boards and rink glass are major limitations to hosting special events and concerts.

It was confirmed in the Nustadia report that the Arena could be renovated to a more modern and improved standard for a 4,006-seat spectator facility with capital dollars invested (equivalent to an estimated 35% to 45% of the cost of a new 6,000-seat facility based on Nustadia’s 2005 estimate). They had indicated that the capital costs (Preliminary Class C Estimate) was \$16.5M (2005 dollars) without adding significant additional seating.

Discussions with GEC have also confirmed that the current Arena can be renovated (modernized) to improve the amenities required to watch and participate in spectator events such as hockey and concerts. A major upgrade would be expected to add another 10 to 15 years to the life of the building but would not significantly increase the current seating bowl capacity of 4,006 and at best, the current capacity could be maintained. A “doughnut” exterior expansion ring (~25 feet) around the entire building would add the necessary space to allow for increased circulation, washrooms, concessions, storage, handicapped accessibility, and added exits and egress points to

add media space and private suites. Renovations within the building would replace the concrete ice pad, rink boards and glass, and allow more flexibility to host concerts and other events on the event floor.

The current Arena has 380 feet of rail on the upper concourse. 253 standing room spots could be sold if exterior exits are built to egress from this site. Extra seating along the ice level may accommodate an additional 132 seats if the seats that were removed years ago (for improved patron and security staff circulation along the boards) were added back in and the proper exterior exits are built. Renovating the ice level with new exits and removable rink boards and glass would likely alter the geometry of the lower level and reduce the total amount of seats by 200 or more. To add more seats becomes cost prohibitive due to the low roof, which would interfere with sightlines.

GEC Architecture has estimated that the total cost for this full modernization project is \$47M (includes escalation and consulting costs) which is 44% of the total replacement value of the \$108M proposed new multi-purpose events centre (single sheet). City Council's consideration should include whether the investment justifies the expenses for this option. It should be noted that a project of this magnitude would need to phase over a number of years (2-3) to avoid any disruption to existing programs and user groups.

This option, if considered, would require further review and cost analysis by the consultants and would be subject to fire department and building code review. It is expected that a building designed and constructed in 1969 would not meet current building codes and would result in significant challenges and costs.

TABLE 8: Capital Cost Comparison: New Event Centre compared to Renovating the Current Arena

(Source: GEC Architecture)

Description		New Building	Retrofit Current Arena
Direct Costs	off-site infrastructure construction	\$1,000,000	\$1,200,000
	parking & site work	\$56,875,000	\$30,000,000
	escalation	\$11,130,000	\$2,000,000
		\$8,531,250	\$4,500,000
Indirect Costs	site remediation	500,000	100,000
	FF&E	3,200,000	1,100,000
	soft costs/design	12,185,438	5,835,000
	land costs/allowance	500,000	100,000
Contingency		14,013,253	2,241,750
Project Value		\$107,934,941	\$47,076,750
	% of New		44%

It is recommended that City Council continue to proceed with the construction of a New Event Centre. If the option to modernize the current Arena is contemplated, a further detailed review and analysis will be required.

The City of Lethbridge has completed the Enmax Centre Facility Plan (January 2007) and are proceeding with a capital renovation plan. Major details are as follows:

- The facility can currently seat 6,500 people in reserve seating, 7,100 in festival seating, and can provide standing room for approximately 500 people;
- A community survey indicated that 96% of respondents believed that the Enmax Centre was somewhat or very effective at meeting their needs;
- Enmax Centre was built in 1974 (Medicine Hat Arena 1969)
- No expansion of seating at this time. Current capacity of the facility meets the current and short term demands;
- Enmax Centre requires upgrading and expansion to meet the expectations and changing needs of its customers (including the Lethbridge Hurricanes) and industry best practices. Recent new projects/upgrading by communities comparable to Lethbridge (Kelowna, Kamloops, Victoria, Prince George, and Everett) have all recognized the need and value of enhanced services and amenities to meet emerging public needs and expectations for multi-purpose entertainment centre, but also to contribute to operating sustainability through the generation of additional revenues;
- Expect to spend \$34M (including \$10M from province) over a four year time-frame on an additional 48,000 square feet to the centre, upgrading 17,500 square feet of existing development, 350 additional parking stalls, enhance dressing and training facilities, indoor storage and operation space, upgraded facilities for concerts and events, increase concourse and circulations space, enhanced concession space, improved amenities for the handicapped, club lounge and a multi-purpose entertainment room for 250 people, 11 new suites and upgrades to the existing suites;
- The Lethbridge Hurricanes Hockey Club will contribute \$2.5M towards upgrades;
- Municipal contribution of \$17.5M
- A ticket surcharge will assist in paying back a portion of the municipal contribution.

The City of Swift Current has recently completed renovation on the 1967 Centennial Civic Centre that has been the centre of activity for 40+ years. The Expansion featured:

- \$13M expansion plans with the completion date of December 2007;
- an East addition increasing seating for events from 2,200 to 2,977 seats, ten new corporate boxes at the east end of the hockey rink;
- new loading and storage areas with direct access to ice surface for multi-purpose functions;
- four new dressing rooms for skating functions;
- new weight room for the Swift Current Broncos Hockey Club, new referee/female change rooms, additional washroom facilities on all levels;

- west addition includes: six sheets of curling ice with change rooms and washroom facilities;
- facility designed for multipurpose use (total multipurpose room area – 1,500 m²); social hall and new upper level curling viewing area with a folding partition for multi-purpose use (Hall area increases from approximately 450 to 630 m²);
- additional washroom facilities on all levels;
- new concession area serving both the hockey and curling functions, curling viewing on both levels;
- new mechanical ice plant serving both ice rinks, and new administration and office areas for the Broncos and the Swift Current Curling Club.

The Brandt Centre, formerly the Regina Agridome, is an indoor arena in Regina Saskatchewan. Built in 1977, the Brandt Centre is the home arena for the Regina Pats Hockey Club, and hosts concerts, rodeos, and other special events. The Brandt Centre has hosted numerous Tim Hortons Briers and Scotties Tournament of Hearts as well as the Memorial Cup. Musical acts such as Kiss, Nickelback, Mötley Crüe, Three Days Grace, Seether, Avril Lavigne, Velvet Revolver, Collective Soul, Poison, Willie Nelson, Bob Dylan, Cher, Neil Young, Iron Maiden, Snoop Dog, Van Halen, Bon Jovi and many other acts have played the Brandt Centre.

The entire concert capacity depending on the configuration of the Brandt Centre is 7,268. (6,000 fixed seats) The Brandt Centre is the hub of activity at IPSCO Place (102 acres, including more than one million square feet of indoor space with two million visitors annually). The Brandt Centre has executive skyboxes and first-class media and concession facilities. IPSCO Place has a new master plan for a major redevelopment project for its 102 acre site. When completed over the next several years, 20 older facilities will have been removed, several current facilities will have been substantially upgraded and some new facilities will be added. The heart of the redevelopment plan is a multi-purpose facility housing six ice surfaces, the main arena in the new complex capable of seating 2,500 spectators.

On September 21, 2007, the Minister of Agriculture and Agri-Food Canada and the Minister of Transport, Infrastructure and Communities, announced the federal government's intent to provide up to \$20M to the IPSCO Place Redevelopment & Revitalization Project. That announcement brought the total funding to \$57.45M, which included \$20 million in funding from the City of Regina and \$17.45 million from the provincial government.

The IPSCO event site has a significant role in attracting and hosting world-class agri-business, sporting, entertainment and cultural events and has a major economic impact on the community. This project will ensure that Regina can continue to be competitive nationally and internationally.

Comparative Analysis with Other Venues

City administration was directed by Council to review the capital costs identified by GEC Architecture to ensure that the construction costs per square foot are consistent with other similar like buildings. Administration conducted a review of fourteen (14) sport and entertainment venues in North America. Venues picked were from Canada and the

United States, and constructed recently. All samples taken had a seating capacity similar to what is being proposed in Medicine Hat.

Although every building is different, the review attempted to compare such factors as:

- the direct building cost per square foot (to ensure that the City was not spending too much on construction quality),
- the gross square foot per seat (to ensure that the proposed building is not too big or too small in relation to the desired seating capacity),
- in addition, the direct building cost per seat (to ensure that we are getting good capacity value for the money spent).

It should be noted that many other centres do not publish and are reluctant to provide detailed final costs on furnishings and equipment, land costs, parking costs, soft/design costs, and contingencies and extras. The result is that direct comparisons are difficult to determine and all comparative data must be reviewed with some degree of caution.

TABLE 9: Comparative Unit Cost Analysis with Other Venues

(Source: City of Medicine Hat)

Location/Year of Construction	# of Fixed Seats (Hockey)	Direct Building Cost per Seat (\$)	Gross Square Feet per Seat	Direct Building Cost per Square Foot (\$)
Medicine Hat (2010/2011)	6,500	16,615	26.9	325
Penticton, BC (2008)	4,000	13,675	n/a	227
Vernon, BC (2001)	3,006	4,990	27.3	183
Oshawa, ON (2007)	5,400	8,889	38.9	229
Abbotsford, BC (2008)	7,018	8,122	23.5	345
Chilliwack , BC (2004)	3,500	5,800	28.6	203
Youngstown, Ohio (2005)	5,700	7,368	29.6	249
Broomfield, CO (2006)	6,000	7,500	30.0	250
Hildage, TX (2003)	5,500	4,182	n/a	n/a
Toledo, OH (2009)	8,000	7,783	27.5	283
Stockton, CA (2005)	10,000	6,300	22.0	286
AVERAGE (not including MH)	5,812	7,460	38.4	251

The previous Table supports the information provided by GEC Architecture that the size in relation to the function is comparable to ten (10) other venues. Considering that the Medicine Hat Direct Building Cost per Square Foot (\$) is escalated to a 2010-2011 opening date in the current active construction climate, it is not unreasonable to assume a \$325 per square foot estimate to build. The average opening date in the above survey is 2006, a difference of 4-5 years. A 29% increase in the cost per square foot over 4 years is 7% per year growth which is a very real number in this active construction economy. Note that Abbotsford is currently under construction and is at \$345 per square foot. Medicine Hat's Direct Building Cost per Seat is similar to Penticton but significantly higher than other buildings – requiring further review.

