



City of Medicine Hat

Arena Feasibility Study
Report

Submitted by
Nustadia Recreation Inc.

NUSTADIA
RECREATION

November 2005

**City of Medicine Hat
Arena Feasibility Study
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ACKNOWLEDGEMENTS

Nustadia Recreation would like to express its appreciation to those individuals who contributed to this Arena Feasibility Study. There have been numerous meetings with community stakeholders and the public where the enthusiasm expressed by the residents of Medicine Hat had a significant impact on helping define the needs and vision of this community. This report is one step in a series that will ultimately result in a fitting public amenity and a source of civic pride for its residents.

The study team is particularly indebted to the Ad Hoc Arena Feasibility Committee for their insight and support.

Ad Hoc Arena Feasibility Committee

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1.0 Executive Summary

Introduction

The City of Medicine Hat commissioned Nustadia Recreation to determine if the City needed a new multipurpose spectator facility to replace The Arena and if so what would be the estimated total development cost and the long term operating sustainability. Determination of The Arena deficiencies and associated estimated costs to renovate The Arena was also part of the scope of this study. A multipurpose spectator arena or Multiplex is a facility that is designed to host a multitude of spectator events from ice related events such as hockey and figure skating shows to dry floor activities including rodeos, concerts, tradeshow, monster truck competitions, wrestling, volleyball and many other events.

The Arena

Nustadia reviewed the functionality, limitations and deficiencies of The Arena. Based on this review Nustadia provided a phased renovation cost estimate. Nustadia and PBK Architects did a walk through and met with operations personnel, stakeholders and users of The Arena to complete an assessment of the overall building deficiencies and limitations.

The City has spent approximately \$2.2 Million over the past six years on a number of capital upgrades; new seats, refrigeration equipment and maintenance. Some of these expenditures could be salvaged and re-used in a new multiplex. Phase 1 Renovations at about \$6.4 Million would address the circulation and exiting requirements to allow The Arena to function more efficiently as a multipurpose facility with the ability to attract concerts and trade shows. Phase 2 Renovations at about \$3.1 Million could be done at the same time as the Phase 1 work in order to increase the storage and operations area of The Arena by 15,000 square feet. The most costly renovations, Phase 3 (at \$7 Million) would see the roof raised and the addition of twenty suites, a VIP lounge and new media area.

The total of Phase 1, 2 and 3 renovations is \$16.5 Million with no significant increase in seating capacity. In all of our meetings with users of The Arena, stakeholders, the business community and the Public meeting held on June 28 there was not one person who expressed the opinion that money should be spent on renovating The Arena. There was almost a unanimous opinion that the time has come to replace The Arena with a modern, larger multipurpose spectator facility. Consideration was given to alternate uses for The Arena, including maintaining it as an additional ice sheet for hockey, figure skating or ringette, however the most economical solution for the City would be to demolish the building and sell the land for commercial / residential (or hotel) development.

Market Analysis

A market analysis for a new 6000-seat multiplex was undertaken and consisted of an analysis of historical evidence for WHL home game attendance in centres that have constructed new multiplex arenas. There is strong evidence that attendance will increase and be sustainable in the long term in new modern facilities. Many factors influence attendance including the team's performance, alternative entertainment

opportunities, demographics and the facility itself. The Arena provides a good venue for hockey, but lacks the experience obtained by going to new multiplexes with modern suites, ice level access and sufficient washrooms. The WHL Tigers have sold out all home games for the past three years and there is a significant waiting list for season tickets. There is a need for a new venue with increased seating capacity. Many of those we met recommended an expandable facility that would meet today's needs and those of the future. A significant number of the individuals interviewed were adamant that provision for future expansion had to be a critical component of any future program.

Concerts and other spectator events are not attracted to Medicine Hat because The Arena can not provide the facilities required. Our meetings and discussions with promoters indicate that there is a possibility of attracting Class B and C concerts to Medicine Hat particularly if the Multiplex operators were able to co-promote shows.

Trade shows are traditionally a break even prospect at best for a multiplex but are of significant benefit to the business community by bringing tourism dollars into the City. The Exhibition Association with their 75,000 square feet of open trade show space has been able to satisfy this demand. There is a need for additional convention space with break out rooms and the Exhibition association has expressed an interest in partnering with a new multiplex to try to attract larger events but without competing for the trade show market. Nustadia's meetings with the Chamber of Commerce, Tourism and the Downtown Business Association indicated that there is a need for more convention space within the City.

Public Consultation

Nustadia visited Medicine Hat four times through out the study period and undertook a public consultation process by meeting with, user groups, stakeholders, community leaders, business associations, individual entrepreneurs as well as the Study Ad Hoc Committee. The purpose of the public consultation process was to gain an understanding of the use and limitations of The Arena and to determine the need and support for a new multiplex. A public meeting was advertised and convened whereby almost 100 residents of Medicine Hat came out and discussed the limitations of The Arena and provided written comments on the need for a new Multiplex. Of the 77 questionnaires completed all but one strongly supported the need for a new multiplex.

We were unable to meet with the major tenant of The Arena, the WHL Medicine Hat Tigers. Several meetings were scheduled and written questions were mailed to the team ownership, however no input on the need and support for a new multiplex was received from the team. The team did indicate through a letter that they were not prepared to meet until after the conclusion of their negotiations with the City on a new lease for The Arena.

Potential Sites

Fourteen potential sites throughout the City were reviewed and rated based on a listing of defined criteria. The analysis did not include any in-depth review of specific site information such as existing site services, survey plans or geotechnical reports. All the sites considered were on City owned land except for Site # 14.

The four most desirable sites ranked through this process were The Family Leisure Centre, East end of the City along the Trans Canada highway, west of the Family Leisure Centre and 13th Avenue South. If the City decides to develop a multiplex then a more detailed site selection study would be required as part of the pre-development work.

Business Plan

The question of Medicine Hat needing a new multiplex has been answered. Based on all the market analysis, meetings, discussions and public input received the answer is a resounding yes. The need for a new multiplex is based on the following criteria;

- a) the deficiencies of The Arena and the cost to mitigate these deficiencies,
- b) the demand for increased seating and
- c) the increased spin off benefits to the business community and residents of the City from being able to attract concerts and trade shows.

In addition to the clearly defined need the citizens of Medicine Hat want and support the replacement of The Arena with a new modern multipurpose spectator facility. Therefore we can conclude that there is a need and a want for a new multipurpose spectator facility in Medicine Hat.

Based on the need for a new multiplex Nustadia prepared a detailed operating proforma for a 6000-seat spectator facility and estimated the total development cost for two other scenarios, 6,000 expandable to 8,000 seats and a 6000-seat expandable to 10,000 seat option. A 6000 seat option was chosen as the initial size that should be constructed based on the market demand for WHL tickets, expected concert and family show events and to ensure that the excitement of a capacity crowd was maintained. It is important from a marketing and event focus that a new facility not be too big. The three options considered have order of magnitude, total estimated development costs of \$38.36 Million, \$46.69 Million and \$55.08 Million respectively.

Based on the model created for the 6000-seat multiplex we would expect an annual operating surplus in the amount of about \$62,000. This amount includes an annual allocation of \$100,000 to a capital replacement reserve fund. Currently the City subsidizes the operation of the Arena in the amount of about \$240,000/ year. Our analysis suggests that the development of a Multiplex could result in annual operating savings to the City of about \$400,000. (\$162,000 from operations of the new Multiplex plus savings of \$240,000 from no longer operating the Arena)

If the City were to consider debt financing the entire development cost of a 6000 seat multiplex expandable to 8,000 seats then the annual debt repayment cost would be \$3.71 million amortized over 20 years at an interest rate of 5.1%.

Alternate Project Delivery Methodologies

The Traditional Public Sector Model, Development Management Model and Community Partnership Model are alternative project delivery methodologies that the City may want to consider for a new Multiplex. It is not often that a municipality develops a large venue spectator facility. This large scale project guided through the

use of defined budgets and schedules tends not to work well through the Traditional Public Sector Model due to the expertise required to efficiently and cost effectively develop, design, construct and operate these types of facilities. Nustadia recommends a partnership model that aligns the strengths of both the public and private sectors to successfully deliver a Multiplex in Medicine Hat. The public sector often has cheaper access to Capital and can provide covenants on borrowing at lower rates than the private sector can usually obtain. The private sector can guarantee total developed costs, bring experience and lessons learned to the project from other developments and can use the synergy of multiple operations to ensure that best practices of operations and revenue generation are attained.

2.0 Introduction

2.1 Scope

On April 19, 2005 the City of Medicine Hat awarded an Arena Feasibility Study to Nustadia Recreation Inc. The mandate of the study was to first answer the question “Does the City of Medicine Hat need a new multipurpose spectator facility?” If so “How big should the facility be, what is the estimated total development cost and would a new multipurpose spectator arena be sustainable on a long term operational basis?”

The capacity of The Arena is 4,006 people and was constructed 35 years ago. The Arena has excellent site lines, a tight bowl and it is a great place to watch a hockey game. The Medicine Hat Tigers, the major WHL tenant of The Arena has offered a great product over the past four years with over 100 games in a row sold out. Unfortunately with the change in spectator arena facilities from facilities that cater to ice events only to multi purpose facilities The Arena is not able to accommodate the many other varied events including, concerts, conventions and tradeshow that new facilities can host. As a major hockey venue, The Arena, is deficient as well in many aspects prescribed for new WHL facilities.

2.2 Methodology

Introduction

In order for Nustadia to answer the questions of need, cost and sustainability it was necessary to become familiar with the existing arena, its benefits and its short comings. We prepared a detailed business plan and market analysis for a new facility, identified projected cash flows in order to compare with the current financial performance. The final phase was to suggest alternatives for financing and project delivery based on realistic projections of revenue and costs.

Review of Existing Data

City administration staff provided Nustadia with a wealth of information and statistics on the operation, maintenance and recent and planned capital upgrades to The Arena including a copy of the Realty Asset Management Plan completed in November of 2004 including a condition assessment of The Arena.

Public Consultation

Nustadia met with The Arena operations staff, user groups and stakeholders to listen to their concerns with respect to the operation and use of The Arena and to obtain opinion on the prospect of a new multipurpose spectator facility. In addition to these individual and group meetings, one public open house was held in which about 100 Medicine Hat residents attended, reviewed presentation boards on The Arena and possible new facilities, talked with Nustadia and City administration staff and completed a questionnaire related to their use of The Arena and support for a new Multiplex.

