

**Arena  
Feasibility  
Study  
Review**

**Submitted by  
City of Medicine Hat  
Board of Commissioners  
To  
The Arena Feasibility Ad Hoc  
Committee**

**March 1, 2006**



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## Arena Feasibility Study Review

### EXECUTIVE SUMMARY AND RECOMMENDATIONS

#### ***Executive Summary***

The following conclusions are based on an analysis of the Nustadia Recreation Inc. (Nustadia) Feasibility Study and an administrative review of operating and capital key indicators and measurements.

- 1) The 35 year-old facility is in very good physical condition and serves the basic needs required of an ice sheet for youth and adult skating activities as well as a 4,006 seat arena for major hockey games. The life expectancy of the Arena should be at least another 15 years.
- 2) The regional population of southeastern Alberta is sparse and does not currently contain the population base, in comparison to other major WHL cities, to support at the same level, a major spectator arena and the events hosted in such a facility. This would impact both projected attendance (revenue) for major events as well as the number and diversity of special events.
- 3) Medicine Hat's attendance is near the average of other mid-sized WHL cities, the majority of which fall within the range of 3,000 and 6,400 seats per game. This is important when contemplating both the current need and seating capacity of a new multipurpose spectator facility.
- 4) Advanced planning may negate the real impact to user groups of reduced ice time and increase the economic benefits to the community through hosting special events in a multipurpose spectator facility. These special events have the potential to contribute significantly towards the economic development strategy and sustainability to address increased operating costs.
- 5) It is anticipated that with continued life cycle and preventative maintenance planning, current ice facilities will have a life expectancy of at least 10 years.

- 6) The north sites near the Family Leisure Centre are deemed most economically viable in consideration of existing development plans, service requirements, retail land values, and timing of the project, in comparison to the sites selected at the south end of the City. Site selection requires further analysis.
- 7) A minimal allocation of at least fifteen acres of land (rather than ten acres) should be considered in order to address development of a new multipurpose spectator facility, required parking, and possible future site development opportunities.
- 8) A retrofit of the current Arena for \$16.5 million without any additional seats is not recommended by the Consultants, or supported by any of the users or groups consulted in the market analysis. Issues of capacity, which directly affects the ability to attract special events and increased revenue opportunities, would not be addressed.
- 9) If a new facility is not considered within the foreseeable future, Phase One of the major capital retrofit plan (\$6.4 million in 2005 dollars) could be considered to improve the multiuse requirements, circulation, and accessibility needs of the current Arena (seating capacity remains at 4006).
- 10) Operating expenses for a new facility are estimated at \$1.9m and revenues at \$1.8m (2011 projection). This is based on a 6,000-seat arena, expandable in the future to 8,000 seats.
- 11) Borrowing expenses (debt servicing) based on a 2011 construction completion date would be \$2.8m each year. This is based on borrowing 2/3 of the funds over 25 years and a capital construction cost of \$58m (construction cost estimates must be more fully analyzed before any final budget projections can be considered).
- 12) A net tax increase of approximately 6.7 percent (in addition to any approved annual general tax increase) would be required to address the annual estimated deficit of \$2.8m, which includes both capital (debt) and operating (deficit) costs.

## **Recommendations**

A review of information provided in the Nustadia Recreation Inc. Arena Feasibility Report and the additional analysis completed by staff, support the following recommendations:

- a) That prior to finalizing if and when a new multipurpose spectator facility should be built, more detailed information be provided on:
  1. Financing, fundraising, operating, and capital options. This should be explored more fully to determine the most cost-effective method to operate and finance a new facility.
  2. An updated capital plan for current ice facilities.
  3. A Functional Study to determine the building, amenity, and site space requirements.
  4. A site analysis to determine impacts to development and service costs / plans.
  5. A construction capital cost analysis prior to finalizing capital budget projections.
  