New Event Centre – Administrative Review

CONSTRUCTION PROCUREMENT METHODS

Administration has been asked by City Council to review the various construction procurement methods available and recommend the best option. Administration has interviewed a number of consulting and general contractor companies, and received a legal review paper from a Calgary law firm that has expertise in construction law. The following section describes the four main options that municipalities often use for this type of project.

Traditional Design/Bid/Build Method (Stipulated Sum)

The Design/Bid/Build process begins with the Owner - in this case the public agency recognizing the need, developing the concept, and determining a preliminary budget for a construction project. Once these items have been identified, the public agency, using the Request for Proposals (RFP) process, selects an Architectural/Engineering (A/E) firm for design services. Using the qualification-based selection (QBS) process, the public agency chooses the A/E on criteria other than price, i.e. past experience, qualifications, ability to meet time line, and so forth.

Working from the concept formulated by the public agency, the A/E develops detailed plans and specifications for the construction project. These plans and specifications fully describe the requirements for construction of the complete project. Once the plans and specifications have been finalized, the project is put out to competitive bid. The entire job is then tendered to a single general contractor who selects and coordinates all trades and is responsible for the completion of the project, according to specifications and drawings prepared by the designers.

Assuming the bid procedures are followed as outlined and the bid is within the projected budget, the construction contract is awarded to the "lowest responsible bidder".

Advantages

- Single point of responsibility on the construction side
- Bid price is obtained prior to breaking ground
- Client is fully involved in planning (but not on the construction side)

Disadvantages

- Takes a longer time to design the entire project before the bids are solicited
- Conflict of interpretation of responsibility and contractor is in an adversarial role with the Owner and designer (A/E)
- Final cost not guaranteed, traditionally there are extras and other modifications
- Sub trades are selected by the general contractor, Owner has little or no input. Ultimately the quality of the construction is measured by sub trades on the job

- The lowest initial cost required for the contractor to be selected is not necessarily the most cost-effective alternative. Lowest initial cost may ignore the lowest on-going maintenance, operating, and lifecycle costs
- In today's climate, contractors are too busy and in high demand, and there are high risks for labour and materials. Often the result is to add generous profit/risk mitigation margins to their bids, and less bids are received on a given project

Construction Management – Sequential Tender model

Construction Management – Sequential Tender model is a variation to the conventional construction method. In this case, a Construction Manager is selected earlier in the design stage and upon completion of each phase of the project, packages of “work” are sequenced out for bids directly to sub trades selected by the general contractor in conjunction with the client (promotes higher quality and accurate scheduling of the project). Competition is created among the sub-trades which minimizes costs. As bids are received, this allows for trade-offs to control costs.

The general steps in this model are:

1. Expressions of Interest – The Owner/Designer project team would receive requests from construction managers/general contractors (Construction Managers) for the project. In this step, the applicants will evaluate if they can get bonding, insurance, and if the timing of the project meets with their workloads and goals.
2. Request for Proposals – in this step, the project team reviews key areas of need, the company's ability to understand the building that is to be built and their ability to execute the work. What personnel does the company have dedicated towards the project and what qualifications and experience do they have for similar buildings. The commercial terms or bid indicates what their costs would be. The Construction Manager would submit two fees: general conditions, and fees. It is very important that the documents be prepared properly to ensure clarity in what information is required in the RFP i.e. maximum target price, shared savings, cost control measures, etc.

Once the above two general steps are completed, the project team is joined by the Construction Manager to form an expanded project team for the balance of the project. It is recommended that the Owner still requires a Project Manager as part of the project team to ensure that the interests of the Owner is maintained during the design and construction phases for a project of any large magnitude. The early introduction of the Construction Manager's knowledge, combined with the skills and talents of the design services provider and Owner, can allow for a more comprehensive exploration of the Owner's goals, a deeper examination of possible building materials and methods, and a greater understanding of project scheduling and budgeting. The participants then work together to balance the competing priorities of initial cost to construct, on-going maintenance costs, operating costs, life cycle costs, aesthetic design, and user functionality and friendliness, and to design and construct a project to meet those priorities.

Once working drawings or bid packages are completed the Construction Manager begins to “lockup” trades by contacting their “regular” trades that they have worked with on previous projects (and have a solid business relationship with) or by a competitive tender process in a sequential manner.

Advantages

- Savings can be substantial using this approach for this type of project in today's busy construction market place as it allows the project to start earlier resulting in less cost escalation for the project
- The Owner is involved in every phase including construction
- the Construction Manager will prepare construction cost "estimates" as the project proceeds through design and contract documents and can be a second set of eyes if you use a cost consultant
- The group has a qualified and experienced builder on the team to assist with the innovative design and development of the project. This forms a non-adversarial, collaborative team approach

Disadvantages

- Slower construction time than the Design-Build Model due to the flexible nature of the process and the collaborative involvement of the team to make decisions
- The risk to the Owner is that the final construction cost is not known until all tendering is complete which can be 25 – 50% into the project. (If the RFP has requested a maximum target price from the Construction Manager, the project team will know at the start what the maximum guaranteed price will be)

Design/Build Model

Similar to the traditional capital procurement except that the design and build functions are combined with a single private-sector entity, engaged under one contract with the public agency. The Owner or City (and their Agent) solicits proposals on a well-designed scope with numerous prepared “bridging documents” (performance criteria). This set of standards in words and phrases with conceptual drawings details what the building is to do. It needs to be very rigorous. The Owner must have the expertise or retain a consultant to develop the appropriate plans and documentation for the specific implementation of this type of project. Opinion differs about how much information is needed before soliciting proposals from prospective Design/Build teams. The American Consulting Engineers Council maintains that the public agency should have a consultant design approximately 35% of the project.

The next process is to get submissions from Design-Build consortiums (design team + build team) that develop the detail design, working drawings, final price, and specifications suitable to construct the building. The Design/Build team works with the client and reviews and tailors the concept design through the project definition phase and provides a guaranteed maximum price (GMP) for the project once the concept is complete. The project is then tendered out to sub trades. Any savings arising during the tendering phase are normally shared with the contractor and the client while overruns are the responsibility of the contractor.

The Design-Build delivery method has been used with great success in the private sector for many years and is increasingly used in the public sector due to numerous advantages it can offer a project.

Advantages

- A single point of responsibility for project delivery. The Owner contracts with only one entity to design and build a new facility
- May reduce the in-house staff requirements of non-core business tasks of project development for the Owner
- Early confirmation of a fixed project delivery cost and schedule
- Increased speed of project delivery, allowing for the overlapping of the design and construction processes commonly known as “fast-track” project delivery
- Allows for the transfer of risk to the design-builder (but not without cost)
- Fosters design and construction innovation through a close working relationship with the Design-Build team and the Owner
- Design-Build-Operator: maintenance requirement forces the design-builder to prove the life-cycle specifications have been met; operating the building for a fixed term drives the design to optimize operational efficiencies. Ownership of the capital assets and responsibility for financing remains with the public sector
- There may be financial benefits available for a Design-Build-Finance-Operate model. Typically this occurs under a long-term concession agreement or a long-term lease may be used. (A P3 model)

Disadvantages

- the need of well-developed technical and contract documents. Works best on less complex projects
- The potential for a more confrontational relationship between the Owner and the Design-Build team over interpretation of the bridging documents and the construction quality.
- Tendency to focus on short-term costs of construction and largely ignores the long-term consequences, and costs, of design and construction decisions. Conflicting/competing factors are the desire to construct at the lowest initial cost, minimizing operating, on-going maintenance and lifecycle costs, aesthetic design, and user functionality and friendliness.
- The Owner has little involvement in the final design and construction phase.

Private-Public Partnership

There are many varieties to P3 projects. The Owner must recognize and live with the fact that the private partner may require total control over the facility during this long term relationship. Business practices with the private partner will require more complex negotiation and details to be determined which may be a longer process than traditional methods.

Advantages

- Provides the Owner the opportunity to bring in creative financing and private expertise in the design, building, and operation of the facility. Typically involves the operation of the facility to recoup the capital put into the project.

Disadvantages

- Owner must be prepared to give up all or some control over operation. Problems occur when revenue generated from operations does not live up to projections – refinancing, operator bankruptcy, increasing user fees to unacceptable levels

TABLE 10: Procurement Method Summary

(Source: *City of Medicine Hat*)

Procurement Method	Owner/ Contractor Relationship	Owner Budget Risk	Owner Product Control	Construction Timeline (Speed)	Major Benefit (s)	Major Risk
Traditional Design-Bid-Build (Stipulated Sum)	Adversarial	Low Owner takes the risk on design	Medium Pick the architect, not the contractor (low bid)	Slow Design is completed first	Owner control of design Price certainty, established before construction	Less bids/slower construction timeline = higher costs
Construction Management – Sequential Tender	Collaborative	Medium Expertise controls costs	Medium – High. Pick both architect and contractor	Medium. Sequence out packaged work	Collaborative expertise towards a quality product	No guaranteed final cost until well into construction
Design-Build	Collaborative / Adversarial	Low Design Build team assumes risk	Low Do not pick the architect or the contractor (low bid)	Fast Less collaboration with Owner	Fast speed of construction Certainty of price	Product does not meet expectations/ scope (poor workmanship and/or quality of materials) More detailed the project - the higher the risk
Private-Public Partnership	Business Relationship (long term)	Depends on the negotiations and details of the business relationship. This can be a lengthy process.			Creative financing and construction expertise	Owner must give up all or some control of operations

Although the City of Medicine Hat has traditionally used the Design-Bid-Build procurement method (i.e. Family Leisure Centre, Esplanade), it is the collective opinion of consultants, contractors and a legal opinion that this traditional project delivery model would most likely be cost prohibitive, suffering from a lack of competitive bidding, leaving the Owner with fewer, highly exaggerated bids. It is recommended that the City fast-track the design and construction and proceed with a Construction Management procurement method for the New Event Centre. This allows the project to move ahead at a quicker rate, saving potentially 7 to 8 percent on the project, with the assistance of a Construction Manager on the planning team which should result in a high quality end product that meets the set budget for the project. A second option, involving more risk and less Owner control, is to go with a Design-Build method.