Financial Evaluation of Existing Facility

Nustadia analyzed data provided by the City with respect to the ongoing operations of The Arena in order to provide a meaningful comparison of the status quo to the proposed new business structure. This analysis included revenue and operating cost review, and an estimate of the capital cost to upgrade The Arena to as close as possible to today's standards for multiplex facilities.

We also reviewed possible options for The Arena including potential sale, reconfiguration or reprogramming of the existing arena if a new facility were to be constructed.

Market Analysis

In order to assess the long term operating sustainability of a new multipurpose spectator arena Nustadia completed a Market Analysis of potential use and increased revenue opportunities. Information was obtained through interviews, conversations and discussions with potential user groups, stakeholders, the business community and promoters as well as a review of attendance records for all WHL teams over the past ten years.

Facility Use Profile

Nustadia took the information received in the above analysis and created a facility use profile that identified a preliminary booking summary for the various functions within the facility. This provided much of the pertinent information required for basic facility business planning.

Preliminary Cash Flow Pro-Forma

Using our proprietary, in-house program we prepared a detailed preliminary projection of cash flow for the entire facility. This included an analysis of event revenue, ice rentals, food and beverage sales, advertising and sponsorship, facility operating expenses, and other revenues from associated facilities and services.

Using input from City staff we were able to sensitize the critical data points to reflect local conditions.

Facility Feasibility Model

Building on the cash flow model described above, and using the full development capital cost, Nustadia generated a facility feasibility model that identifies the potential for net cash flow, debt service, and potential for capital contributions.

3.0 Evaluation of Existing Facility

3.1 Deficiencies

Through a walk-through of The Arena by Nustadia Recreation and PBK Architects staff, and meetings with user groups and stakeholders the following deficiencies were noted;

- The main concourse circulation area is about 6400 square feet and should be closer to 14,700 square feet to meet current design standards. The Arena is congested with more than 1,000 people in the building. There is congestion in the front lobby/box office area, ticket outlet space and souvenir booth areas.
- The ticket booth is small and is aligned against the flow of traffic.
- The concession outlets on the concourse are too small with not enough counter space. The outlets are unable to be extended any further due to space restrictions.
- The concession electrical systems are past their capacity and the building electrical service is not sufficient for concerts and trade shows that typically require a 1,600 amp service. Not all concession equipment can be run at the same time.
- The building does not have an elevator and there is no handicapped access from the concourse to the ice level.
- The total number of water closets does not meet current building code requirements for the occupancy loading.
- Handicapped seating is required at both ends of the building and should be available on all levels.
- The Arena maximum seating capacity is 4,006 with no standing room allowed due to building code related exiting constrictions. All of the Tigers home games have been sold out for the past three years and Nustadia has been told that there are over 2,000 people on a waiting list for season tickets
- Fire code regulations do not allow more than 480 people on the ice level instead of the normal 1,800 people that could be accommodated if the ice level exiting were designed properly. This severely restricts the use of the building and does not make it attractive for concerts or trade shows.
- Areas for hosting the media and hockey scouts are limited,
- There are no private boxes or suites,
- Parking, access and exiting constraints are issues for some fans attending Tiger hockey games, and for The Arena neighbours.
- The Arena is located in a flood plain and was flooded in 1995 and again to a lesser extent in the spring of 2005.
- There are no washrooms in dressing rooms #2 and #4,
- There is a lack of storage and staging area at the back of house both for hockey operations and special events.

- The centre ice score clock is not retractable, limiting adequate space for lighting for concerts and limiting camera sight lines.
- The rink board system is not removable.
- The rink glass is not made for easy removal and the large end glass sheets are not removable.
- Railings are required up the stairs in the bowl. Currently it is difficult for people with mobility problems to maneuver the stairs.

3.2 Phased Renovation Options

The Arena has been well maintained with about \$2.2 million spent in upgrades over the last six years. Finishes and materials are in good condition for a building of this age.

One of the main questions to be answered in this Arena Feasibility study is: Is it possible to renovate the existing arena to overcome the limitations and if so what is the cost?

A conceptual building program and cost estimate was developed to renovate the existing arena in keeping with current standards for a WHL multipurpose facility. The estimate was calculated on a square foot basis using data from recent capital budgets on similar facilities.

Nustadia examined the option of renovating The Arena to reduce or eliminate many of the deficiencies listed in Section 3.1. It was determined that a phased approach to the renovations was the best way to proceed in order to reduce impact on the operations of the facility as well as to get the best renovation value for money spent. It is important to note that even with the expenditures presented below the overall building seating capacity for ice events would not be substantially increased. (only about 200 more seats)

Phase 1 Renovations

Phase 1 renovations would include the following;

- Increase the concourse area and circulation space,
- Add proper exiting from the ice level so that the occupancy can be increased from 480 to 1,500 people,
- Add washrooms on the concourse level to meet Building Code requirements,
- Increase the concession space and equipment,
- Create a Club Lounge on the concourse level,
- Add a new expanded lobby area,
- Add two elevators for handicap access to the ice level,
- Add a new removable dasher board system,
- Add a new sprinkler system,

- Add new 1,600 amp electrical service for concerts and trade shows,
- Add a new fire alarm system,
- Buy new equipment including;
 - Expanded stage,
 - Insulated floor covering,
 - Floor chairs,
 - Forklift,
 - Cash register system

The total estimated development cost of Phase 1 renovations, which includes all hard and soft costs are about \$6.4 Million.

Phase 2 Renovations

The Phase 2 renovations would include the following;

- The addition of about 15,000 sq. ft. for storage and operations for a total estimated development cost, which includes all hard and soft costs, is about \$3.1 Million.

Phase 3 Renovations

Phase 3 renovations are the most expensive and include the following;

- A VIP Lounge on the concourse level
- A media area
- Twenty new suites
- Raise the roof structure and new associated exterior walls to allow for the addition of suites and to allow the centre ice clock to be raised for concerts and trade shows.
- New acoustic panels over the bowl area

The total estimated development cost of Phase 3 which includes all hard and soft costs, is about \$7 Million. It is important to note that raising the roof does not result in the addition of significantly more seating. It may be possible to get about 200 more seats associated with new private suites.

Summary

It is possible to renovate and add on to the existing arena to overcome a number of its limitations and bring it close to current standards for a WHL facility and to be able to use it more effectively for concerts, family and trade shows.

The cost of completing all Phases of the proposed renovations at about \$16.5 M is 35% to 45% of the cost to construct a new facility with no increased seating. The majority of the building will still be 35-years-old. In addition to the identified renovations the City has budgeted another \$1.42 Million to be expended over the next five years on general maintenance.

Phase 1 and 2 Renovations could be scheduled to provide limited disruption to the facility operations and Tiger home games. If the City decides to proceed with this option then a detailed construction schedule integrated with the Arena operations would need to be prepared. It may be necessary to find a temporary alternate location for the Tigers and other users for two to three months. If the Phase 3 renovations proceeded then we expect that the building would not be available for most of one entire season.

Table 3.1

**The Arena
Renovations Capital Cost Estimate**

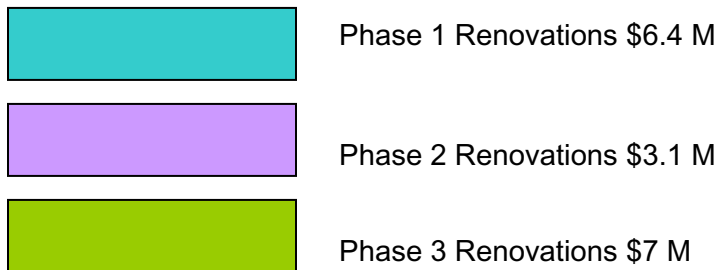
| Medicine Hat Arena Feasibility Study | | | | | | | | | |
|---------------------------------------------|---------------------------------|----------------|----------------------------------------------------|-----|-----|-------------------------|------|--------------|-------------|
| Client: <u>City of Medicine Hat</u> | | | Proj. Mgr. _____ | | | Date <u>IM</u> By _____ | | 26-Jun-05 | |
| Proj. Title <u>"The Arena" Renovations</u> | | | Est. Type _____ | | | square foot | | I McKay | |
| Project No. <u>DM 05100-00 VA</u> | | | Quantities are net in place Based on Dwgs _____ | | | ESTIMATED COST | | | |
| Est. Title <u>Phased renovation costs</u> | | | Thru: _____ | | | Quarter _____ | | 2005 | |
| Area/Div. _____ | | | | | | Canadian Currency | | | |
| Code of Account | Item Description | Spec. | Dims | | | Qty. | Unit | Unit Rate * | Total |
| | | | w | L | d/h | | | | \$0 |
| 1 | Concourse space add-on | | | | | 8300 | sf | \$200.00 | \$1,660,000 |
| | | | | | | 0 | | | \$0 |
| 2 | Washrooms concourse add-on | | | | | 1350 | sf | \$200.00 | \$270,000 |
| | | | | | | | | | \$0 |
| 3 | Concessions | | | | | 0 | | | \$0 |
| | Concessions add-on space | | | | | 1400 | sf | \$200.00 | \$280,000 |
| | Concession Equipment | | | | | 4 | each | \$50,000.00 | \$200,000 |
| | | | | | | | | | \$0 |
| 4 | Lounges | | | | | 0 | | | \$0 |
| | Club Lounge (concourse level) | | | | | 3000 | sf | \$200.00 | \$600,000 |
| | VIP Lounge (suites level) | | | | | 3000 | sf | \$200.00 | \$600,000 |
| | | | | | | 0 | | | \$0 |
| 5 | Media Area (suites level) | | | | | 1500 | sf | \$200.00 | \$300,000 |
| | | | | | | 0 | | | \$0 |
| 6 | Suites (20 new in add-on) | 310 sf each | | | | 6200 | sf | \$200.00 | \$1,240,000 |
| | includes circulation | | | | | 0 | | | \$0 |
| 7 | New lobby addition | | | | | 1800 | sf | \$200.00 | \$360,000 |
| | | | | | | 0 | | | \$0 |
| 8 | New elevators | includes walls | | | | 2 | each | \$100,000.00 | \$200,000 |
| | | | | | | 0 | | | \$0 |
| 9 | New Storage/operations addition | | | | | 15000 | sf | \$150.00 | \$2,250,000 |
| | | | | | | 0 | | | \$0 |
| 10 | Roof | | | | | | | | \$0 |
| | Raise main roof structure | | 190 | 285 | 1 | 54150 | sf | \$40.00 | \$2,166,000 |
| | new walls for raised roof | | 1 | 950 | 25 | 23750 | sf | \$30.00 | \$712,500 |
| | | | | | | 0 | | | \$0 |
| 12 | New dasher board system | | | | | 1 | each | \$200,000.00 | \$200,000 |
| | | | | | | | | | |
| 13 | New Sprinkler system | | | | | 45000 | sf | \$4.00 | \$180,000 |
| | | | | | | 0 | | | \$0 |
| 14 | New Show Power system | | | | | 0 | | | \$150,000 |
| | | | | | | 0 | | | \$0 |