- b) Subject to the completion and review of the reports outlined above, that
  1. The City constructs a new 6,000-seat, expandable to 8,000-seat, multipurpose spectator facility that could address both ice surface and future requirements for special events (concerts, conventions). A new facility addresses the special event and operating requirements that are deficient in the current facility as well as an expanded capacity to address increased need, based on population (demographics) and event (operating) growth.
  2. That when a new facility is constructed, the current Arena be decommissioned, as demand for the facility, alternative use, infrastructure and operating costs are not sustainable, while user needs can be fully addressed through the current ice allocations.

## Arena Feasibility Study Review

### INTRODUCTION



On April 19, 2005, the City of Medicine Hat awarded the Arena Feasibility Study to Nustadia Recreation Inc. (Nustadia). The mandate was to determine if the City needed a new spectator arena. At a subsequent meeting on May 30, 2005, City Council provided further direction to ensure that the question of Does Medicine Hat need a new Arena included a financial analysis, impact on the marketplace, and that key indicators and measurements were provided to Council to assist in their decision.

The final report from Nustadia was presented to City Council December 5, 2005. At that time, it was received by City Council as information, and administration was requested to analyze in detail the contents of the report and provide recommendations (through the Arena Feasibility Ad Hoc Committee) to City Council.

This report comprises the administrative review and analysis of the Arena Feasibility Study. Each section of the Nustadia report has been reviewed in detail; and comments, concerns, and further analyses have been provided in this report. Of major importance is the financial analysis section, which further examines various capital and operating financing and site scenarios in consideration of the sustainability of a new multipurpose spectator facility.

# Arena Feasibility Study Review


## EVALUATION OF THE EXISTING FACILITY



In its report, Nustadia reviewed the functionality, limitations and deficiencies of the current Arena. Nustadia and PBK Architects did a walk-through and met with operations personnel, stakeholders and users to complete an assessment of the overall building deficiencies and limitations. The Consultants 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 35 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 major hockey games. Based on its condition and the current life cycle/preventative maintenance program planned by the City, the facility should still be functional for at least another 15 years.

In the report, nineteen 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 35-year-old arena is 4,006 seats and it is often at full capacity and unable to meet the current demand for major events (e.g. Western Hockey League). 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 report that the building could be renovated to a more modern and improved standard for a 4,006 seat spectator arena with capital dollars equivalent to an estimated 35% to 45% of the cost of a new 6,000 seat facility.



In order to assess the long-term operating sustainability of a new multipurpose facility, Nustadia completed a market analysis of potential use and revenue opportunities. Information was obtained through interviews, discussions with potential user groups, stakeholders, the business community and promoters. Attendance records for Western Hockey League (WHL) teams over the past ten years were also reviewed. A market analysis for a new 6,000-seat multipurpose spectator facility was undertaken and consisted of an analysis of historical WHL home game attendance in centres that have constructed new multipurpose spectator facilities.

The Medicine Hat Tigers Hockey Club (Tigers) have indicated that they have a 2,000 plus waiting list for season tickets at the current Arena. Certainly, over the past three years, Tiger Hockey game tickets have been in high demand as the Club continues to compete and excel in the WHL. The facility has been sold out for the past three years and attendance has doubled since the mid 1990's. Data provided from other WHL cities indicates that the construction of a new facility results in increased attendance, especially in the early years of the operation. There is also an obvious correlation between attendance and team success.

An area that the Nustadia report did not analyze in detail was Medicine Hat's regional market conditions and demographics or a comparison of other arena capacities. The following tables contain data collected by administration on population statistics and arena capacities. Of specific significance is that the regional population of southeastern Alberta is sparse and does not have as large a population base, compared to other major WHL cities, to support at the same level a major multipurpose spectator facility and the events hosted in such a facility. *Table 1* identifies the current City population and regional trading area that could support a multipurpose spectator facility and its events. Medicine Hat has a trading area of less than 200,000 people, while many other WHL centres have a population of nearly 300,000.