In an increasingly competitive global environment, governments around the world are focusing on new ways to finance projects, build infrastructure and deliver services. Public Private Partnerships (P3s) are becoming a common tool to bring together the strengths of both public and private sectors. (City of Ottawa, 2008) Governments are currently confronted with infrastructure deficits and more demand for specialized and/or individual services. Also, the public wants smaller, more efficient governments with strong demand for quality services with no tax increases. The private sector has an interest and expertise in service delivery operations.

Infrastructure deficit problems impose huge costs on governments. In order to narrow the deficit, governments are turning to the private sector for financing, design, construction, and operation of infrastructure projects. Once rare and limited, these P3s are becoming more common. Several benefits to governments addressing their infrastructure shortages or improved efficiencies within their organizations can occur with P3s. A Public-Private-Partnership is a co-operative venture (legal agreement) for the provision of infrastructure or services, built on the expertise of each partner that best meets clearly the defined public needs, through the most appropriate allocation of resources, risks, and rewards - for a shared investment. The public sector maintains an overview and quality assessment role while the private sector is more closely involved in the actual delivery of the service or project.

All partnerships have a unique risk/reward allocation and partnerships can take on many forms. Partnerships can be private/public, public/public, and private/non-profit. P3s are one tool governments have at their disposal for infrastructure delivery - a tool that requires careful application. Regardless of the model chosen, a detailed financial assessment is required to determine whether a P3 application will be of benefit to the City of Medicine Hat for the construction of a New Event Centre. Clearly, in some of the examples in Canada, there has been success stories whereby the P3 has clearly saved the municipality money and other resources, and there are some examples where the municipality has struggled in terms of not getting the product that they wanted, paying more in the long term, and being hindered by legal and political struggles to sort out the issues with a private partner.

The International Review of Administrative Sciences (December 2007) indicates that negotiation and contractual processes need deeper analysis to identify factors that could affect P3 success or failure....contracts are usually incomplete. A process needs to be established to take potential technical and social risk factors through to a logical conclusion for the life of the project and partners. Inherent conflicts of interest between partners i.e. public interest versus economic interest, will occur and roles will be misunderstood. "When there is political unhappiness.....no one owns the project, the project becomes orphaned". While there may be governance problems, governments remain committed to P3s as an appropriate developmental and financial strategy. Greater knowledge and experience is still required in this hybrid organization form.

A report at the request of the Federation of Canadian Municipalities, “Public Private Partnerships and Municipalities” by P. Hamel (2007), provides data that P3s are inconclusive and should not be forced on municipalities by senior provincial and federal governments. P3s do not offer municipalities a magic solution to the real problem of financing infrastructure. Municipal governments can easily borrow almost all the funds they need at very favourable rates. To leave the responsibility of financing to the private partner is a poor solution to a non-existent problem, when traditional municipal financing is simple, relatively easy and , above all, much less costly than the private-sector equivalent. The issue stems from the level of municipal revenue, which is often insufficient to maintain and increase the investment in the maintenance, rehabilitation and reconstruction of existing infrastructure. The report goes on to say that it is clear that P3s certainly pose several problems and that you simply cannot claim that P3s are more advantageous for local governments or their citizens. Each case must be evaluated to be aware of the options.

P. Hamel indicates that municipalities benefit from not having to enter a loan as a liability. But instead of a commitment to repay a loan, the municipality has to pay rent... this approach does not affect the municipalities credit. The promise to pay rent over the long term is governed by a contract. P3s cannot provide a solution insofar as they do not decrease annual funding needs. Expenditures still have to be covered. A municipality must increase its taxes or its rates (or cut other expenses) regardless of whether you repay a loan or pay a private partner rent. Craig McInnes of the Vancouver Sun (July 19, 2007) indicates that “P3s just put the bill in another pocket”.

P3s are not flexible arrangements and restrict the options of the municipality. According to the report, P3s limit flexibilities as they constrain elected representatives and reduce over the long term their ability to adjust to unforeseen circumstances. Like any contract, conditions within the contract are written to foresee the unforeseen. “The increased use of P3s by municipalities will make some people happy, particularly business lawyers who draw up the contracts”. With a P3, there is no choice to change the supplier for service that does not meet expectations. Municipalities have to remain with the same supplier for decades and try to get the supplier to see things their way.

The last point the report makes regarding the concerns of P3s is transparency. Transparency is a very popular virtue among the population, yet it remains difficult to practice. Private operators can completely and legitimately shelter their arrangements from public view by invoking the concept of trade secrets.

Administration is not recommending that City Council consider a Private Public Partnership (P3) as a means of addressing the need for a New Event Centre in Medicine Hat. However, if after serious consideration of the financial and legal implications and risks and there is a lack of available financing options and grant sources available for the project, a P3 may be an option.

At the end of this section are several recreation examples of P3 projects. In Victoria, the Save-On-Foods Memorial Centre was an example of a P3 project. According to the Manager of Facilities and the Executive Assistant to the Mayor (Lessons Learned – Public Private Partnerships November 2007), “the community received a new centre at the agreed upon cost despite steeply increased construction and labour costs. The City continues to battle perceptions that the project was a failure. The current attitude in the region about P3s is still negative and a significant amount of work would be needed in the community before another P3 project of this size could be successfully undertaken”.

The following information has been collected from a number of P3 articles, reports, and models being currently used. There are arguments and advantages for and against P3s, how the City of Medicine Hat can select and develop a P3 process for this project, and five examples of P3 projects involving sport and entertainment venues in Canada. It is for information purposes only.

I. COMMON P3 MODELS (Source: New Facilities)

1. Design-Build : the government contracts with a private company to design and build a facility in accordance with the requirements set by the government. After completing the facility, the government assumes responsibility for operating and maintaining the facility.
2. Design-Build-Maintain : similar to above except the private sector also maintains the facility. The public sector retains responsibility for operations.
3. Design-Build-Operate : the private sector designs and builds the facility. Once the facility is completed, the title for the new facility is transferred to the public sector, while the private sector operates the facility for a specified period.
4. Design-Build-Operate-Maintain : model combines the responsibilities of Design-Build with the operations and maintenance of a facility for a specified period by a private sector partner. At the end of the period, the operation of the facility is transferred back to the public sector.
5. Build-Own-Operate-Transfer : the government grants a franchise to a private partner to finance, design, build, and operate a facility for a specified period of time. Ownership of the facility is transferred back to the public sector at the end of the period.
6. Build-Own-Operate : the government grants the right to finance, design, build, and operate, and maintain a facility to a private entity, which retains ownership of the project. The private entity is not required to transfer the facility back to the government.
7. Design-Build-Finance-Operate/Maintain : the private sector designs, builds, finances, operates and/or maintains a new facility under a long-term lease. At the end of the lease term, the facility is transferred to the public sector.

II. ADVANTAGES/ARGUMENTS REGARDING TWO ALTERNATIVE DELIVERY MODELS

A. Public Owned & Operated

- Public Owned & Operated services are owned by the municipality and are operated by municipal staff (option: an arms-length commission or board that has a “legal” relationship with the municipality)
- Cheapest way to finance any project is through public borrowing (public debt)
- Ownership and assets are public owned that can have economic benefits, retain revenues and control how it is re-invested
- Decent jobs for residents rather than lowering wages
- Support local business
- Retain public control of a community asset to ensure decisions will be made in the best interest of the community
- Less risk, increased accountability where community concerns (i.e. service delivery) can be advanced
- Democratic accountability and transparency
- Public policies reassure public consultation and approval
- Less costs for negotiations, RFPs, and negotiating/managing complex agreements
- Meet basic human needs, protect health and safety, and advance other social policy objectives (i.e. lower rental fees). The need to generate revenues/profits are not at the expense of public services and communities

B. Public-Private-Partnerships

- P3s are legal agreements between government and private sector entities for the purpose of providing infrastructure, community facilities, and related services. Typically the partners share risk, reward and responsibilities – for a shared investment
- P3s deliver public infrastructure more efficiently. Faster design and construction of new facilities. Rigour and innovation gets projects built on time and on budget
- Private sector takes on the risks associated with design, construction, finance, and maintenance of the infrastructure project, while the ownership and control remains within the public sector. Allocates risk to the party best equipped to manage them
- Addresses key issue such as multiple demands, high expectations and pressure to reduce debts
- P3s are not the same as privatization. Privatization is the incidence or process of transferring ownership of business from the public sector (government) to the private sector (business).
- Advantages of cost savings, speed & timing, improved service levels, and bundled services (design, build, finance, operate)
- Access to financing (on or off balance sheet)/leveraging. Minimizes impact on resident taxes (Governments build at the lowest possible cost in the short term)
- Upfront investment minimizing ongoing costs for life cycle investment
- Synergies of operations (bulk savings), infrastructure (owned facilities), and additional service provisions (parking, food, relocation services)
- Allows the cost of investment to be spread over the lifetime of the asset and can allow projects to be brought forward by years compared with the pay-as-you-go financing which is typical

- Politics and budget pressures play havoc with proper maintenance of existing infrastructure (there is always another higher priority), resulting in deferred maintenance, imposing huge costs in the long run
- Strong customer service orientation and innovation in customer service delivery due to reliance of user fees from customers for revenue
- Enables the public sector to focus on outcomes (public value) and core business instead of inputs. The destination, not the path, becomes the theme
- Complementary services may be provided (retail space, meeting rooms, fitness centres)
- Residents have ability to access new state-of-the-art facilities

III. COMMON OBJECTIONS TO P3s

- Higher Capital Cost – government issued debt is cheaper.
 - Cost overruns and delays need to be taken into capital cost factor.
 - Benefits of service delivery often worth the extra costs of borrowing the funds, value for money that private sector might deliver savings in other aspects of the project
 - Private financing gap has narrowed as they become more sophisticated (may be range of 1-3 percentage points)
- Failure to Realize Value for Money. Higher borrowing and monitoring costs end up Governments paying more
 - Value for money is that the private sector may bring in benefits and efficiencies that outweigh higher borrowing costs. The lowest price does not always mean best value. Need to consider price, quality, and the degree of risk transfer. Risk should be transferred to the party that is best suited to manage it
- Windfall Profits to the Private Sector
 - Government agencies can cap the rate of return of the provider and negotiate revenue sharing arrangements
- Customer Service Suffers. Private sector will raise fees for profit.
 - If user fees do not keep up with inflation, funding shortfalls and deferred maintenance occurs
 - Private sector fees are based on market rather than political considerations
 - Fees can be limited in contracts or subsidized fees can occur
 - Government can stipulate the quality of service to be provided
 - Private partners interest to invest in service, become more efficient, and enhance the quality of service to attract more customers or provide additional services to customers.
 - Government can ensure profit is earned with the existing or a lower price for the service. Profit can only be realized through increased productivity or expansion of services, not higher prices. Government does not have to subsidize the price of the service.
- Governments Bail Out P3 projects when Demand Fails.
 - If private provider faces problems with demand and cannot continue with the contract, it may terminate the partnership, but cannot take the facility with it. In most cases the facility returns to the public sector.