| | | | | | | | | |
|--------------|-------------------------------|--|--|--|--|-----------|-------------|--------------|
| 15 | New Fire Alarm system | | | | | 0 | | \$50,000 |
| | | | | | | 0 | | \$0 |
| 16 | New acoustic panels bowl area | | | | | 1 lot | \$75,000.00 | \$75,000 |
| | | | | | | 0 | | \$0 |
| 17 | Equipment | | | | | 0 | | \$0 |
| | New Stage | | | | | 1 set | | \$100,000 |
| | New insulated floor covering | | | | | 1 set | | \$115,000 |
| | Floor chairs | | | | | 1500 each | \$130.00 | \$195,000 |
| | Forklift | | | | | 1 | \$35,000.00 | \$35,000 |
| | Cash register system | | | | | 1 lot | \$36,000.00 | \$36,000 |
| TOTAL | | | | | | | | \$11,974,500 |

*Unit Rate costs are as published in :
 Cost escalation factor=
 Conversion Factor to \$CAN.=

| | | | | | | | | |
|--|--------------------------------------|--|--|--|--|------|--|---------------------|
| | Contingency 15% | | | | | 0.15 | | \$1,796,175 |
| | Subtotal | | | | | | | \$13,770,675 |
| | Soft costs 20% (fees, permits, etc.) | | | | | 0.2 | | \$2,754,135 |
| | Total Cost | | | | | | | \$16,524,810 |

Note: Debt Service on the \$16.5 M = 1.31 Million/yr based on 20 years at 5.1%



\$16.5 Million plus \$1.42 Million for City Scheduled General Maintenance within the next five years.

4.0 Market Analysis

4.1 Western Hockey League Attendance

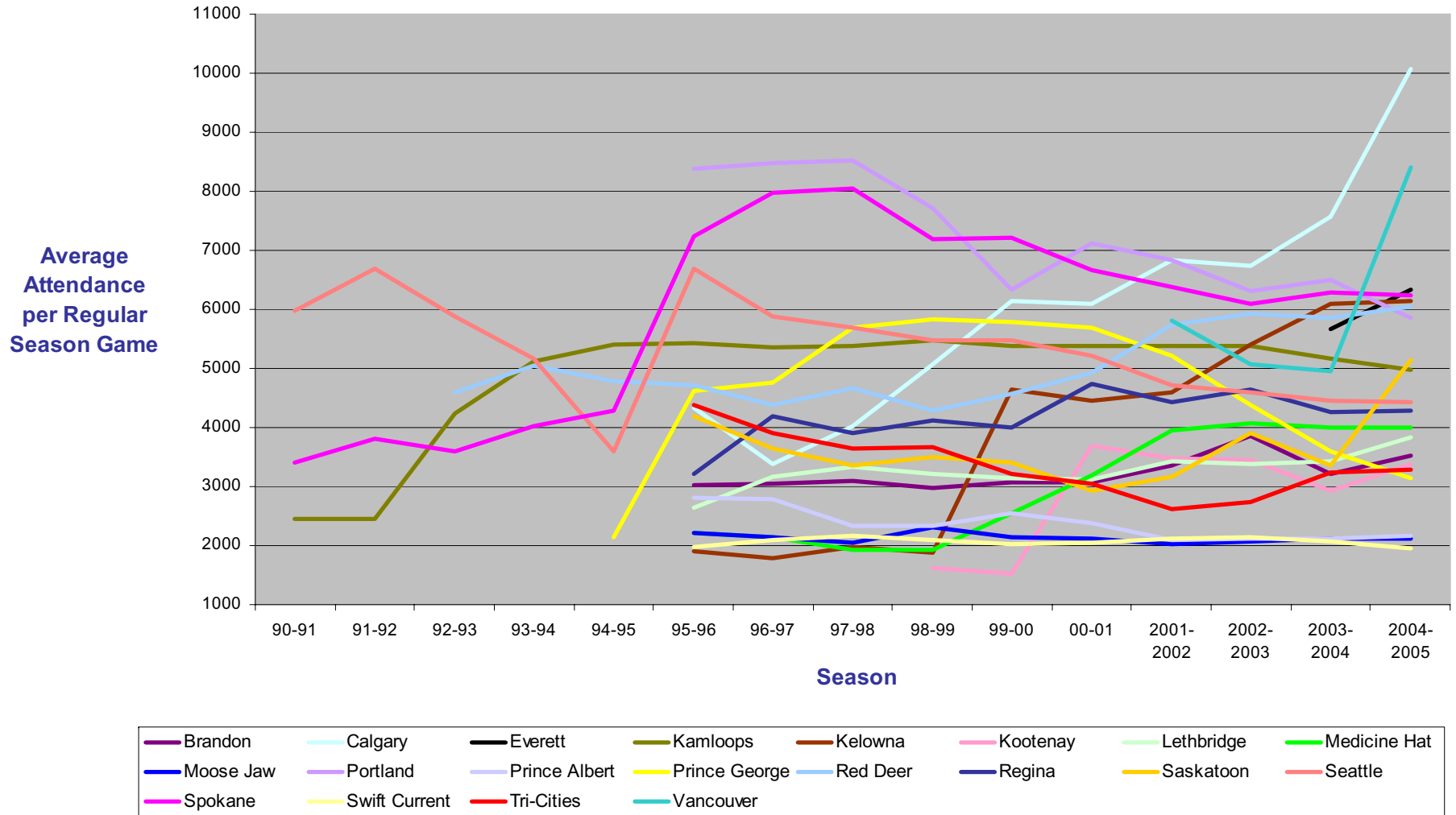
The Western Hockey League (WHL) is made up of twenty teams located throughout western Canada and the North West United States. A 21st team has just been added to the league and will be located in Chilliwack B.C. beginning in the 2006-07 hockey season. Over the last ten years several of the teams have had new multipurpose spectator arenas constructed to replace older aging structures.

Attendance numbers increased dramatically and have been sustained over several years. As an example Kootenay B.C. built a new facility that opened for the 2000-01 hockey season. The average regular season home game attendance prior to the new arena opening was 1,570. The new arena opened in 2000 and the average regular season game attendance from 2000-01 to 2004-05 has been 3,380, a 215% sustained increase. Kelowna built a new facility that opened for the 1999-00 season. Average regular season game attendance prior to this period was 1,888; from 1999-00 to 2004-05 average regular season game attendance grew to a 5,222 on a sustained basis, a 276 % increase. (See figures 4.1 through 4.4)

In Medicine Hat the Tigers drew an average of 2,152 fans from 1995-96 to 1999-00. From 2000-01 to 2001-02 the average attendance grew to 3,566 and from 2002-03 to 2004-05 The Arena has been sold out with average regular home game attendance at 4,006. Today there is not an extra ticket to be had and approximately 2000 people are on a waiting list for season tickets.

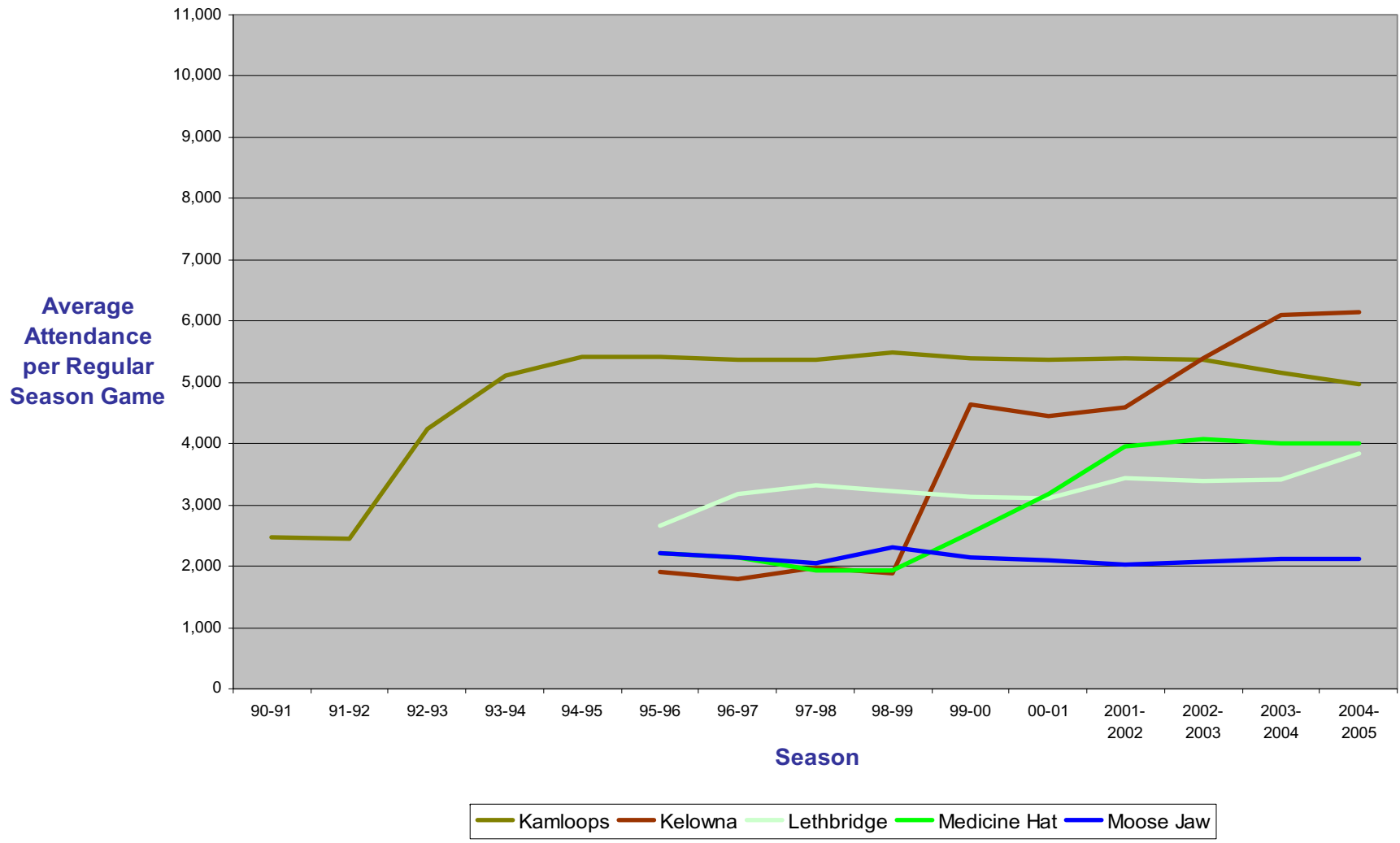
The historical evidence of the resulting increase in attendance with the construction of new modern facilities is strong. This combined with the strong support and demand for tickets to see the Tigers in Medicine Hat leads to the conviction that a new larger multipurpose sports and entertainment centre in Medicine Hat would result in increased attendance on a sustainable basis. There are other reasons for increased or decreased attendance including how well the team is marketed, how well they are performing, demographics and per capita income. The Tigers have had a strong team for several years and have been consistently competitive in the league.