**Table 1: City of Medicine Hat Regional Market Conditions** (source: City of Medicine Hat Business Support Office)

AREA	POPULATION
City of Medicine Hat	56,048 (2005 City Census)
Economic Development Alliance – South East Alberta (1 hour commute)	67,400 (2001 Federal Census)
Palliser Economic Partnership – PEP (2 hour commute)	97,940 (2001 Federal Census)
Regional Market	160,000 (2001 Federal Census)
Trading area	168,000 (2001 Federal Census)

Table 2 identifies the location and attendance of seven recent junior hockey Memorial Cups in Canada. There is a growing trend indicating that the popularity of the event influences the venues chosen (i.e., 8,000 to 11,000 seat capacity are preferred over smaller venues; 2004 – Kelowna, 2005 – London, 2006 – Moncton). Nustadia has indicated that the likelihood of venue sizes like Guelph ever hosting the Memorial Cup again is unlikely. Based on the current rotation of hosting the event between the three Canadian Hockey Leagues and the significant number of high capacity venues in larger market centres in Canada, the likelihood of an event of this magnitude being hosted in small centres like Lethbridge and Medicine Hat is remote. Based on location and facility capacity, a more likely hosting opportunity for a major event in Medicine Hat would be the Scott Tournament of Hearts (Table 3). Venue capacities are smaller in comparison to the Memorial Cup and more likely to be hosted in a facility that has a seating capacity of 5,000 to 8,000.

**Table 2: Memorial Cup Tournament – Venue Locations and Attendance** (source: Canadian Hockey League website)

YEAR	LOCATION	GAMES	TOTAL ATTENDANCE	GAME AVERAGE
2003	Quebec City	8	84,675	10,584
2002	Guelph	9	43,335	4,815
2001	Regina	9	62,995	6,995
2000	Halifax	8	80,000	10,000
1999	Ottawa	8	84,200	10,525
1998	Spokane	8	73,013	9,126
1997	Vancouver	7	58,995	8,428

**Table 3: Scott Tournament of Hearts – Venue Location and Arena Capacity**  
 (source: Scott Tournament of Hearts website)

<b>YEAR</b>	<b>LOCATION</b>	<b>ARENA CAPACITY</b>
2005	St John's Newfoundland	6,000
2004	Red Deer, Alberta	5,735
2003	Kitchener/Waterloo, Ontario	7,100/4,500
2002	Brandon, Manitoba	5,008
2001	Sudbury, Ontario	4,758
2000	Prince George, BC	5,582

The Medicine Hat Arena is the fourth smallest arena (seating capacity) in the WHL. It should also be noted that Medicine Hat is also one of the smaller centres in the league.

*Table 4* identifies the seating capacity of all twenty WHL teams. This table shows capacities ranging from 2,256 seats to 17,139 seats with the average capacity of 6,795. Many of the arenas (six) are in the 5,000 to 5,999-seat range.

*Table 5* identifies the Arena Capacity per 1,000 City Population. Medicine Hat ranks fourth highest out of ten mid-sized arenas, and is 10 seats/1,000 population below the average. Based on the ratio of seats per capita, The Arena ranks higher than cities like Lethbridge, Kamloops, Regina, and Kelowna (average 88.3 seats/1000 population; Median 77.1 seats/1000 population; Medicine Hat 78.2 seats/1000 population).

**Table 4: WHL Arena Capacities** (source: *Western Hockey League Guide*)

CITY	ARENA	SEATING CAPACITY	STANDING ROOM
Brandon	Keystone Centre	5,008	600
Calgary	Pengrowth Saddledome	17,139	0
Everett	Everett Events Centre	8,250	0
Kamloops	Sport Mart Place	5,158	500
Kelowna	Skyreach Place	6,007	500
Kootenay	Cranbrook Rec Plex	4,264	352
Lethbridge	Enmax Centre	4,784	800
<b>Medicine Hat</b>	<b>The Arena</b>	<b>4,006</b>	<b>0</b>
Moose Jaw	Civic Centre	2,705	232
Portland	Memorial Coliseum	10,016	391
Prince Albert	Comuniplex	2,857	638
Prince George	Multiplex	5,582	195
Red Deer	Enmax Centrum	5,735	1,000
Regina	Agridome	5,750	750
Saskatoon	Sask Place	11,310	0
Seattle	Key Arena	11,133	0
Spokane	Veteran Memorial	10,571	0
Swift Current	Centennial Civic Centre	2,256	780
Tri-City	Coliseum	5,861	0
Vancouver	Pacific Coliseum	7,500	0