- Government Staff will Lose. Potential job losses and/or reduced wages.
 - Agreements can address job security, wage levels, and any existing collective agreements. Reduced staff levels can be offered through attrition rather than layoffs.
 - Private sector invests in training and technology transfer and skill diversification.

IV. THE 3P PROCESS – SELECTING, DEVELOPING AND IMPLEMENTING PROJECTS (Source: Industry Canada)

A) Planning and Strategy Development

- Needs Analysis (set objectives, consult stakeholders, list constraints, identify key success factors, develop a communications strategy)
- Project Definition (establish a project team, establish a governance framework, develop a business case, prepare a public sector comparator)
- Concept Validation (consult stakeholders, revisit options, test market)

B) Procurement Phase

- Procurement Strategy (determine selection methodology, types of P3s)
- Procurement Process (develop documentation, qualify and short list bidders/Request for Qualifications (RFQ), refine and issue Request for Proposals (RFP), select partner or partners)

C) Contracting and Ongoing Management Phase

- Contracting (negotiate relevant contractual items, finalize contract management tools)
- Contract Management (implement the contract, manage the contract, evaluate outcomes)

V. KEY LESSONS LEARNED (Source: PC Advisors)

1. Strive for a win-win scenario at all times
2. Stay focused on the outcome as the road to success can be troublesome and “rocky”
3. Remain flexible throughout the process and have contingency plans as problems may occur and unexpected situations may arise.
4. Communicate with stakeholders continuously
5. All parties must perform appropriate due diligence on each other
6. Be clear and transparent in the entire process to keep fairness to all parties involved
7. Anticipate political obstacles and react accordingly
8. Improve value for money
9. 80:20 rule – don’t spend 80% of your time assessing risk that only has a 20% chance of occurring
10. Manage risks but focus on the risks that matter the most

VI. RECREATION EXAMPLES OF P3 PROJECTS (Source: Canadian Council for Public-Private Partnerships)

1. Bell Sensplex – Ottawa, Ont. – December 2004 construction

Sponsor: City of Ottawa

Partners: Morley-Hoppner Group, Ottawa Senators Hockey Club, Others

Capital Cost: \$25.6M

Contract Term: 30 years

Model: Design-Build-Finance-Operate

Notes

- 180,000 square foot building houses 4 ice sheets and an indoor sports field
- Retail components – restaurant, bar, lounge, sports store, high-performance training centre
- Population growth and lack of modern facilities prompted need. City did not want to fund capital costs up front and viewed outsourced management and operations as a cost savings opportunity
- City purchases 2,400 hours of ice annually at retail rates and subsidizes users
- After 30 years, private company turns facility back to the City (\$1)
- Procurement & agreement timeline took 14 months to complete. (RFQ, RFP)

2. John Labatt Centre – London, Ont.– October 2002 construction

Sponsor: City of London

Partners: EllisDon Construction, Global Spectrum, Stadium Consultants International, Others

Capital Cost: \$46.2M

Contract Term: 50 years

Model: Design-Build-Finance-Operate-Maintain

Notes

- Multipurpose sports and entertainment centre with 9,000 fixed seats, 38 private boxes
- City wanted to encourage development of downtown core and build a centre that would spin off added economic development activity. Become a modern home for the junior A hockey team London Knights
- City understood the risk and unique skills associated with operating a large entertainment venue and did not want to be completely financially liable for capital costs and revenue streams
- City owns building, and building is leased to partners for design, through to operating and maintenance
- Consortium negotiated a 20 year lease with the Junior A hockey club

- City retains the risk of achieving minimal returns if there is insufficient cash flow
- City contributed \$31.7M as a subordinate loan
- Global Spectrum is paid a management fee and is entitled to a bonus fee of 5% if revenue exceeds a specified amount
- Procurement & agreement timeline took 22 months to complete. (RFEI, RFP)

3. Powerade Centre – Brampton, Ont.– September 1998 construction

Sponsor: City of Brampton
 Partners: Brampton Sports Centre, Realstar Group, Edilcan Development Corp.
 Capital Cost: \$26.5M
 Contract Term: 34 years
 Model: Design-Build-Finance-Operate

Notes

- Multipurpose sports and entertainment centre with 5,100 fixed seats, 28 private boxes, three practice ice pads, restaurant, bar, sports shop, Hall of Fame
- City was running out of space in existing recreation facilities and needed a large new facility to meet needs of citizens. City did not have sufficient funds to finance the project by itself
- Edilcan was responsible for constructing the centre. Realstar designed, partially financed and operated the centre under a 34 year agreement with the City. Agreement provides for revenue sharing and risk sharing depending on the profitability of the facility. City receives ice time at reduced rates for local groups and events
- City provided \$6M towards capital costs
- City guaranteed the first mortgage of \$15M
- Procurement & agreement timeline took 12 months to complete. (RFP)

4. Prospera Place – Kelowna, BC – August 1999 construction

Sponsor: City of Kelowna
 Partners: RG Properties Ltd.
 Capital Cost: \$20M
 Agreement Cost: \$30M
 Contract Term: 30 years
 Model: Design-Build-Finance-Operate-Maintain

Notes

- Multipurpose sports and entertainment centre with 6,000 fixed seats, 31 private boxes, restaurant, retail space, and meeting rooms
- Located on downtown City-owned land by the waterfront
- The City's first 2 initiatives were unsuccessful

- To replace the Memorial Arena that was built in 1949 and attract major sporting and entertainment events, and contribute to the redevelopment of the city centre
- 1987 proposal referendum was rejected. City decided to not enter into long-term borrowing to fund the arena
- RG Properties designed and built the facility according to mutually agreed overall specifications and would own and operate the facility for 30 years.
- City makes annual payments for community use
- City sold to RG Properties two waterfront lots of 3 acres total at market value.
- At the end of 30 years, the City buys back the facility for \$1
- City contributed \$6M towards capital plus land
- City makes annual payments of \$980,000 for 1,500 hours of community ice (\$650/hr)
- Integral to the agreement was a 30 year lease with the Kelowna Rockets Hockey Club
- Development process was lengthy due to many legal hurdles – 13 separate but interrelated legal agreements
- Procurement & agreement timeline took 3 years to complete. (RFQ, RFP)

5. Prospera Place – Chilliwack, BC – September 2004 opening

Sponsor: City of Chilliwack
 Partners: Chilliwack Chiefs Development Group
 Capital Cost: \$20.3M
 Contract Term: 25 years
 Model: Design-Build-Operate

Notes

- Multipurpose sports and entertainment centre with 3,500 fixed seats (expandable to 5,700) in 100,000 square feet of gross building area, private boxes, restaurant and bar, pro shop, meeting room. Includes a second sheet of ice with 300 seats
- Developer financed \$13.3M and guaranteed the price of \$20.3M
- City contributed \$7M plus land and offsites plus guaranteed the Developer's loan
- City pays back Developer \$1.6M for 25 years for project debt and operating costs (total value of \$40M) plus \$175,000 per year for community ice revenues. Due to a lower interest rate secured by the Developer, the City's obligation may be discharged in less than 17 years. The City may then choose to take ownership of the facility
- Profits are shared between the Developer and the City

New Event Centre – Administrative Review
OPERATING COST REVIEW

Operating Analysis

The operating costs are based on a detailed analysis of ice time use, prime and non-prime time hours, recovery rates (revenue), and a projected schedule of events. The consultants believe, through discussion with users and promoters, as well as a comparison of similar facilities, that a conservative estimate of 70 event days would be easily achievable in year one of operation. All the event activity and financial projections assume that activity and financial projections of the New Event Centre will be stabilized within five years of operation. This recognizes the initial excitement that occurs with new facilities and anticipates the longer-lead times required for multi-year events to adapt their booking cycles to include Medicine Hat's new facility.

The following two tables are the projected revenues, expenses, and projected events for a New Event Centre by GEC Architecture that was included in their January 2007 report.

* Timelines subject to review based on construction schedule.

The Administrative review projected that a proposed New Event Centre operating budget could have a deficit ranging from \$151,000 to \$421,000 before any borrowing expenses or reserve transfers. Major uncertainties include the number of events that can be attracted to Medicine Hat, and the final negotiated major tenant license agreement terms and conditions, policies and funding strategies regarding naming rights and sponsorships, plus other business model variables such as rental rates, parking fees, and management fees (private company). Administration has estimated that the median range operating deficit would be \$183,000 which includes \$100,000 towards a capital reserve fund.

The following table compares the current Arena budgets with three scenarios (ranges) for a New Event Centre, followed by the projected operating budget prepared by GEC Architecture in 2007. The low range scenario projects very conservative revenues and associated expenses, whereas the high range scenario projects more optimistic revenues and associated expenses with a “busy” facility. The intent is to show a “best-case/worst case” budget range for consideration. Finally, a medium range scenario is selected by Administration that is felt to be achievable for this project if the assumptions are realized.