WHL Attendance Chart

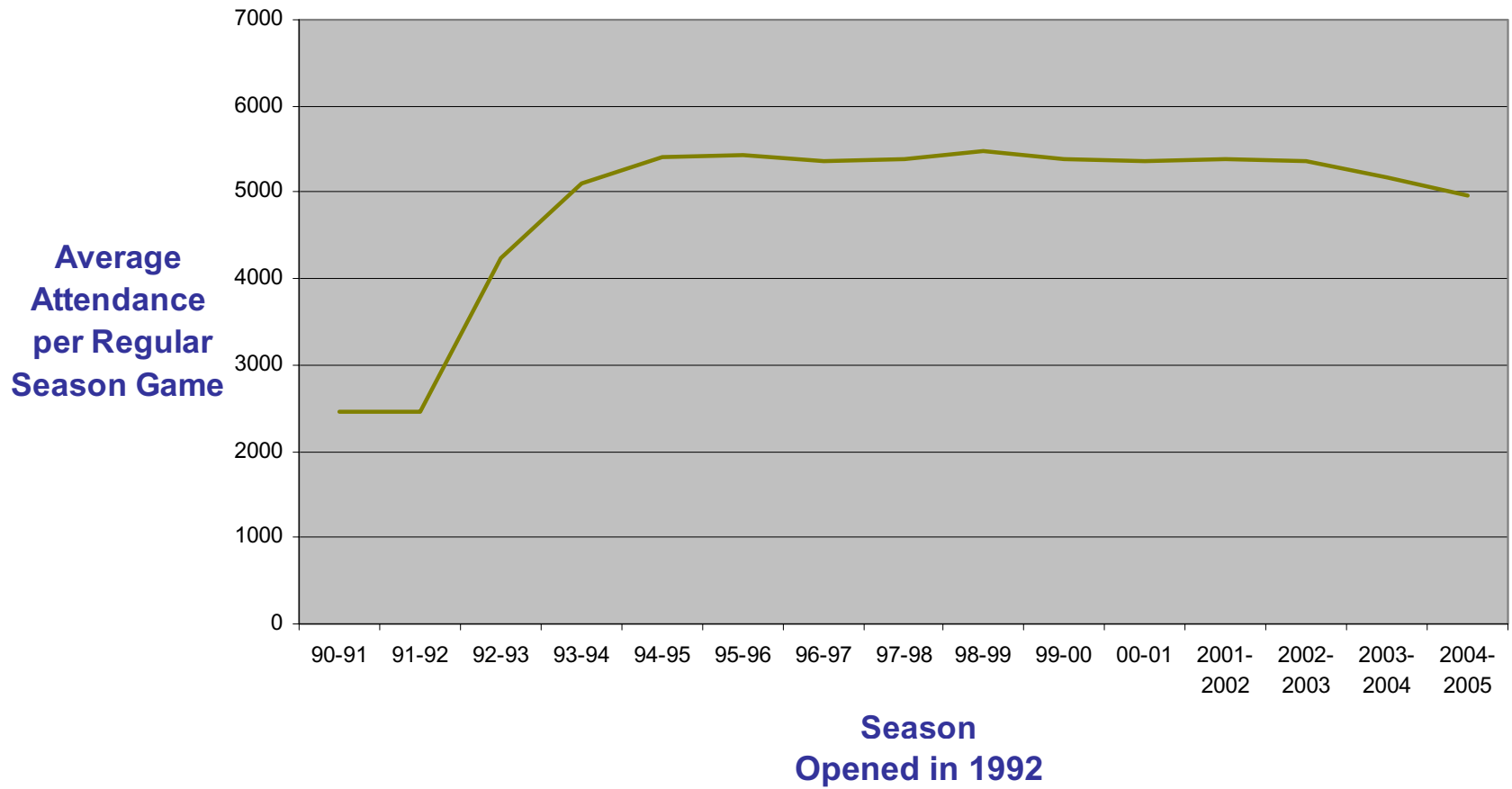


WHL Attendance Chart

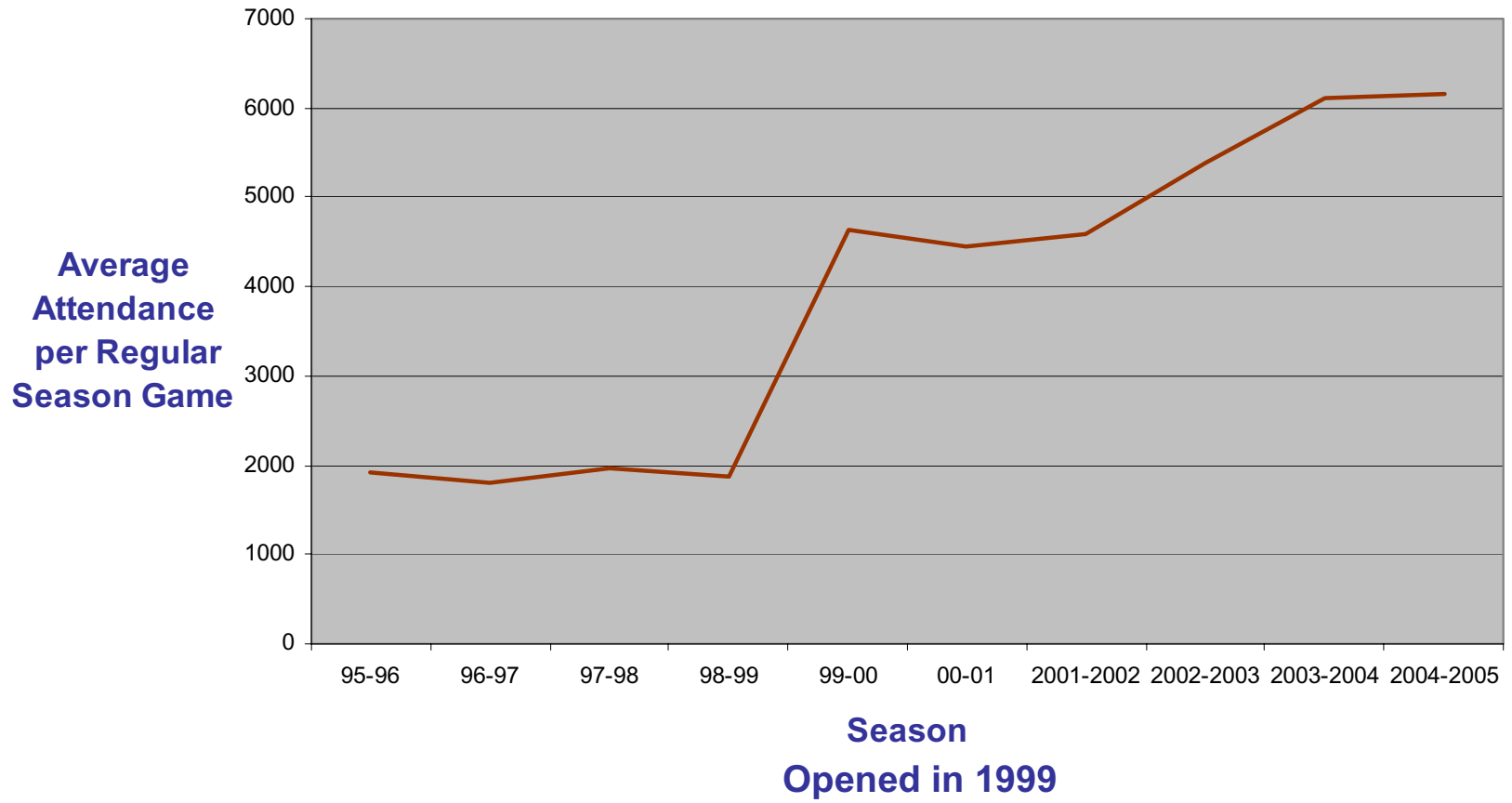
Comparable Cities



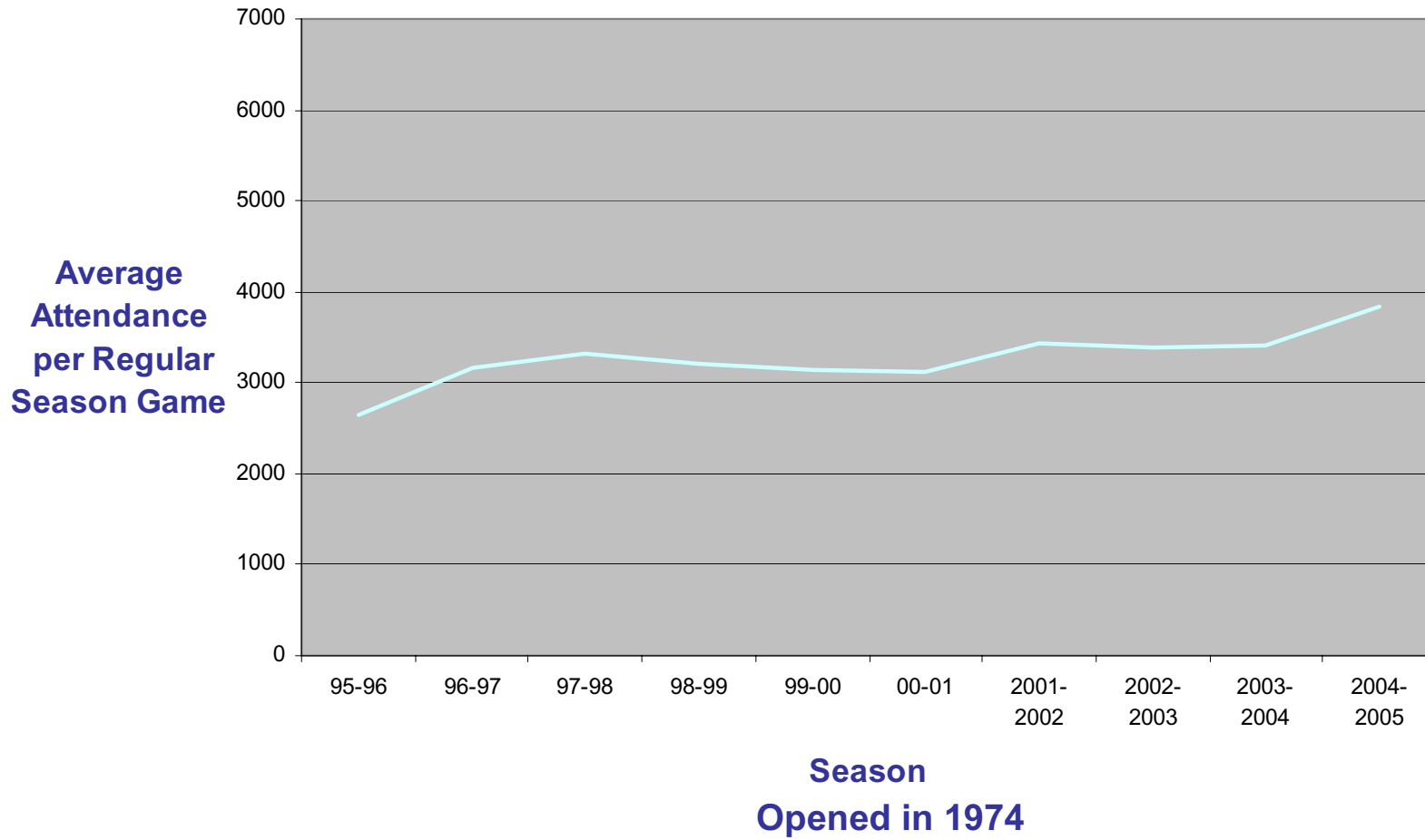
Kamloops



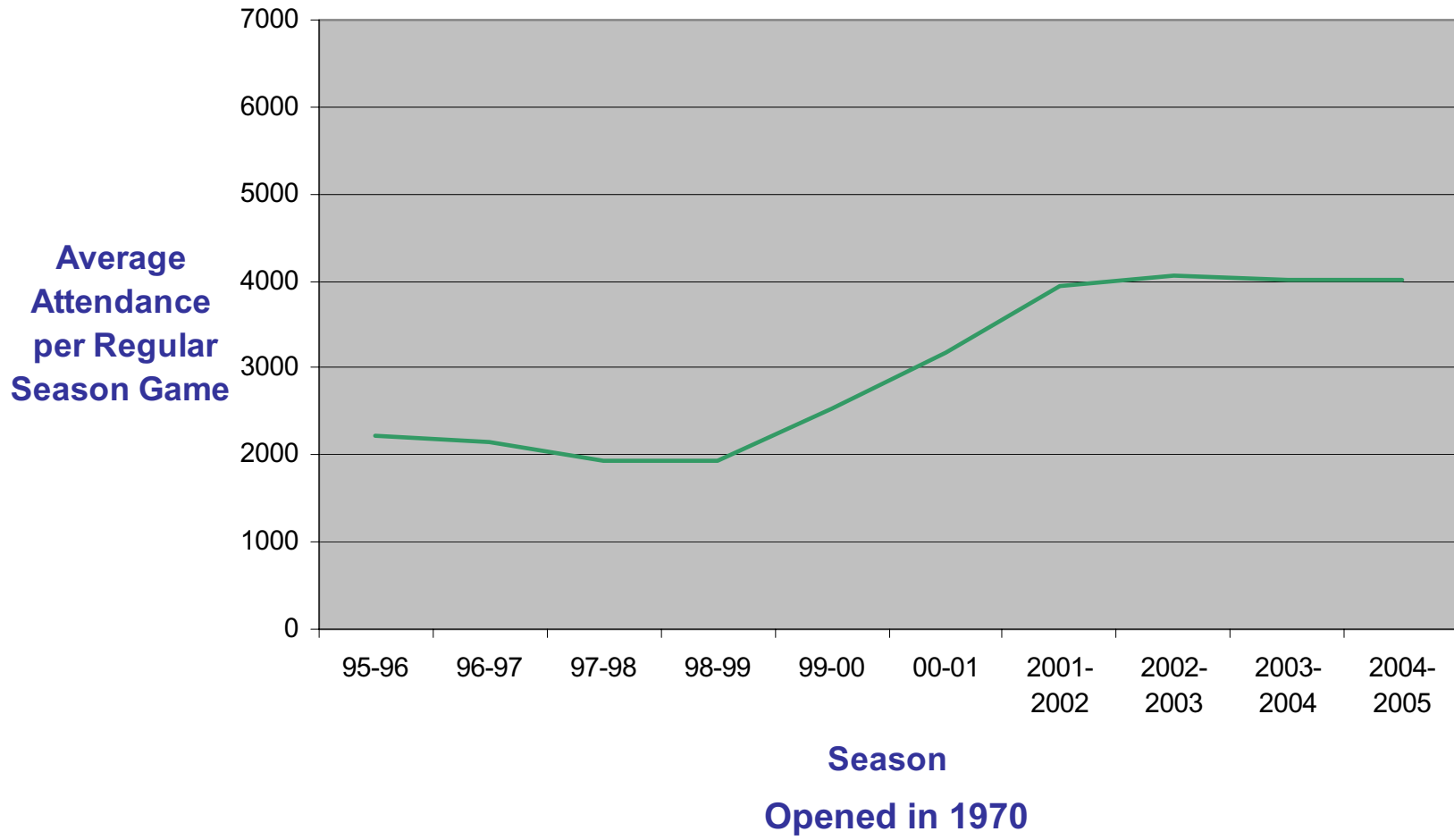
Kelowna



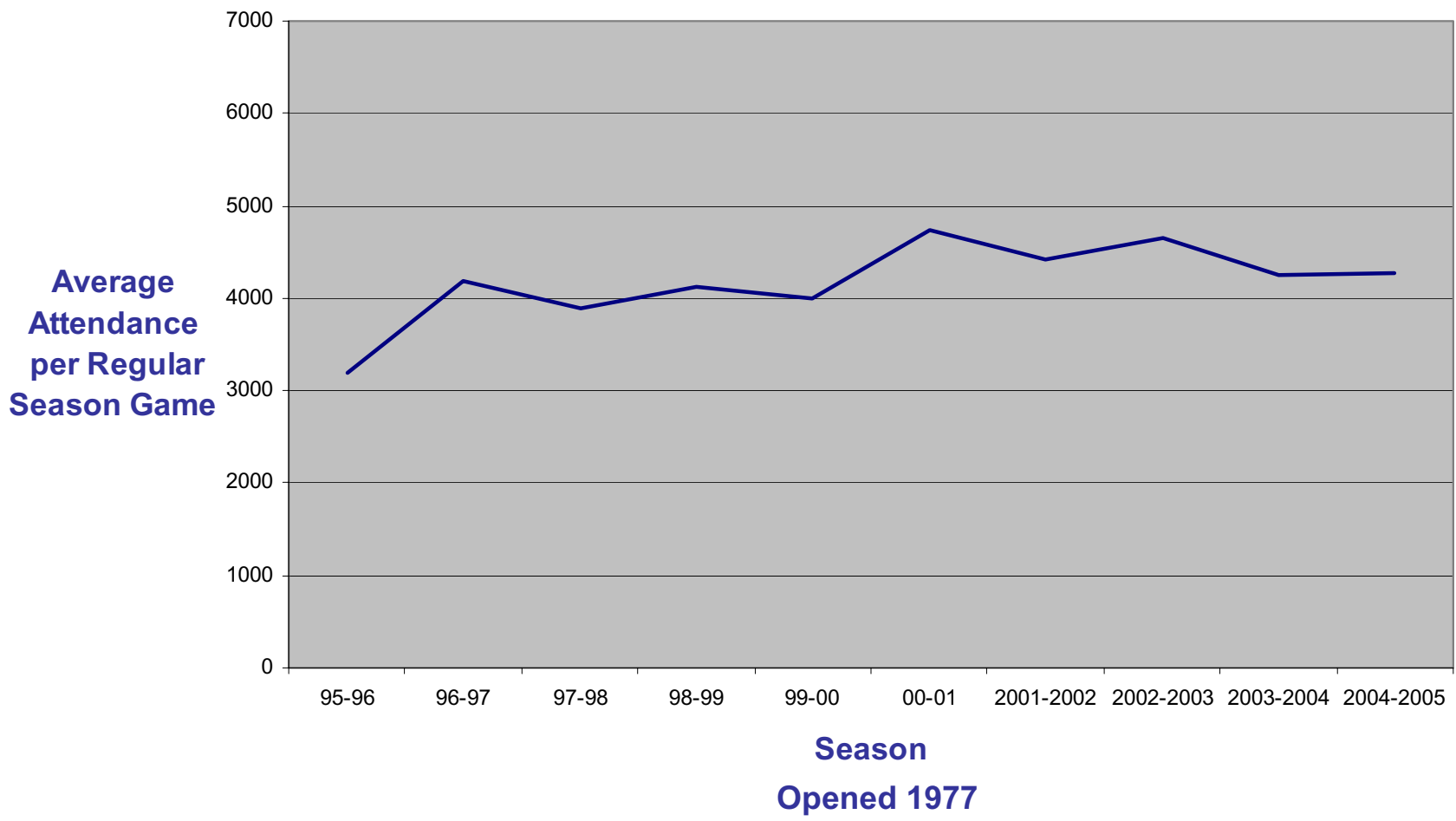
Lethbridge



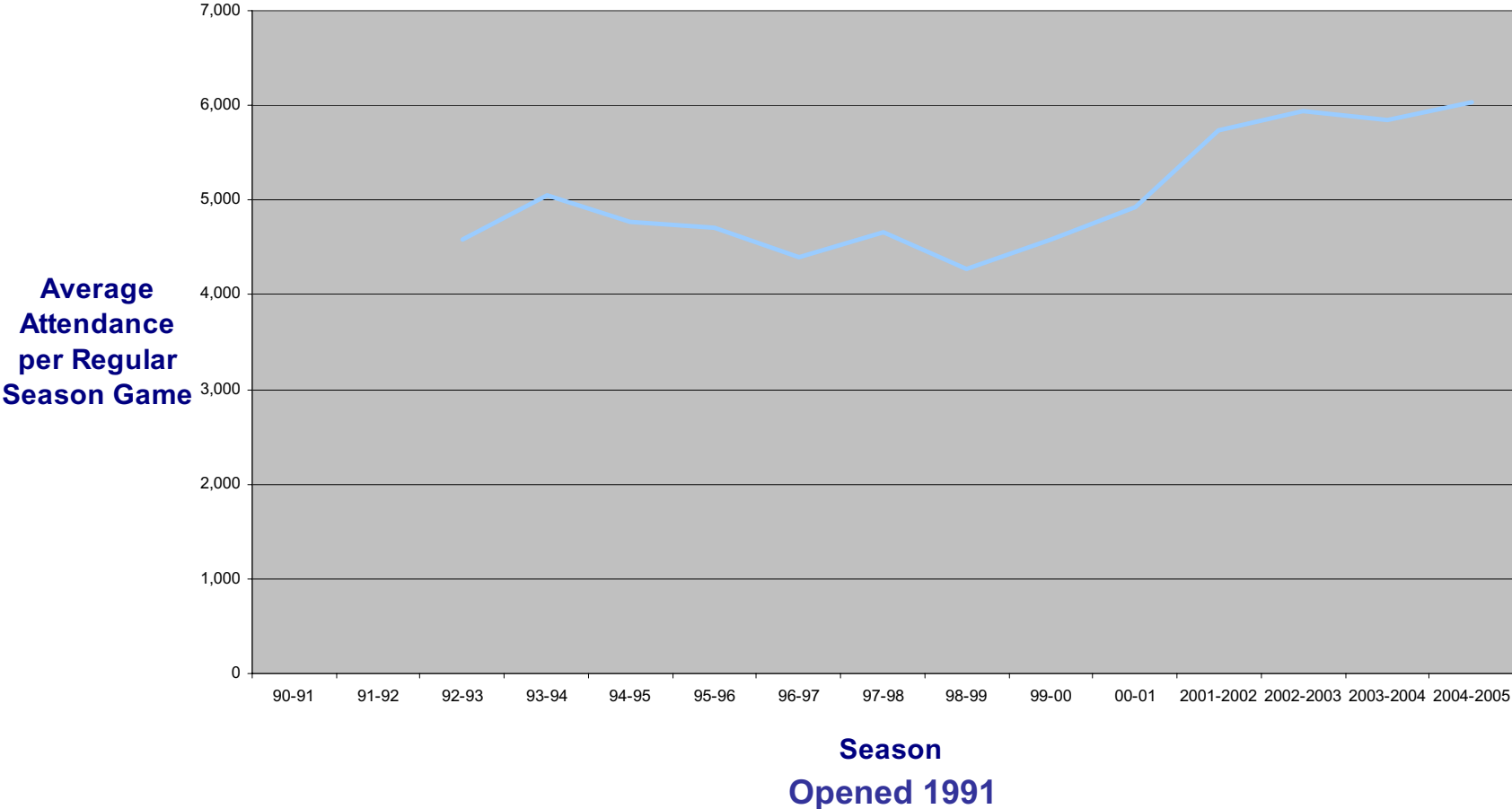
Medicine Hat



Regina



Red Deer



4.2 Concerts and Spectator Events

The Arena is limited in its ability to attract concerts and other spectator events. Because of the building deficiencies listed in Section 3.1 many event organizers and concert promoters will not come to Medicine Hat. The City does not currently co-promote events with promoters leaving all the risk and reward to the promoter. It would be important to be able to co-promote events in a new multiplex. This concept is not new to Medicine Hat as we understand that the new Esplanade is considering doing co-promotions. Hosting concerts and spectator events is definitely one area that Medicine Hat is missing out on. This past year 2004-05 was the most successful year for The Arena in hosting events other than hockey. There were 64 total event days held. This included 43 Tigers hockey games and 21 days of other events including bull busting, the Continental Curling Cup, Nickelback, WWE, and Canadian Idol.

New mid sized (5,000 to 8,000 seats) multipurpose spectator facilities typically target 120 to 150 event days per year depending on location and community support.

The City of Medicine Hat is on a natural route from Red Deer, Calgary, Lethbridge, and on to Regina for class B and C concerts and shows. Nustadia contacted a dozen promoters across Western Canada who all expressed an interest in receiving more information on the facility when it is completed and indicated that Medicine Hat would be a natural stop if there was an adequate venue. This would have significant spin off benefits to Medicine Hat's retail, hotel and food and beverage industry. The number of events that would be held would very much depend on the support from the local population. Statistics Canada 2001 and the Financial Post Income data updated in 2004 information indicates that expenditure on recreation related events is the fourth highest category after food and shelter, transportation and household operations expenditures. The City of Medicine Hat has a growing population, now at 56,000 as of 2005, an average household income of \$61,345, an average household disposable income of \$51,702 and retail sales 42% above the national average, Medicine Hat has a high level of disposable income.

4.3 Trade Shows

Trade Shows are currently accommodated in Medicine Hat at the Exhibition grounds. They have facilities to host about 1,300 people for banquets with long rows of rectangular seating. Alternatively they can seat about 800 people using round tables. The exhibition has over 75,000 square feet of trade show space under one roof and during the local stampede and exhibition one of the arenas of the twin pad Kinplex and the old drill hall are used. There is not a need for additional open trade show space and the exhibition has been able to handle all trade shows that have wanted to come to Medicine Hat. What they are lacking is break out space and variable sized meeting rooms for conventions that often are a part of a trade show. The Exhibition recently received about \$5.7 M from the Provincial Government and the Exhibition Board is currently in the process of