# of teams: 20

Ave. capacity: 6,795

Largest capacity: 17,139 Calgary

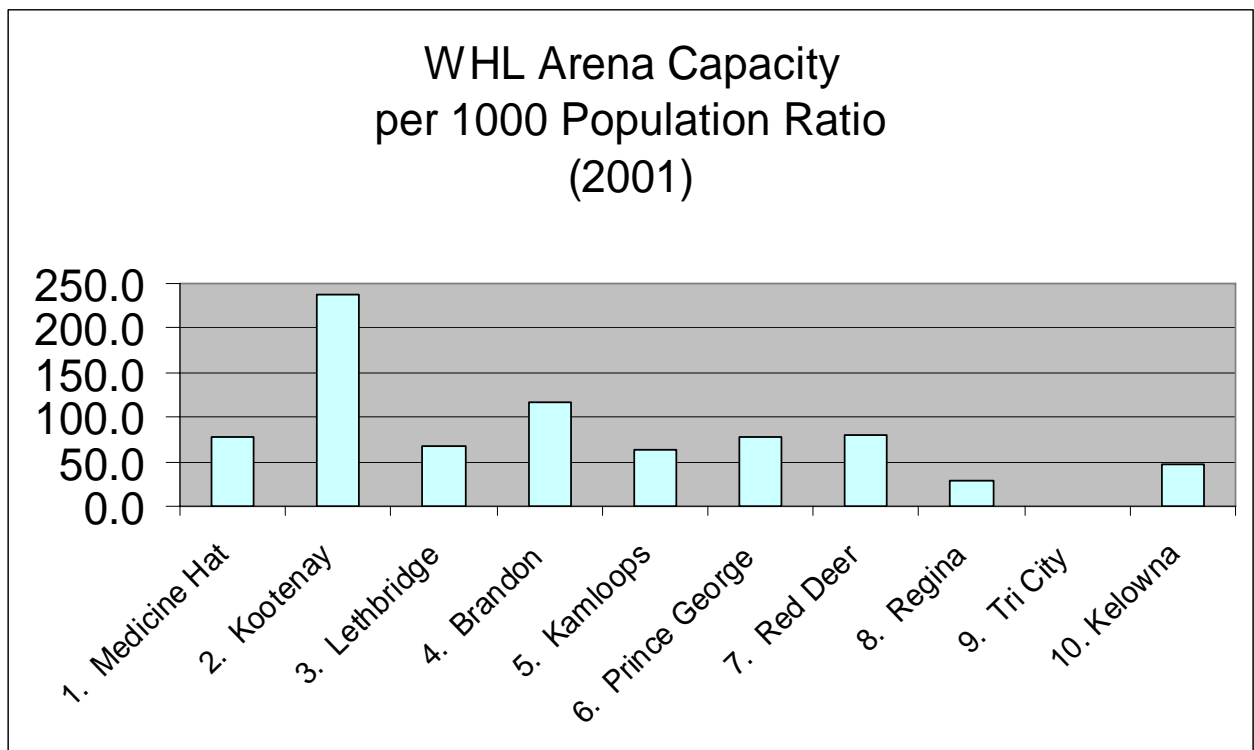
Smallest capacity: 2,256 Swift Current

	<u># of Arenas</u>
Capacity range	
0 - 3,999	3
4,000 - 4,999	3
5,000 - 5,999	6
6,000 - 6,999	1
7,000 - 7,999	1
8,000 - 9,999	1
10,000 - 11,999	4
12,000 +	1