TABLE 11: New Event Centre 2010 Projected Operating Revenues and Expenses
 Administrative Assumptions
 (Source: City of Medicine Hat)

DESCRIPTION	LOW RANGE	MID RANGE	HIGH RANGE
Operating Revenues			
Rentals	User groups and major tenant revenues similar to existing arrangements.	User groups and major tenant revenues projected to increase modestly.	User groups and major tenant revenues projected to be significantly higher than existing arrangements. This is consistent with GEC projections.
Special Events	50 event days per annum (current trend).	60 event days per annum plus a major weeklong event. This increased revenue / expense (30% profit margin) is consistent with the 2007 Continental Cup results.	70 event days per annum. This is consistent with GEC projections.
Food & Beverage	Current attendance levels. Major tenant maintains revenues from lounge (approx 20% lower than med range).	Higher attendance levels and based on GEC projections of \$1.50/ticket (net). Cost of Goods & Services consistent with prior years, using a gross profit of 44%.	Increased attendance levels pro-rated to the larger 6,500 fixed seat facility, plus lounge and suite sales to offset capital investment (approx 20% higher than med range).
Advertising/ Sponsorship/ Suites	Existing arrangement that major tenant would retain certain advertising in the building. City acquires all sponsorships (building naming rights) and suite revenues.	City/Building Owner retains more advertising in the building plus acquires all sponsorships (building naming rights) and suite revenues.	Higher revenues based on City/Building Owner retains all advertising above the arena glass, plus sponsorships (building naming rights) and suite revenues to offset capital investment.
Other Revenue/ Parking	Based on 500 parking stalls filled for all events and current practice of limited revenues for product rights, miscellaneous leases.	Includes \$170,000 for parking (\$2/stall x 60 events x 1,000 stalls filled), plus \$50,000 for product rights, miscellaneous leases. Consistent with GEC projections.	Based on 1,500 parking stalls filled plus \$50,000 for product rights, miscellaneous leases.

DESCRIPTION	LOW RANGE	MID RANGE	HIGH RANGE
Operating Expenses			
Salaries, Wages & Benefits	Low scenario is based on a more conservative increase in staff levels, and capitalizes on building efficiencies and modern design.	Calculated as current Arena wages x 2. Higher staff levels required to operate larger building: contracts and fees for services such as security, janitorial, parking attendants, etc.	High scenario considers possibility of a private management fee.
Contracted Services	Based on projections of a 25% increase in contracted services for the new facility.	Based on projections of a 75% increase in contracted services for the new facility.	Based on GEC projections of a 175% increase in contracted services.
Repairs & Maintenance	Based on a 100% increase in repairs and maintenance.	Based on projections of a 160% increase in repairs and maintenance for the new arena.	Based on GEC projections, a 200% increase in repairs and maintenance.
Interdepartmental Charges (Snow removal, landscaping maintenance, garbage collection, building infrastructure PM/repair)	Charges to be 20% lower than medium scenario.	Charges will increase with the size and number of events relating to new arena. Current Arena charges x 1.5 are reasonable.	Charges to be 20% higher than medium scenario.
Utilities	Conservative increase in utility costs required to operate the larger building, capitalizing on modernized controls and HVAC/Electrical systems.	A moderate increase in utility costs required to operate a larger building. These would be somewhat offset by the modernized controls and HVAC/Electrical systems.	Higher increase in utility costs, somewhat offset by modernized controls and HVAC/Electrical systems.
Other	Conservative increase of administrative costs and contingencies to operate the facility. Scenario still includes a percentage of wages for key personnel.	A moderate increase of administrative costs and contingencies to operate the facility. Includes a percentage of wages for key city personnel overseeing facility.	Higher increase of admin costs and contingencies. Includes a percentage of wages for key city personnel overseeing facility.

TABLE 12: Projected Operating Revenues and Expenses (Based on BSBP Site)
 (Source: City of Medicine Hat)

	City of Medicine Hat					GEC Architecture
	Arena 2008 Budget	Current Arena 2010 Projected	New Event Ctr 2010 Proj (low range)	New Event Ctr 2010 Proj (med range)	New Event Ctr 2010 Proj (high range)	New Event Ctr 2010 Proj (year 1)
Revenues						
Rentals	209,990	230,692	230,692	262,000	285,000	295,000
Special Events	20,618*	23,443*	595,000	722,500	850,000	255,000 *
Food & Beverage	178,237*	207,042*	900,000	1,125,000	1,350,000	1,174,000
Advertising/Sponsorship/Suites (net)	-	-	125,000	250,000	300,000	425,000
Other Revenue/Parking	7,083	9,361	100,000	170,000	260,000	112,000
Sub Total	415,928	470,538	1,950,692	2,562,550	3,045,000	2,261,000
Expenditures						
Salaries, Wages & Benefits	329,130	357,674	679,550	715,348	837,500	929,500
Contracted Services	42,245	45,202	56,500	79,100	126,000	126,000
Cost of Goods Sold - Food & Beverage	-	-	504,000	630,000	756,000	657,550
Repairs and Maintenance	23,349	24,518	49,000	63,000	73,550	315,000
Special Event Expenses	-	-	418,000	506,000	595,000	-
Interdepartmental Charges	95,696	103,587	124,250	155,350	186,400	-
Utilities	209,029	232,333	325,250	348,500	406,550	350,000
Administrative Allocation	100,000	115,000	115,000	115,000	115,000	162,500
Capital Reserve Contribution	-	-	100,000	100,000	100,000	-
Amortization	-	1,000,000	2,250,000	2,250,000	2,250,000	2,250,000**
Debenture Interest Payments	-	-	2,816,000	2,816,000	2,816,000	2,816,000**
Sub Total	799,449	1,878,314	7,437,550	7,778,298	8,262,000	7,606,550

	City of Medicine Hat					GEC Architecture
	Arena 2008 Budget	Current Arena 2010 Projected	New Event Ctr 2010 Proj (low range)	New Event Ctr 2010 Proj (med range)	New Event Ctr 2010 Proj (high range)	New Event Ctr 2010 Proj
Expected Operating Surplus (Deficit)	(383,521)	(1,407,776)	(5,486,858)	(5,248,798)	(5,217,000)	(5,345,550)
Cash Flow Analysis Add back: Amortization (non-cash item) Less: Annual Principal Repayments		1,000,000	2,250,000	2,250,000	2,250,000	2,250,000
Current Arena Debt Repayments	(150,179)	-	-	-	-	-
New Event Centre Repayments (based on 25 years, \$54M @5.25%)	-	-	(1,076,000)	(1,076,000)	(1,076,000)	(1,076,000)
	(150,179)	1,000,000	1,174,000	1,174,000	1,174,000	1,174,000
<u>Total Resources Required to Operate</u>						
Value of 1% Taxes	436,000	436,000	436,000	436,000	436,000	436,000
Taxes Required to Operate Facility	1.22%	0.94%	9.89%	9.35%	9.27%	9.57%
Monthly Cost per Median Home ***	\$1.07	\$0.82	\$8.62	\$8.15	\$8.08	\$8.34
Annual Cost per Median Home ***	\$12.80	\$9.78	\$103.47	\$97.76	\$96.99	\$100.08

* denotes net revenues

** item not included in GEC Report

*** value of Median Home: \$238,000

Without debt servicing, the proposed annual operating costs for a New Event Centre ranges from \$151,000 to \$421,000 which is equal or slightly better than the current cost of the Arena. Operating costs (using the medium range shaded in blue) plus debt servicing is a huge consideration when building a new facility. Depending on the final financial plan, the New Event Centre project could result in a \$4.0M annual operating deficit, which is a 9% tax hike or additional \$98/year to the median household based on a \$230,000 assessment.

Alternatives to a new facility are not zero cost. The status quo has a cost, driven by ongoing and escalating cost to provide regular and preventative maintenance to the current Arena. Other lost opportunity costs include not being able to attract concerts and national events that would benefit the community.

It would be expected that the development of a new facility would stimulate development of ancillary lands that would potentially result in additional assessment growth and incremental municipal property tax revenues annually.

A wide range of financing options would be required. Communities often use:

- Surplus or existing operating subsidy towards debt servicing;
- A ticket surcharge (\$1-\$2 per event)
- Higher revenues/contributions from user groups/major tenant/special events;
- Additional sources of revenues i.e. parking levy;
- Additional assessment growth and property tax revenues generated by the New Event Centre site and redevelopment of the existing Arena site. (if applicable)

Operating Models

The City is currently exploring and evaluating public-private partnership (P3) models that would contribute to the economic operational sustainability of the New Event Centre. Management model options include private facility management firms (such as Nustadia Recreation Inc., RG Properties, Canlan Ice Sports Corp., Global Spectrum, Stadium Consultants Inc, and Arcturus/SMG Venue Management), City-managed facilities such as the Family Leisure Centre and Esplanade (and Lethbridge Enmax Centre), or an Arms Length Society models such as the Medicine Hat Public Library, Spokane Arena, or Red Deer's Enmax Centrium (Stampede Board).

City administration has visited and reviewed the Spokane Arena model and it is a very successful model operated by a competent team of professionals and an entrepreneurial appointed community board. Spokane, Saint John, Saskatoon, and the Talisman Centre of Calgary all operate under arms-length boards or commissions that determine the policy and direction of the operating model and were described in more detail in the Part II Arena Feasibility Report. Another successful "arms-length" model is facilities built on lands operated by Stampede Associations. These venues include Red Deer, Regina, and Brandon.

City-operated models include Lethbridge, Kamloops, Swift Current, Cranbrook, and many other venues in the Western Hockey League and throughout Canada. Many of these venues offer a diverse program of hockey, special events and trades shows for their communities.

Private company operating models are becoming a common trend in new spectator arenas especially in larger centres. Municipalities are looking at private companies who specialize in this type of innovative management and have business relationships that leverage their/other core businesses such as companies for food and beverage concessions, full-service ticketing, event booking services, naming rights and sponsorship sales, and marketing firms. Some companies have the expertise and

resources to do the job but also require a guaranteed subsidy or a strong business case to ensure management fee recovery can be generated.