reviewing renovation options to enhance their trade show and convention capabilities.

Multipurpose spectator facilities are often designed to accommodate trade shows and additional floor space can be achieved by designing the lower bowl seats so that they are retractable. This feature in combination with either a second practice ice pad or tied into the existing tradeshow space of an exhibition ground's existing facilities can significantly increase trade show capability. In some instances the dressing rooms of new multiplex facilities have been designed with removable bench seating, carpeting and wired for presentation capability to be used as break out rooms for conventions.

Hosting trade shows and conventions is generally a break even proposition for a Multiplex, and creates disruption for regular programming, however; there is a significant financial spin off throughout the community by bringing tourism dollars into the City.

Nustadia's meetings with the Chamber of Commerce, Tourism and the Downtown Business Association indicated that there is a need for more convention space within the City. There have been specific instances where conventions have by passed the City because of an inability to host groups of 1500 and larger with an appropriate number of break-out rooms. The Medicine Hat Lodge can handle conventions of about 300 people; however, even this is tight with break out sessions having to be squeezed into regular guest rooms.

4.4 Local Use

Nustadia met with many user groups and stakeholders throughout the study to gather information on their perspective of the current situation regarding The Arena, perceived opportunities either being met or lost and to understand their vision for the future of sports and entertainment in Medicine Hat. A new multipurpose spectator facility marketed properly would significantly increase the number of event days at the new facility. This would result in a corresponding reduction in available ice time at the new facility and would possibly result in additional demand for the City's other arenas. With a population of 56,000 and one ice sheet per 9,300 residents currently Medicine Hat is one of the best served municipalities in Western Canada. The average number of sheets of ice per population base is about 1 to 15,000 to 20,000 people in many other municipalities. Even with a reduction of time available at a new facility Nustadia does not believe that another sheet of ice is required at this time. Based on the estimated number of concerts and trade shows about 240 hours per year of prime time ice would be allocated to these events. Our analysis and projection of event revenue is conservative and if the venue becomes even more successful in attracting