**\*\*Medicine Hat – 4<sup>th</sup> smallest seating capacity in the WHL**

**Table 5: Arena Capacity per Population Ratio** (source: City of Medicine Hat)

4,000 - 6,999 Range	Arena Capacity	2001 City Population	Trading Area	Arena Capacity per 1,000 City Population Ratio
Medicine Hat	4,006	51,249	168,000	78.2
Kootenay	4,264	18,000	55,000	236.9
Lethbridge	4,784	70,000	275,000	68.3
Brandon	5,008	43,000	180,000	116.5
Kamloops	5,158	82,000	130,000	62.9
Prince George	5,582	72,406	n/a	77.1
Red Deer	5,735	72,691	200,000+	78.9
Regina	5,750	195,000	n/a	29.5
Tri City	5,861	n/a	n/a	n/a
Kelowna	6,007	130,000	350,000	46.2
Averages	5,216	81,594	193,000	88.3



Nustadia provided a graph on page 16 of the Arena Feasibility Study, which displays the average attendance per regular season game in the WHL. Data shown begins in 1990 and continues to this past 2005 season. If the large venues such as Calgary and Vancouver are removed from that graph, Medicine Hat's per game attendance falls within the range of 3,000 and 6,400 seats. This is important when contemplating both the current need and seating capacity of a new multipurpose spectator facility.

### **Local Use Impact**

The Nustadia report indicated that a new arena with more special events would have little or no impact on the availability of ice to local user groups. Based on the new 2005 City Census, the number of ice sheets per 1,000 population is 1:9,300, which is nearly double the ratio of ice sheets of many other Western Canadian Cities. Based on the proposed 18 concerts and 2 trade shows that a new multipurpose spectator facility in Medicine Hat may host, approximately 370 hours of prime time ice would be impacted. This amounts to a reduction of 17% of ice available to a single sheet arena. Considering that there are six sheets of ice in Medicine Hat, the impact on the estimated total supply of 10,000 prime time hours available to user groups is less than 4%.

The real impact to user groups can be minimized with advanced planning and coordination, and economic benefits to the community by hosting increased special events is anticipated. The net operating cost for the proposed multipurpose spectator facility could be positively impacted as a result of promoting more special events, while still maintaining a reasonable balance of "regular" subsidized ice rentals. Past practice with special events held at the Arena has shown that revenues from concessions, ticket service charges, and show rentals generate more revenue than that of the regular users of youth and adult ice.

## Promoters

The major limitations to currently hosting large and special events (non-ice) at the Arena are documented in the Nustadia report. Special event restrictions such as the low number of regulated on-ice occupancy, non-removable boards and rink glass, electrical load, low ceiling and scoreboard height, lack of backstage storage and loading capacity, and the inability to properly configure the stage and seating for smaller concerts, have been identified. This has resulted in minimal inquiries, as reported by the promoters for special “B” concerts, and events in Medicine Hat. Reported events at other facilities would verify that Medicine Hat has been bypassed for communities like Lethbridge, Red Deer, and Grande Prairie that can accommodate the needs of these types of programs. The opportunity to view the type of special events that have been hosted in other arenas and thus reducing the number of residents having to travel to neighboring cities to attend these types of shows will have a positive impact on the revenue of a new multipurpose spectator facility. This is substantiated through the information provided in *Table 6*, which compares the special events held between the Medicine Hat and Lethbridge arenas over the past two years. Additional special events have the potential to contribute significantly towards the economic revenue development strategy necessary to support the viability (operating costs) of a new multipurpose spectator facility.

**Table 6: Comparison of Special Events hosted between the Medicine Hat Arena and the Lethbridge Enmax Centre since 2005**

MEDICINE HAT ARENA		LETHBRIDGE ENMAX CENTRE	
Year Built	1970	Year Built	1975
Seating Capacity	4,006	Seating Capacity	6,500
Concert capacity	4,006	Concert capacity	7,100
<b>2005</b>	Lipizzaner Stallions Kalan Porter Circus (2) Bull O’Rama Celebration on Ice	<b>2005</b>	World Under 17 Hockey Challenge Alberta Arenacross Championship Figure Skating Ice Show PBR Extreme Bull Riding Circus (3) Concerts: Kalan Porter & Amanda Stott / Keith Urban / Blue Rodeo / Willie Nelson / Collective Soul / George Jones & Ronnie Prophet / Alice Cooper / Roger Whittaker Automobile Show Lipizzaner Stallions Stuart McLean Show
<b>2006*</b>	Harlem Globetrotters Tanya Tucker Indoor Rodeo WWE wrestling Jordan Circus Figure Skating Competition	<b>2006</b>	Harlem Globetrotters PBR Bull riding Jordan Circus Tanya Tucker / Bryan Adams / Motley Crew / Alice Cooper / Nickelback Larry the Cable Guy Rumble in the Cage – Martial Arts AB Arena Moto-Cross Kleenex Celebration on Ice Southern Alberta High School Basketball Championships
*2006 Planned Events			