One example, Global Spectrum, a subsidiary of the entertainment firm Comcast-Spectacor, manages more than 70 facilities. Venues include London, Abbotsford, Penticton, Dawson Creek, Everett, Windsor, Portland, and recently Oshawa. According to Global Spectrum, in the case of governments, the conditions that prompt consideration of private management vary, but most share the following characteristics:

- Bureaucratic controls over budget that are contrary to free-market thinking;
- Local economic problems, difficulties with sales and marketing expertise and rules that apply to governments;
- Customer and tenant dissatisfaction, deterioration of plant and equipment, onerous labour agreements;
- Demand for more event activity in secondary and tertiary markets;
- The need for investment dollars for renovation, expansion, and/or equipment purchases;
- Simple desire for a clean sweep and a new beginning;
- The need for experienced, professional direction for new facilities, from planning to day-to-day operations.

Arcturus/SMG Arcturus SMG Canada offers expertise in the management of stadiums and arenas. They handle pre-opening services, as well as all aspects of operations and staffing through to event planning and marketing. Established industry contacts and booking strategies provide clients with fundamental advantages in maximizing income and running a high-performance facility. They manage 72 arenas including Mississauga and Kingston, both in Ontario.

RG Properties is a diversified entrepreneurial real estate development and operating company with long-term holdings in shopping centres, a hotel, and major industrial buildings. RG Properties is also involved in the development and operation of recreational/entertainment facilities. Their properties are located throughout British Columbia and they manage the Victoria and Kelowna arenas, and the Chilliwack Leisure Centre.

Stadium Consultants International is a multi-disciplinary consulting firm specializing in the financial and physical planning, development, implementation and project management of sports, recreation, leisure and entertainment facilities. This company manages both Barrie and Brampton arenas in Ontario, and works closely with Global Spectrum.

Nustadia Recreation was created to provide innovative solutions to the development of new facilities in the private sector and through Community Partnerships. Nustadia is currently operating / programming eleven ice-pads in four different facilities, and is currently operating arenas in both Sarnia and Peterborough Ontario.

Canlan Sports is in the business of facility ownership, operations, and programming, currently owning and/or managing 22 ice facilities in Canada and the United States. This company is the manager for the new Prospera Centre in Chilliwack.

City Administration has reviewed the three operating models to operate a New Event Centre. Each model has its advantages and disadvantages although any one of the models would work for this project. A New Event Centre in Medicine Hat will need to operate from day one with a solid business plan and an entrepreneurial approach to ensure that the new multi-purpose events centre operates in an economically sustainable manner and serves the community with the finest services, the greatest entertainment, and most positive customer experiences.

It is recommended that City Council direct Administration to complete an Expression of Interest process to determine the interest and feasibility of a private management company being retained to operate the proposed New Event Centre in Medicine Hat. A private company that specializes in building management, entertainment, and operation development is a reasonable option to meet the needs of the community.

Major Tenant Review

City Council requested Administration review the current Arena Use Agreement (Agreement) between the City and the major tenant, the Medicine Hat Tigers Hockey Club, and current arrangements with major user groups. Of importance is the need to review the existing relationship with the major tenant and determine what considerations are likely to occur should the community proceed with a new modern multi-purpose event centre.

City Staff have reviewed the Agreement, obtained financial data and arena use information from a number of junior hockey clubs and cities in Canada and reviewed Agreement principals and details in an effort to establish criteria for discussion that would be suitable for a New Event Centre. It is Administration's opinion that the current Agreement is outdated if a new facility were to be constructed.

If a New Event Centre is built, higher contributions/revenues would be required from the building and user groups to support operating costs and debt repayments than currently provided in existing agreements. This would have to be negotiated and consideration given for any capital (equity) contribution made toward the facility. This method is done in many other facilities. A percent of construction, or the amount required for the team facilities, could be a consideration in these negotiations.

There are examples in North America where the owner of the building and the major tenant commit to a long-term lease to occupy and use the new building prior to construction. The lengths of these terms are ten to twenty years. Administration has concluded that it is important but not critical, that if a New Event Centre is constructed, that the major tenant commits to a long-term lease to occupy and use the new building. Administration has also concluded that Medicine Hat is a sustainable market for a WHL franchise for the long term.

The principles of a new Agreement should be a win-win situation for both parties in that the increased revenues generated from a new building are allocated in a fair manner so that the major tenant remains sustainable in the long term, relying on the potential revenues of the new building.

Old venues are not operationally obsolete, they are economically obsolete. Negotiations for a new building should be viewed as challenges and opportunities, not problems. A new building with the following amenities has the potential to generate a lot of revenues within the confines of the building and the property. It should also be noted that over the life of a building, there is always a need to change and expand to meet changing times and needs. Potential revenue generators are:

- Parking
- Luxury suites
- Club seating
- Box Office
- Restaurant/Lounge
- Food & Beverage Sales (Concessions)
- Retail space
- Merchandise/souvenirs
- Naming, Pouring and Product Rights
- Advertising (inside the building, exterior, signage, score clocks, etc.)

Critical to the success of a new building and a new Agreement between the City and the major tenant is that the new building and the old building do not compete with one another for events and similar markets. Once a new building is constructed, the current Arena should be downsized in seating capacity or decommissioned if the ice surface is replaced elsewhere in the City.

Although it is a challenge to obtain a large sample of information from other junior clubs in Canada, Administration did obtain information to establish a framework for a possible agreement for a new building.

Information obtained indicates junior hockey clubs operate on a roughly \$2 million budget. A large percentage of revenues are from ticket sales (~45-60%), advertising/signage/souvenirs and other building revenues (~15-20%), League and National Hockey League revenues (~15-25%), and booster club/fundraising activities (~5-15%) depending on the operating model. The Medicine Hat Tigers, unless ticket prices increase, are currently limited in gate revenues due to the capacity of the existing facility. Regular and playoff games have been sold out consecutively 228 times (as of March 15, 2008) dating back to the 2002-03 season.

It is assumed that a reasonable return on investment is sought after expenses depending on the success of the team. This could amount to a small deficit that has to be carried over into the next season, to a planned profit of a hundred thousand dollars or more. Clearly, a team that has a winning record has increased attendance, and thus more gate admission revenues and playoff revenues can be substantial. A period where a team does not make the playoffs for a number of years in succession can be very difficult to balance the budget. All teams cycle in terms of successful seasons and poor seasons, the key to sustainability is to create a base budget that allows the club to remain solid during the “weaker” periods, and the target to be successful in terms of

playoffs and gate attendance to create a reserve fund or profit for the future. According to Neil Longley, a professor of Sports Management at the University of Massachusetts, “for most teams, winning is urgent. Even winning doesn’t guarantee [financial] success for a lot of teams, but losing pretty much guarantees their failure”. (MacLean’s Magazine April 14, 2008)

Expenses are more difficult to determine, depending on the operating model and the team’s accounting structure. Major categories are administration (~20-30%), player education (~5%), marketing/promotions/game day operations (~15-20%), and hockey operations (~50-60%). This last category is made up of scouting and recruiting, league fees, facility costs, equipment, travel, and hockey payroll expenses. Medicine Hat, in its central location in the Western Hockey League, does have a slight advantage over some other western or eastern teams in reduced travel expenses, which is still quite significant.

As indicated earlier, the current financial arrangements in the Arena Use Agreement would fall well short of a “win-win” situation for the team and the owner of a new building in terms of the entire building revenues that can be generated. Many franchises and city’s are promoting an Agreement whereby as the team succeeds, the Owner of the building also receives revenues to reduce the subsidy of the building and have funds available to either improve the building and its services or for other important public services in the community. If the team does not have a successful season and revenues are lower than expected, the Agreement is such that the major tenant has limits on their building expenses (rent or License fee) that helps “cushion the blow” and ensure the club’s sustainability for the future. It is recommended that both parties agree to a number of shared principles towards a “win-win” revenue-sharing formula as well as other important administrative matters.

New Event Centre – Administrative Review
 APPENDIX

NCECP Sites
 TOTAL PROJECT VALUE (BUILDING + ONSITE/OFFSITES & SITE DEVELOPMENT)
 July 2008

	Cost Estimates (\$000)			
	<u>FLC</u>	<u>BSBP</u>	<u>MHES</u>	<u>HAMPTONS</u>
Building (Direct + Indirect Costs)	107,934	107,934	107,934	107,934
Transportation & Parking	9,000	-	3,775	5,760
Utility Servicing	3,308	-	3,047	-
Site Area Surface Work Requirements	2,142	-	2,142	-
Totals	122,384	107,934	116,898	113,694

NCECP Sites

SUMMARY: ON-SITE AND OFF-SITE COSTS ASSOCIATED WITH THE PROJECT

July 2008

<u>Family Leisure Centre</u>	Option A	Cost Estimates (\$000)	
		<u>Onsite</u>	<u>Offsite</u>
A. Transportation & Parking (Associated Engineering)			
a) four lane 23 St. Division Ave. to Box Springs Rd			9,000
b) traffic signal timing for NCECP events when signals installed for other purposes 23 ST. NW and 10 Ave. Box Springs Road at Saamis Drive			incl
c) Brier Park Road extension to 23 St. NW not included			
	Sub Total	0	9,000
B. Utility Servicing (Sheffer Andrew)			
a) Electric			
primary service		600	incl
new feeder from NECH substation			250
new 13.8kV line			
b) Gas			
service and meter		20	
new main along 23 St.	800 lm		192
c) Sanitary Sewer			
200 mm sanitary line & manholes	900 lm	258	
connection to sanitary trunk at Division Ave.			
d) Potable Water (requires two connections and fire flow)			
300 mm watermain	910 lm	573	
300 mm appurtenances		143	
connection to water main at Division Ave.			
e) Stormwater Management			
600 mm storm line & manholes	800 lm	86	
construct a pond of 12,300 cubic metres		923	
contribute to the cost of a stormwater trunk along 10 Ave. NW		373	347
construct a 375 mm line from pond to stormwater trunk	580 lm	162	
f) Telecommunications			
fibre optic services, cable, phone		50	60
	Sub Total	3,189	849
	Sub Total (Onsite + Offsite Services)	3,189	9,849
Combined Costs (Transportation+ Utility Services)		13,038	