events then the City may want to monitor ice use and future need for another sheet. The new multiplex could be designed to easily allow the addition of a practice sheet at some future date. There was however, concern expressed by the hockey user groups over a potential reduction in available ice time which would necessitate more travel to outlying communities or later playing times. The majority but not all of the spectator event prime time ice would be in the winter season.

Every user and business group Nustadia met with (Minor Hockey, Adult Recreational Hockey, Figure Skating, the Chamber of Commerce, Tourism Medicine Hat, Promoters, Stampede and Exhibition Association, etc) believes that the time has come to replace The Arena and that a new multipurpose sports and entertainment centre is needed.

5.0 Public Consultation

5.1 User Groups

Nustadia met with a number of the current users of The Arena including the Medicine Hat Figure Skating Club, Medicine Hat Minor Hockey Club, Curling Club, and Adult Recreational hockey groups. Figure skating, minor hockey and adult recreation hockey all regularly use ice time in The Arena and schedule their use around the games and practices of the Tigers. Minor Hockey is growing and all groups expressed concern with the inability to schedule consistent times through out the year because of other uses for The Arena, specifically tournaments and other spectator events. Prime time ice is in demand and even with the number of rinks in Medicine Hat teams are going to the surrounding communities to get practice and game ice. Groups need more space for storage, training and meetings and the Figure Skating Club would like to establish a training centre of excellence at a new multiplex. The Figure Skating Club currently has a small office, located in a remote part of the building and need a better more visible and easily accessible location to service their members. There are also a couple of rooms dedicated to specific adult recreation teams. None of the group's would want to see the available ice reduced. The Curling Club has used The Arena for special events like the recent Continental Cup. If there was a venue large enough, then the Curling Club could bring significant regional and national curling events to Medicine Hat, because of their recent success in hosting the Continental Club. Representatives indicated that a facility capable of being expanded to 10,000 seats is needed.

Replacement of The Arena with a new multiplex will result in less prime time Ice being available as a result of more and varied spectator events being scheduled into the building. We have estimated 18 shows and concerts and two trade shows initially which would result in the loss of about 240 hours of prime time ice rentals representing about 12% of the available winter prime time ice. Medicine Hat has one sheet of ice per 9300 people compared to a national average of about one sheet per 15000 to 20,000 people. Even with a 12% reduction in prime time ice availability at a new multiplex we do not believe that an additional sheet of ice is required at this time.