# Arena Feasibility Study Review

## PUBLIC CONSULTATION



Nustadia and City administration met jointly with a number of user groups of the current Arena to discuss current and future utilization of the arena, identifying the need / support for a new facility and if / how special events at the Arena affect the groups. There was overwhelming support for a new facility that enhanced their current and future program needs. Amenities such as training facilities, meeting space, dedicated offices and change rooms were some of the recommendations for improvements that were identified.

As part of the public consultation process, Nustadia and City administration also jointly met with representatives of the business community. Although specific data was not presented or readily available, there was significant support indicated by the business representatives from the community for building a new modern multipurpose spectator facility in the near future. Their belief is that a new facility could enhance the economic conditions of the community and attract larger events, possible trade shows and conventions to the area.

Nustadia also hosted a public meeting at the Family Leisure Centre on June 28, 2005. Timing of the open house was just prior to summer holidays and during a busy school period that may have affected the final turnout; however, about 100 people attended the event and provided input into the Study. The attendees reviewed display panels, answered survey questions and talked to the Consultants, providing comments that were clearly in support of the construction of a new multipurpose spectator facility.

# Arena Feasibility Study Review

## SITE OPTIONS



Nustadia conducted a preliminary review of 14 sites as part of the Study process and prepared a site analysis matrix. Various City administrative staff representing the Parks & Outdoor Recreation, Land & Properties, Community Development, Municipal Engineering, and Planning and Development Departments also met to discuss the impact of a proposed major facility on municipal land planning and infrastructure within the City. The identified sites were reviewed and discussed at length. Nustadia's recommendations as to the best sites were similar to those offered by City staff.

An evaluation of existing development plans, service requirements, retail land values, and the timing of the project, concluded that the north sites near the Family Leisure Centre are the most economically viable in comparison to the sites selected at the south end of the City. According to the City departments providing input, planning and design details in the south for the most part are completed, and the planned infrastructure and services have not taken into consideration the planning and servicing needs of a new multipurpose spectator facility.

The Land and Properties Department has verified that the land in the north area near the Family Leisure Centre is not currently in high demand, nor are there planned services and infrastructure in place. It was the consensus of staff that a major spectator multipurpose facility could be more effectively planned and built at a lower cost in the north area. This could also accelerate other infrastructure needs (roads and services development) and promote more commercial activities in the area.

It is the administrative recommendation that at least fifteen acres of land, rather than ten acres (as indicated in the Nustadia report) be established for the future development of a new multipurpose facility site to accommodate both parking and potential growth requirements.

# Arena Feasibility Study Review

## FINANCIAL REVIEW



City administration also completed a review and assessment of the financing options and sustainability of the arena project based on the operating and capital assumptions outlined in the previous sections.

The following assumptions have been used in determining costs for the future development of a multipurpose spectator facility:

### **Assumptions:**

- a) Construction would commence in 2008 and full operation in 2011; dependent on:
  - i. City Council's decision regarding the building and timelines for a new facility (2006); and
  - ii. Functional Planning, fundraising, and design completion prior to construction (2008).
- b) Construction inflation rate of 7%, 6%, and 5% for next three years;
- c) Capital cost projections for a 6,000 seat multipurpose spectator facility expandable to 8,000 seats; including 15 acres of land (retail value) and all servicing costs (water, sewer, gas, electric, access roads, etc.);
- d) Current arena is demolished at a cost to the project, the site is sold, and revenues collected being targeted towards the new facility costs. Some equipment could be salvaged and transferred to a new facility dependent on timing of the construction;
- e) Capital borrowing occurs in 2008 for construction purposes and the first full year of operating costs for a new multipurpose spectator facility would be 2011;
- f) A 1% increase in taxes would generate \$422,000 additional revenue in 2011;
- g) Tax level assessment growth of 2% each year;
- h) Land costs include infrastructure and servicing costs to the property line and building costs include all services on the property;
- i) Government grants and fundraising sources contribute minimally 1/3 of the total capital cost;
- j) The City acquiring Debenture Debt over a 25-year period at 6% towards the balance of capital funds needed to complete the project.
- k) Operating revenues/expenses inflation rate is 2.5% rather than 3% as indicated in the Nustadia report;
- l) An Arena Use Agreement with the anchor tenant(s) for a new multipurpose spectator facility arena would achieve higher revenues than the present Agreement;
- m) Additional maintenance and staffing costs would be required for a newer, larger facility;
- n) For the purposes of this analysis, the proposed multipurpose spectator facility would be owned and operated by the City (operating and capital financing models to be explored further).

## **Analysis**

Operating revenues for a 6,000-seat multipurpose spectator facility expandable to 8,000 seats is estimated at \$1.8 million rather than the \$2.2 million in the Nustadia report. This more conservative number recognizes local conditions and the current Arena Use Agreement, rather than those that occur in other Canadian markets. Compared to the current operation of the Arena, \$900,000 in new revenues is projected to be generated mainly through commercial leases, special events, building advertising, and suite and club rentals.

Operating expenses are estimated to be \$1.9 million rather than \$2.2 million, based on the assumption that the facility proposed would not require a private company management fee. \$544,000 in additional expenses over the current Arena operating budget would be required for wages, materials, repairs, special event expenses, and utilities. In comparison to the existing Arena, the 2011 operating savings each year with the operation of a new multipurpose spectator facility (operating revenues and expenses only) would be \$358,000.

In the Nustadia report, a small operating surplus or minimally a break-even scenario could be generated, excluding any contributions towards borrowing or capital replacement reserves. The City review indicates that a proposed new facility could lose approximately \$100,000 before any borrowing expenses or reserve transfers. Borrowing expenses would amount to \$2.7 million each year based on borrowing 2/3 of the funds required over 25 years, financed at a rate of 6%.

**Table 7: 2011 Projected Operating Revenues and Expenses (\$000)**

<b>Description</b>	<b>CMH Operations Existing Arena</b>	<b>Changes Related to New Arena</b>	<b>CMH Operations New Arena</b>	<b>Nustadia Study Projections</b>
Revenues	913	900	1,813	2,213
Expenses	1,388	544	1,930	2,179
Net Operating Surplus (Deficit)	(475)	358	(117)	34
Debt Repayment		2,710	2,710	2,710
Net Surplus (Deficit)	(475)	(2,352)	(2,827)	(2,676)
Tax Increase Required			6.7%	6.34%

A preliminary review of the costs and financing for each site/location identified in the Arena Study verifies that the two Family Leisure Centre locations in the north may be the most economical. Land and servicing costs are less in these locations, and the current Family Leisure Centre land has already been paid for by the previous project. The five locations identified range in a total capital cost of \$58 to \$62 million (based on a very preliminary Class C Construction Estimate of costs). Capital expenses and funding sources are identified in *Table 8*. A more detailed site analysis and construction cost estimate needs to be completed before any projected construction or project budget should be considered.

**Table 8: Capital Revenues and Expenses (\$000)**

Description	East Southlands	Family Leisure Centre (FLC)	West of the FLC	13 <sup>th</sup> Ave. South	Current Arena Site
<b>EXPENSES</b>					
Building Cost	55,941	55,941	55,941	55,941	55,941
Equipment Cost	1,301	1,310	1,301	1,301	1,301
Land & Servicing Cost	4,535	697	2,876	3,779	3,205
Total Anticipated Capital Costs	61,777	57,939	60,118	61,021	60,447
<b>FUNDING SOURCES</b>					
Government Grants/Donations	20,934	20,934	20,934	20,934	20,934
City Equity		267			
Net Proceeds from Sale of The Arena land	400	400	400	400	400
Debenture Debt (25 years) 6%	40,443	36,338	38,784	39,687	39,513
Total Anticipated Funding Sources	61,177	57,939	60,118	61,021	60,447