Ease of Construction: judgement based measure of each site based on known constraints and obstacles scale of 1:10 with 1 being easiest and 10 being the most difficult	4
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C. Site Area Requirements (Sheffer Andrew)		Option A	Acres	Onsite Surface Work
a)	Building Foot Print		4.0	
b)	Parking Area		21.7	17,560
c)	Pedestrian Linkages		0.7	360
d)	Internal Site Roads		6.9	8,568
e)	Accommodation of Large Site Event Support Vehicles		0.3	200
f)	Public Transit Facilities	8 buses	0.2	214
g)	Handicapped Transportation - Drop-Off Zone	4 vehicles	0.2	214
h)	Private Vehicle - Drop-Off Zone		0.2	214
i)	Stormwater Management		3.3	-
j)	Landscaping	10% of site area	3.5	1,340
k)	Recycling Facility		0.7	
Sub Totals			41.6	28,671

** Onsite surface Works Costs (Sheffer Andrew)

Gross area cost to construct these areas to a paved, landscaped standard complete with site drainage system and lighting

Combined Costs (Transportation+ Utility Services + Adjusted Site Costs)

41,708

NOTES:

- 1 Onsite Costs - those costs that are required to bring services from peripheral roads and UROWs into the facility.
Offsite Costs - those costs that the project will have to pay to bring services to the site. (does not include Developer or costs borne by the utility).
- 2 These values are planning level cost estimates (2008) for comparison purposes. (plus minus 25%)
Includes construction and engineering costs. Detailed analysis and cost estimates are not included.
- 3 Site Area Requirements, based on servicing requirements, differ mostly for stormwater management and internal roads.
Synergies may be realized between different components during the design than may lessen the land area and cost requirements.
- 4 Onsite surface works costs - gross area cost to construct these areas to a paved parking lot, landscaped standard, complete with site drainage system and lighting
- 5 The FLC site does not have any overall plan for site development for the whole area. An Area Structure Plan complete with the requisite preliminary engineering should be completed to determine the most economical and sustainable servicing of the area and a New Event Centre.

NCECP Sites
TOTAL PROJECT VALUE (BUILDING + ONSITE/OFFSITE & SITE DEVELOPMENT)
July 2008

		Cost Estimates (\$000)		
		Consultant Estimate	Cost Duplication	Estimated Net Cost
<u>Family Leisure Centre</u>				
Building + Direct & Indirect Costs (GEC Architecture)				
	Sub Total	107,934	-	107,934
Transportation & Parking (Associated Engineering)				
a)	four lane 23 St. Division Ave. to Box Springs Rd	9,000	-	9,000
b)	traffic signal timing for NCECP events when signals installed for other purposes 23 ST. NW and 10 Ave. Box Springs Road at Saamis Drive	incl.		-
	Sub Total	9,000	-	9,000
Utility Servicing (Sheffer Andrew)				
a)	Electric			
	primary service	600	(600)	-
	new feeder from NECH substation	250	-	250
	new 13.8kV line			-
b)	Gas			
	service and meter	20	(20)	-
	new main along 23 St. 800 lm	192		192
c)	Sanitary Sewer			
	200 mm sanitary line & manholes 900 lm	258	-	258
	connection to sanitary trunk at Division Ave.			-
d)	Potable Water (requires two connections and fire flow)			
	300 mm watermain 910 lm	573	-	573
	300 mm appurtances	143	-	143
	connection to water main at Division Ave.			-
e)	Stormwater Management			
	600 mm storm line & manholes 800 lm	86	-	86
	construct a pond of 12,300 cubic metres	923		923
	contribute to the cost of a stormwater trunk along 10 Ave. NW	720		720
	construct a 375 mm line from pond to stormwater trunk 580 lm	162		162
f)	Telecommunications			
	fibre optic services, cable, phone	110	(110)	-
	Sub Total	4,038	(730)	3,308
Site Area Surface Work Requirements (Sheffer Andrew)				
a)	Building Foot Print	-		
b)	Parking Area	17,560	(17,560)	-
c)	Pedestrian Linkages	360	(360)	-
d)	Internal Site Roads	8,568	(6,426)	2,142
e)	Accommodation of Large Site Event Support Vehicles	200	(200)	-
f)	Public Transit Facilities 8 buses	214	(214)	-
g)	Handicapped Transportation - Drop-Off Zone 4 vehicles	214	(214)	-
h)	Private Vehicle - Drop-Off Zone	214	(214)	-
i)	Stormwater Management	-	-	-
j)	Landscaping 10% of site area	1,340	(1,340)	-
k)	Recycling Facility			-
	Sub Total	28,670	(26,528)	2,142
TOTAL PROJECT VALUE (BUILDING + ONSITE/OFFSITE & SITE DEVELOPMENT)				122,384

NCECP Sites
 ON-SITE AND OFF-SITE COSTS ASSOCIATED WITH THE PROJECT
 July 2008

Box Springs Business Park

Cost Estimates (\$000)

	<u>Onsite</u>	<u>Offsite</u>
A. Transportation & Parking (Associated Engineering)		
a) four lane Box Springs Parkway as soon as NCECP is constructed		7,000
b) mitigation option of four lane Box Springs Road between Brier Park Rd and Broadway Ave. not included		
c) mitigation option of four lane Broadway Ave. between Box Springs Road and West Boundary Road not included		
Sub Total		7,000
		(funded by Developer)
B. Utility Servicing (Sheffer Andrew)		
a) Electric		
required BSBP subdivision primary distribution in place at time of request new 13.8kV line does not exceed 10 meters	600	50
b) Gas		
service and meter	20	
site can be served from proposed system by Developer		
c) Sanitary Sewer		
sufficient capacity in collection system. Developer to extend to site 200 mm connection to sanitary trunk 80 lm	26	
d) Potable Water (requires two connections and fire flow)		
sufficient capacity in water distribution system. Developer to extend to site 300 mm connection to water main 90 lm	27	
300 mm appurtenances	7	
e) Stormwater Management		
may re-quire pre-treatment of the site storm run-off 600 mm x 80 lm stormwater management facilities need to be extended to site by Developer	48	
f) Telecommunications		
fibre optic services, cable, phone	50	60
Sub Total	778	110
Sub Total (Onsite + Offsite Services)	778	110
Combined Costs (Transportation+ Utility Services)	888	

Ease of Construction: judgement based measure of each site based on known constraints and obstacles scale of 1:10 with 1 being easiest and 10 being the most difficult	2
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	<u>Acres</u>	<u>Onsite Surface Work</u>
C. Site Area Requirements (Sheffer Andrew)		
a) Building Foot Print	4.0	
b) Parking Area	21.7	17,560
c) Pedestrian Linkages	0.7	360
d) Internal Site Roads	5.2	6,426
e) Accommodation of Large Site Event Support Vehicles	0.3	200
f) Public Transit Facilities 8 buses	0.2	214
g) Handicapped Transportation - Drop-Off Zone 4 vehicles	0.2	214
h) Private Vehicle - Drop-Off Zone	0.2	214
i) Stormwater Management use existing	0.0	-
j) Landscaping 10% of site area	3.3	1,340
k) Recycling Facility	0.7	
Sub Totals	36.4	26,529

** Onsite surface Works Costs (Sheffer Andrew)

Gross area cost to construct these areas to a paved, landscaped standard
 complete with site drainage system and lighting

Combined Costs (Transportation+ Utility Services + Adjusted Site Costs) 27,416

NOTES:

1 Onsite Costs - those costs that are required to bring services from peripheral roads and UROWs into the facility.
 Offsite Costs - those costs that the project will have to pay to bring services to the site. (does not include Developer or
 costs borne by the utility.

2 These values are planning level cost estimates (2008) for comparison purposes. (plus minus 25%)

NCECP Sites
TOTAL PROJECT VALUE (BUILDING + ON SITE/OFFSITE & SITE DEVELOPMENT)
July 2008

		Cost Estimates (\$000)		
		<u>Consultant Estimate</u>	<u>Cost Duplication</u>	<u>Estimated Net Cost</u>
<u>Box Springs Business Park</u>				
Building + Direct & Indirect Costs (GEC Architecture)				
Sub Total		107,934	-	107,934
Transportation & Parking (Associated Engineering)				
a)	four lane Box Springs Parkway as soon as NCECP is constructed Funded by Developer	7,000	(7,000)	-
Sub Total		7,000	(7,000)	-
Utility Servicing (Sheffer Andrew)				
a)	Electric required BSBP subdivision primary distribution in place at time of request new 13.8kV line does not exceed 10 meters	650	(650)	-
b)	Gas service and meter site can be served from proposed system by Developer	20	(20)	-
c)	Sanitary Sewer sufficient capacity in collection system. Developer to extend to site 200 mm connection to sanitary trunk 80 lm	58	(58)	-
d)	Potable Water (requires two connections and fire flow) sufficient capacity in water distribution system. Developer to extend to site 300 mm connection to water main 90 lm 300 mm appurtenances	27 7	(27) (7)	- -
e)	Stormwater Management may re-quire pre-treatment of the site storm run-off 600 mm x 80 lm stormwater management facilities need to be extended to site by Developer	48	(48)	-
f)	Telecommunications fibre optic services, cable, phone	110	(110)	-
Sub Total		920	(920)	-
Site Area Surface Work Requirements (Sheffer Andrew)				
a)	Building Foot Print	-		-
b)	Parking Area	17,560	(17,560)	-
c)	Pedestrian Linkages	360	(360)	-
d)	Internal Site Roads	6,426	(6,426)	-
e)	Accommodation of Large Site Event Support Vehicles	200	(200)	-
f)	Public Transit Facilities 8 buses	214	(214)	-
g)	Handicapped Transportation - Drop-Off Zone 4 vehicles	214	(214)	-
h)	Private Vehicle - Drop-Off Zone	214	(214)	-
i)	Stormwater Management	-	-	-
j)	Landscaping 10% of site area	1,340	(1,340)	-
k)	Recycling Facility	-		-
Sub Total		26,528	(26,528)	-
TOTAL PROJECT VALUE (BUILDING + ONSITE/OFFSITE & SITE DEVELOPMENT)				107,934