The major tenant of The Arena is the WHL's Medicine Hat Tigers. The team has been very successful in drawing sell out crowds to all of their home games. The demand for additional seating is real with approximately 2000 fans on a waiting list for season tickets. The demand has out grown The Arena's capabilities to continue to host the Tigers. Attendance data for other WHL teams that have built new multiplexes in markets where there is a demand, the team is strongly supported and where the demographics support hockey have proven that new

facilities will attract increased, sustained attendance over the long term. Nustadia was not able to meet with the Tigers management despite repeated attempts to do so. We were advised that the Tigers management are in negotiations with the City on a new lease and would not be prepared to meet until this issue was resolved.

5.2 Business Groups

Meetings were held with representatives of the Exhibition and Stampede Association, Chamber of Commerce, the down town business association (CCDA), Medicine Hat Tourism, Alberta Economic Development. The Exhibition and Stampede Association generally support the need for a multiplex as long as it is not in competition with them for trade shows. With 75,000 square feet of trade show space under one roof and the ability to seat up to 1300 for a dinner they have been able to host most any event that has been attracted to the City. Break out rooms for conventions are lacking throughout the City and there is a need for more convention space. The Chamber of Commerce, Downtown Business Association, Tourism and Alberta Economic Development all expressed the need for a new multiplex and noted that The Arena has limited impact or spin off benefits to the downtown because of its location. They realize that Medicine Hat is centrally located, has a reasonably large draw area and would be a natural stop over for entertainment opportunities on the circuit from Red Deer, Calgary, Lethbridge on to Regina. The groups had strong recommendations that a new multiplex should be planned for the future with initial seating for 6000 expandable to 9000.

5.3 Public Meeting

A public meeting was held on June 28, 2005 at the Family Leisure Centre with about 100 people attending the event over a five hour period. A self-guided tour was selected as the best way to present information to the public. Display boards and a video clip of various multi-purpose events from the Harbour Station, St. John facility were set up for review by the public. A questionnaire was also developed to solicit people's opinions on whether a new multiplex was needed and whether they would support it.

The questionnaire was filled out by 77 of these who attended the open house with two questionnaires faxed in after the meeting and another seven opinions expressed through emails received shortly after the open house.

The attendance at the open house is considered an excellent turn out considering it occurred at the beginning of the vacation season. Interest in the project was high with over 75% of attendees taking the time to fill out the questionnaire.

Support was very strong for the construction of a new multiplex. The option of renovating The Arena was not supported.

An analysis and summary of the responses to the questionnaire follows:

1. Have you attended any events/shows in the existing Arena? Yes or No.
Only 1 person out of the 79 people completing the questionnaire did not attend any events in the existing arena. This indicates that The Arena is a key facility to the community.
2. If Yes, what type of events did you attend and how many times?
Hockey was by far the most popular event with concerts, circus, rodeo, and curling being the next most popular (in that order).
3. What other types of events would you like to attend if they came to Medicine Hat?

In order of preference the following were the most popular: big name concerts, Brier curling, trade shows, Memorial Cup, lacrosse & rodeos. It is clear that the public has an appetite for more events other than hockey.
4. Does the existing Arena meet your needs?
68 out of the 79 or 86% of respondents said the existing arena does not meet their needs. Most the features they would like to see improved were the same items listed as on the display board-arena limitations.
5. Do you attend events/shows in other cities?
62 respondents traveled to events in other cities between 0 to 5 times. 15 respondents traveled to events in other cities over 5 times. The cities to which they traveled in order of preference were: Calgary, Lethbridge, Swift Current, Edmonton, Red Deer, Saskatoon, & Regina.

The types of events they attended there in order of preference were: Hockey, concerts, Brier curling, auto shows, and other curling.

6. Would you support the construction of a new multiplex in Medicine Hat?
76 out of the 79 or 96% of respondents would support the construction of a new arena.

7. Other Comments?
The 3 most common topics people expressed opinions on were about the size and location of a new arena and parking/traffic issues.

Conclusion:

Most attendees feel the existing arena does not meet their needs and they would support the construction of a new multiplex.

Many people believe that a new multiplex will attract the Memorial Cup and the Brier. Unfortunately these major events are becoming more and more a business that are hosted in larger and larger venues. It won't be long until the Memorial Cup is only played in NHL size Arenas with 15,000 plus seating. The likelihood of a 5000 or 6000 seat arena attracting these events is likely an unrealistic expectation.

See Table 5.1 on the next page:

Table 5.1

Questionnaire Summary for Arena Feasibility Study Public Meeting- June 2005

| | | | | | |
|--------------------------------------------------------------------------------------|----------------------------|----------------------------------|-------------------------|------------------|-------|
| 1. Have you attended any events/shows in the existing Arena? | | a. Yes | | | 78 |
| | | b. No | | | 1 |
| 2. If Yes, what type of events did you attend and how many times? | | a. Hockey | | | 3,045 |
| | | b. Concerts | | | 108 |
| | | c. Circus | | | 72 |
| | | d. Rodeo | | | 67 |
| | | e. Skating | | | 17 |
| | | f. Curling | | | 29 |
| | | g. Harlem Globetrotters | | | 1 |
| | | h. Wrestling | | | 4 |
| | | i. Ice Shows | | | 9 |
| | | j. City's Birthday | | | 1 |
| | | k. First Night (New Year) | | | 1 |
| | | l. Auto Shows | | | 1 |
| 3. What other types of events would you like to attend if they came to Medicine Hat? | Dirt Bikes/Motor Bikes | 5 | Wrestling | | 2 |
| | Monster Trucks | 5 | Rodeos (indoor and out) | | 8 |
| | Memorial Cup | 10 | Brier Curling | | 16 |
| | World Juniors | 3 | Big Name Concerts | | 38 |
| | Scott Tournament of Hearts | 3 | Figure Skating | | 3 |
| | Trade Shows | 11 | Ringette | | 1 |
| | Auto Shows | 2 | Arena Football | | 5 |
| | Lacrosse | 9 | Gymnastics | | 1 |
| | Quad Racing | 1 | Basketball | | 4 |
| | Church Services | 1 | Speed Skating | | 5 |
| | Horse Shows | 1 | Cat Shows | | 1 |
| 4. Does the existing Arena Meet your needs? | | a. Yes (note: 7 said yes and no) | | | 18 |
| | | b. No | | | 68 |
| 5. Do you attend events/shows in other cities? | a. How often | <u>Never</u> 2 | <u>0 - 5</u> 62 | <u>5 +</u> 15 | |
| | b. What cities | | | | |
| | | | | Cranbrook | 2 |
| | | | | Lethbridge | 32 |
| | | | | Calgary | 33 |
| | | | | Swiftcurrent | 15 |
| | | | | Regina | 11 |
| | | | | Saskatoon | 13 |
| | | | | Edmonton | 14 |
| | | | | Red Deer | 13 |
| | | | | Vancouver | 2 |
| | | | | Moose Jaw | 1 |
| | | | | Kamloops | 1 |
| | | | | Brandon | 2 |
| | | | | Kelowna | 4 |
| | | | | Prince Albert | 3 |
| | | | | Denver | 1 |
| | | | | Las Vegas | 2 |
| | | | | Victoria | 1 |
| | c. What type of events | | | Auto Shows | 5 |
| | | | | Concerts | 29 |
| | | | | Trade Shows | 4 |
| | | | | Hockey | 51 |
| | | | | Summer | 1 |
| | | | | Games | 1 |
| | | | | Brier Curling | 9 |
| | | | | Curling | 4 |
| | | | | Rodeos | 1 |
| | | | | Banquets | 1 |
| | | | | Grad Events | 2 |
| | | | | Football | 1 |
| | | | | Agri Shows | 1 |
| | | | | Ringette | 1 |
| | | Athletics | 1 | | |
| | | Scott Trnmnt. | 1 | | |
| 6. Would you support the construction of a new arena in Medicine Hat? | | a. Yes | | | 76 |
| | | b. No | | | 1 |
| | | c. Undecided | | | 2 |

6.0 Site Options Analysis

Fourteen potential sites were identified during the study as possible locations to construct a new multiplex facility. A drive by tour of each site was conducted and a discussion held with City staff to assess the advantages/disadvantages of each site. The analysis did not include in depth reviews of specific information such as existing site services, survey plans or geotechnical reports however City planning staff did provide comments on each of the locations identified. Property values, cost to acquire the property, foundation design, flood proofing and other such costs were also not taken into consideration. The purpose of this analysis was to rate the sites in relation to one another from a business planning perspective and to identify the sites most suitable for further investigation. It was anticipated that an in-depth site analysis study would be conducted in the next phase to formally select a site.