The financial models prepared by administration presume that at least 1/3 of all Capital funds would be generated from government grants and third party funding, and that the balance of funds required for the project would be borrowed beginning in 2008, over three years. This would result in a significant annual payment attributable to the new multipurpose spectator facility and place a major burden on the tax revenue required to address the debt and operating costs for the facility. The net tax increase required to raise the estimated annual deficit of \$2.8 million would be approximately 6.7 percent in addition to any approved annual general tax increase. *Table 9* indicates the comparative percent tax increase year on year beginning in the year 2008.

**Table 9: Comparative Percentage Tax Increase Year on Year**

<b>Location</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Cumulative City of Medicine Hat 2011</b>	<b>Cumulative Nustadia Study 2011</b>
East Southlands	1.23	1.96	1.47	2.83	7.32	7.04
Family Leisure Centre	0.94	2.24	2.11	1.50	6.62	6.10
West of FLC	1.11	2.49	2.11	1.50	7.02	6.50
13 <sup>th</sup> Avenue South	1.18	2.60	2.11	1.50	7.18	6.66
Current Arena Site	1.16	2.58	2.11	1.50	7.15	6.63

# Arena Feasibility Study Review

## CONCLUDING COMMENTS



When the Arena Feasibility Study was commissioned to Nustadia Recreation Inc. by City Council, two critical questions were to be addressed within the project:

1. Does Medicine Hat need a new multi-purpose spectator facility, and
2. If yes, what would be the estimated total development cost and the long term operating sustainability of the project?

Nustadia identified in its Report that the City does need a new arena, and further that a new arena would be supported by the community. The Consultants have presented information indicating that the current facility has exceeded its original mandate and that with the current needs of the WHL franchise and its spectators, plus the interests of promoters for “B” concerts, that a new multipurpose spectator facility is needed.

The Report also identified that with three years of continuous sellouts for WHL Hockey, many citizens and visitors to the City are not able to attend these events. As the City continues to grow, and if the Tigers continue to excel and maintain a competitive team in the WHL, the anticipated future demand will continue to be greater than the current supply. A new multipurpose spectator facility is forecasted to attract new events for the residents of Medicine Hat and provide a future economic/revenue and tourism strategy for the City. The option for substantial renovation of the current arena for \$16.5 million, without any additional seats has not been recommended by the Consultants, or supported by any of the users or groups included in the market analysis because the more primary need to address capacity attendance issues would not be resolved.

If a new multipurpose spectator facility was to be built, it is recommended by both the Consultants and administration to decommission the old Arena when the new one is complete. Nustadia and administration, based on comparisons of cities, as well as operating sustainability, believe that a seventh ice surface is not required, and that a 4,006-seat facility would not have sufficient demand. Sustainable alternative program requirements were analyzed and it was determined that they are not viable or financially sustainable for an aging facility of this size. It should be noted that the current Arena would be at least 40 years old, dependent on timing of construction of a new facility.

In the Nustadia report, three scenarios were proposed:

- a) A new 6,000-seat arena,
- b) 6,000 seats expandable to 8,000, and
- c) 6,000 seats expandable to 10,000.

Considering the following:

- the size of the current facility built in 1970,
- the current ticket demand for WHL Hockey, and the attendance history,
- the average size of arena facilities in the WHL, and average game attendance,
- the capacity requirements for bidding on more regional events like the Scott Tournament of Hearts, Continental Cup of Curling, WHL/CHL tournaments and major attractions, major figure skating shows, and major “B” concert requirements, and
- the current population of the City, its demographics and regional trading area,

a 6,000, expandable to 8,000-seat multipurpose spectator facility would address current and foreseeable future seating capacity requirements. Originally, 6,000 seats could be provided and a plan put in place to add additional seating up to 8,000 when demand exists. This would in effect, move towards a doubling of the current capacity of the existing Arena.