	<u>Acres</u>	<u>Onsite Surface Work</u>
C. Site Area Requirements (Sheffer Andrew)		
a) Building Foot Print	4.0	
b) Parking Area	21.7	17,560
c) Pedestrian Linkages	0.7	360
d) Internal Site Roads	6.9	8,568
e) Accommodation of Large Site Event Support Vehicles	0.3	200
f) Public Transit Facilities 8 buses	0.2	214
g) Handicapped Transportation - Drop-Off Zone 4 vehicles	0.2	214
h) Private Vehicle - Drop-Off Zone	0.2	214
i) Stormwater Management	1.7	-
j) Landscaping 10% of site area	3.5	1,340
k) Recycling Facility	4.8	
Sub Totals	44.1	28,671

**** Onsite surface Works Costs (Sheffer Andrew)**

Gross area cost to construct these areas to a paved, landscaped standard complete with site drainage system and lighting

Combined Costs (Transportation+ Utility Services + Adjusted Site Costs)

36,451

NOTES:

- 1 Onsite Costs - those costs that are required to bring services from peripheral roads and UROWs into the facility.
Offsite Costs - those costs that the project will have to pay to bring services to the site. (does not include Developer or costs borne by the utility).
- 2 These values are planning level cost estimates (2008) for comparison purposes. (plus minus 25%)
Includes construction and engineering costs. Detailed analysis and cost estimates are not included.
- 3 Site Area Requirements, based on servicing requirements, differ mostly for stormwater management and internal roads.
Synergies may be realized between different components during the design than may lessen the land area and cost requirements.
- 4 Onsite surface works costs - gross area cost to construct these areas to a paved parking lot, landscaped standard, complete with site drainage system and lighting
- 5 Prior to finalizing costs and servicing details, an agreement between the MHES and City should be signed indicating costs and responsibilities.

NCECP Sites
TOTAL PROJECT VALUE (BUILDING + ON SITE/OFFSITE & SITE DEVELOPMENT)
 July 2008

					Cost Estimates (\$000)					
					<u>Consultant</u>	<u>Cost</u>	<u>Estimated</u>			
					<u>Estimate</u>	<u>Duplication</u>	<u>Net Cost</u>			
<u>Medicine Hat Exhibition & Stampede</u>										
Building + Direct & Indirect Costs (GEC Architecture)										
				Sub Total	107,934	-	107,934			
Transportation & Parking (Associated Engineering)										
					3,500	-	3,500			
				a) traffic signals and intersection widening						
				b) neighbourhood traffic management strategy mid range	275	-	275			
				Sub Total	3,775	-	3,775			
Utility Servicing (Sheffer Andrew)										
				a) Electric						
				primary service	1,500	(600)	900			
				Kin Coulee feeder						
				new 13.8kV line Power Plant to Cemetery						
				b) Gas						
				service and meter	20	(20)	-			
				new main 800 lm developed area	231	-	231			
				c) Sanitary Sewer						
				200 mm sanitary line & manholes 580 lm	168	(34)	134			
				connection to sanitary trunk Kinplex to Cuyler Rd						
				d) Potable Water (requires two connections and fire flow)						
				300 mm watermain Cuyler Rd 250 lm	270	(135)	135			
				300 mm appurtances	87	(43)	44			
				surface rehabilitation (6m wide surface)	125	-	125			
				upgrade to Carry Dr. watermain	75	-	75			
				e) Stormwater Management						
				600 mm storm line & manholes 80 lm	77	(77)	(0)			
				construct a pond 15,500 cubic metres	1,163	-	1,163			
				construct a line from pond to stormwater trunk 200 lm	44	-	44			
				outfall line to Seven Persons Creek	12	-	12			
				f) Telecommunications						
				fibre optic services, cable, phone	235	(50)	185			
				Sub Total	4,006	(959)	3,047			
Site Area Surface Work Requirements (Sheffer Andrew)										
				a) Building Foot Print	0	-	-			
				b) Parking Area	17,560	(17,560)	-			
				c) Pedestrian Linkages	360	(360)	-			
				d) Internal Site Roads	8,568	(6,426)	2,142			
				e) Accommodation of Large Site Event Support Vehicles	200	(200)	-			
				f) Public Transit Facilities 8 buses	214	(214)	-			
				g) Handicapped Transportation - Drop-Off Zone 4 vehicles	214	(214)	-			
				h) Private Vehicle - Drop-Off Zone	214	(214)	-			
				i) Stormwater Management	-	-	-			
				j) Landscaping 10% of site area	1,340	(1,340)	-			
				k) Recycling Facility	-	-	-			
				Sub Total	28,670	(26,528)	2,142			
TOTAL PROJECT VALUE (BUILDING + ONSITE/OFFSITE & SITE DEVELOPMENT)								116,898		

NCECP Sites
 ON-SITE AND OFF-SITE COSTS ASSOCIATED WITH THE PROJECT
 July 2008

<u>Lansdowne Hamptons</u>		Cost Estimates (\$000)	
		<u>Onsite</u>	<u>Offsite</u>
A. Transportation & Parking (Associated Engineering)			
a)	accelerate the widening of 13th Avenue S.W. to two lanes in each direction		3,750
b)	installation of traffic signals and storage lanes at 2 entrances		2,000
c)	Special event traffic signal timing at 13th Ave. S.W. and Strachan Road intersection		10
Sub Total			5,760
B. Utility Servicing (Sheffer Andrew)			
a)	Electric		
	primary service	600	50
b)	Gas		
	service and meter	20	
c)	Sanitary Sewer		
	200 mm connection to sanitary trunk 80 lm	26	
d)	Potable Water (requires two connections and fire flow)		
	300 mm connection to water main 90 lm	27	
	300 mm appurtenances	7	
e)	Stormwater Management		
	600 mm storm line 600 mm x 80 lm	48	
f)	Telecommunications		
	fibre optic services, cable, phone	50	60
Sub Total		778	110
Sub Total (Onsite + Offsite Services)		778	110
Combined Costs (Transportation+ Utility Services)		888	

Ease of Construction: judgement based measure of each site based on known constraints and obstacles scale of 1:10 with 1 being easiest and 10 being the most difficult	3
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C. Site Area Requirements (Sheffer Andrew)		<u>Acres</u>	<u>Onsite Surface Work</u>
a)	Building Foot Print	4.0	
b)	Parking Area	21.7	17,560
c)	Pedestrian Linkages	0.7	360
d)	Internal Site Roads	5.2	6,426
e)	Accommodation of Large Site Event Support Vehicles	0.3	200
f)	Public Transit Facilities 8 buses	0.2	214
g)	Handicapped Transportation - Drop-Off Zone 4 vehicles	0.2	214
h)	Private Vehicle - Drop-Off Zone	0.2	214
i)	Stormwater Management use existing	0.0	-
j)	Landscaping 10% of site area	3.3	1,340
k)	Recycling Facility	0.7	
Sub Totals		36.4	26,529

** Onsite surface Works Costs (Sheffer Andrew)

Gross area cost to construct these areas to a paved, landscaped standard complete with site drainage system and lighting

Combined Costs (Transportation+ Utility Services + Adjusted Site Costs)

27,417

NOTES:

- 1 Onsite Costs - those costs that are required to bring services from peripheral roads and UROWs into the facility.
Offsite Costs - those costs that the project will have to pay to bring services to the site. (does not include Developer or costs borne by the utility.
- 2 These values are planning level cost estimates (2008) for comparison purposes. (plus minus 25%)
Includes construction and engineering costs. Detailed analysis and cost estimates are not included.
- 3 Site Area Requirements, based on servicing requirements, differ mostly for stormwater management and internal roads.
Synergies may be realized between different components during the design than may lessen the land area and cost requirements.
- 4 Onsite surface works costs - gross area cost to construct these areas to a paved parking lot, landscaped standard, complete with

Lansdowne Hamptons

Cost Estimates (\$000)

	<u>Consultant Estimate</u>	<u>Cost Duplication</u>	<u>Estimated Net Cost</u>
Building + Direct & Indirect Costs (GEC Architecture)			
Sub Total	107,934	-	107,934
Transportation & Parking (Associated Engineering)			
a) accelerate the widening of 13th Avenue S.W. to two lanes in each direction	3,750	-	3,750
b) installation of traffic signals and storage lanes at 2 entrances	2,000	-	2,000
c) Special event traffic signal timing at 13th Ave. S.W. and Strachan Road intersection	10	-	10
Sub Total	5,760	-	5,760
Utility Servicing (Sheffer Andrew)			
a) Electric			
primary service	650	(650)	-
b) Gas			
service and meter	20	(20)	-
c) Sanitary Sewer			
200 mm sanitary line & manholes	26	(26)	-
d) Potable Water (requires two connections and fire flow)			
300 mm watermain	27	(27)	-
300 mm appurtances	7	(7)	-
e) Stormwater Management			
600 mm storm line & manholes 80 lm	48	(48)	-
f) Telecommunications			
fibre optic services, cable, phone	110	(110)	-
Sub Total	888	(888)	-
Site Area Surface Work Requirements (Sheffer Andrew)			
a) Building Foot Print			-
b) Parking Area	17,560	(17,560)	-
c) Pedestrian Linkages	360	(360)	-
d) Internal Site Roads	6,426	(6,426)	-
e) Accommodation of Large Site Event Support Vehicles	200	(200)	-
f) Public Transit Facilities 8 buses	214	(214)	-
g) Handicapped Transportation - Drop-Off Zone 4 vehicles	214	(214)	-
h) Private Vehicle - Drop-Off Zone	214	(214)	-
i) Stormwater Management	-	-	-
j) Landscaping 10% of site area	1,340	(1,340)	-
k) Recycling Facility			-
Sub Total	26,528	(26,528)	-
TOTAL PROJECT VALUE (BUILDING + ONSITE/OFFSITE & SITE DEVELOPMENT)			113,694