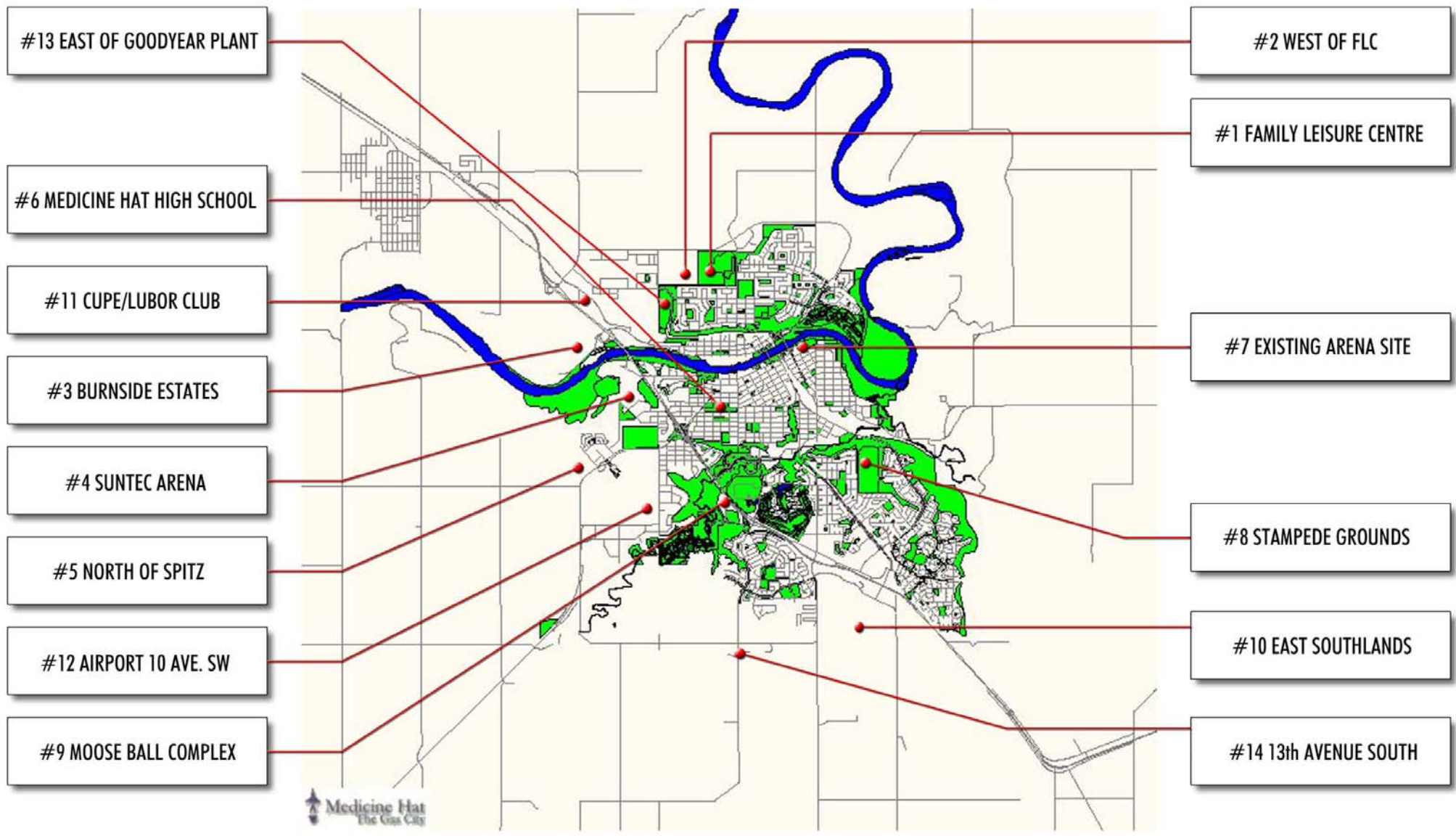
A comparison matrix and rating system was developed to compare sites. The categories were:

- Traffic Access/Egress Impact-The sites with ease of access to major roadways received the highest scores.
- Space for parking - Space for on-site parking or adequate parking on adjacent streets were rated highest.
- Visibility- Sites with exposure to Highway 1 or major thoroughfares were most desirable.
- Adequate site area- Sites that had space for the building, pedestrian circulation near the building, landscaping and on-site parking/vehicular circulation were rated higher than those that did not have this feature .
- Site services availability- Sites with some existing services rated higher than sites with little or no existing services.
- Synergy with other uses- Adjacent uses such as the conference/convention halls; hotels and other sports facilities were deemed desirable next to a new a new multiplex facility.
- Benefits to the neighborhood- If the multiplex could add spin-off financial benefits to other businesses such as hotels/motels, restaurants, retail stores and the town center it received a higher score.

Each category was given a rating of 1 to 5 points with 5 representing the optimum score. The sites with the highest overall scores are recommended for further investigation. It should be noted that in the next phase when more detailed information for each site is collected it is entirely possible that the ratings could change.

The five most desirable sites identified through this process are; (ranked in order by score)

1. East Southlands
2. Family Leisure Centre
3. West of Family Leisure Centre
4. 13th Avenue South
5. Existing Arena site



| Site Analysis Matrix | | each category rating is 1 to 5, maximum score = 35 | | | | | | | | Overall Rating | Comments | Other |
|----------------------|-----------------------------|----------------------------------------------------|-----------------------|-------------------|------------|--------------------|----------------------------|--------------------------------------|------------------------------------|----------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Site # | Description | Location | Traffic-Access Egress | Space for Parking | Visibility | Adequate Site Area | Site Services-availability | Synergy with other uses on/near site | Spin-off benefits to neighbourhood | | | |
| 1 | Family Leisure Centre (FLC) | north of river | 5 | 5 | 3 | 5 | 5 | 5 | 4 | 32 | There are a variety of traffic routes with three potential arterial road connections to the site . | with add-on to existing building facility could focus on being regional sports centre. Good access, no plans for other development |
| 2 | West of FLC | north of river | 5 | 5 | 3 | 5 | 5 | 4 | 4 | 31 | | with add-on to existing building facility could focus on being regional sports centre. Good access, no plans for other development |
| 3 | Burnside Estates | west of Highway 1 | 3 | 5 | 5 | 5 | 1 | 1 | 1 | 21 | no services. Close to the highway. | Only one access point, Not very visible |
| 4 | Suntec area | west near campground | 2 | 5 | 5 | 5 | 2 | 1 | 3 | 23 | no sanitary or storm water service. Very visible location. | possible interference with provincial plans for highway and intersections. |
| 5 | North of Spitz | SW near airport | 5 | 5 | 3 | 5 | 2 | 1 | 2 | 23 | in flight path. Has access by two directions. | sanitary sewer could be a challenge. Has potable water nearby. |
| 6 | Medicine Hat High School | downtown | 1 | 2 | 1 | 2 | 4 | 1 | 1 | 12 | requires land swap & demo of school | |
| 7 | Existing Arena site | downtown | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 25 | need to relocate ball park first | could keep visitors concentrated near the old town centre |
| 8 | Stampede Grounds | southeast | 2 | 5 | 3 | 5 | 5 | 3 | 1 | 23 | Can't improve access, residential roads only. | could focus on being a regional convention trade show facility |
| 9 | Moose Ball Complex | south beside visitor centre | 2 | 4 | 5 | 4 | 3 | 2 | 2 | 22 | | |
| 10 | East Southlands | southeast | 5 | 5 | 5 | 5 | 3 | 5 | 5 | 33 | Storm water ok, only one arterial road to/from the site. No plan for other collector roads. | close to new developments and newest hotels/motels, sanitary service is an issue, high value land with huge investment in planning completed. |
| 11 | CUPE/Lubor Club | northeast near highway | 3 | 4 | 5 | 5 | 1 | 1 | 1 | 20 | drainage limitations. No storm service, no sanitary | Huge cost to upgrade Saamis Drive for access. |
| 12 | Airport/10th Ave SW | SW near airport | 3 | 4 | 2 | 4 | 2 | 1 | 1 | 17 | in flight path | |
| 13 | East of Goodyear Plant | northwest | 3 | 5 | 3 | 5 | 2 | 1 | 2 | 21 | | |
| 14 | 13th Avenue South | South of City | 5 | 5 | 3 | 5 | 3 | 2 | 2 | 25 | swampy ground, no visibility | Planned future 3 arterial routes |

7.0 New Multipurpose Spectator Arena

7.1 Description

Planning Principles

The Multiplex will be a multi-use sports and entertainment facility that will accommodate seating for 6,000 spectators in hockey mode, approximately 7,500 spectators in centre stage concert mode and 7,200 in end stage concert mode. The facility will be designed to accommodate a variety of spectator events including concerts, trade shows, conventions, and family shows. The building design should permit maximum flexibility, operational ease and maintain cost efficiency. The facility will be constructed of high quality finishes and durable materials to maintain the appearance and look of the building.

It is imperative that the design encourage commercial revenue opportunities and allow for future expansion and connections. The site of the facility will have a significant impact on the success of the business plan and economic spin-offs to surrounding neighbours. The Multiplex should also serve as a City landmark which will encourage public participation and satisfy community use requirements for many years to come.

Future expansion capability should be built into the design of the building so that it may be expanded to either 8,000 or 10,000 seats. Based on the sustained sell out attendance of the Tigers home WHL games and the understanding that there is a significant waiting list for seasons tickets and planning for the future, a 6000 seat multiplex was chosen as the base case for a new facility.

Building Program Components

The proposed Multiplex is designed with program components situated on three levels. The Event Level is the main floor, which includes support spaces such as dressing rooms, washrooms, storage rooms, mechanical rooms and operations offices. Maximum flexibility and ease of circulation to accommodate the widest possible uses are to be considered in planning this floor. This level will have a concession stand for concert and assembly functions and may include a kitchen facility to service the private suites and VIP Lounge. If available in the budget, it is desirable to provide retractable bleachers so that larger floor areas can be provided for trade show functions. Truck access and loading bays for two semi-trailer rigs will be provided with the event floor designed to carry truck loads driven onto it.

The Concourse Level is the main public zone of the building and will provide access to the seating bowl. For this size facility, it is preferable to have an open concourse that overlooks the seats and the event floor. Access to this level will be through a controlled main lobby, which will have ticketing, box office and administrative offices immediately adjacent. The concourse will be wide enough to permit ease of circulation around the seating bowl and allow adequate room for queuing at concession stands and washrooms. It is important to distribute the concessions and washrooms around the building perimeter to alleviate congestion and provide easy access to these functions. Other components required include a first aid room, janitor and electrical rooms and souvenir shop.

The exterior walls will incorporate glazed elements to provide natural light to the interior and to animate the outside of the building. Consideration could also be given to the incorporation of an outside deck depending on the site selected. This deck would be serviced by the food and beverage supplier and could be a great feature for summer use.

The Private Suites Level is a more exclusive area of the building and features private suites equipped with two rows of spectator seats, bar and stool seating, sink and fridge and video capability. The number of private suites can range from 14 to 24 depending on market demand. Typically the number of suites can be phased in construction to permit expansion as demand requires. This level will also include washrooms and possibly a VIP Lounge which can overlook the event floor. This level will include provision for media and broadcasting booths with sufficient seating for media personnel. Access to the truss catwalk is from this level which allows for rigging and spotlight placement.

7.2 Business Plan

Total Development Cost

Based on the information and data collected through meetings and interviews with user groups, stakeholders and City administration Nustadia prepared a detailed pro-forma for a new Multiplex. Capital cost estimates were based the Everett Washington 8,250 seat multiplex adjusted to various seating capacities and updated from 2003 construction costs to 2005. Nustadia prepared an order of magnitude Total development cost estimate for a 6000-seat multiplex, a 6000-seat expandable to 8000 seats and a 6000-seat expandable to 10,000 seat facilities. Total estimated development costs were \$38.36, \$46.69 and \$55.08 Million respectively. If the City decides to proceed with a project then Provincial and Federal sources of grant money needs to be investigated. This would reduce the annual and total debt payment.

**Table 7.1
Total Development Cost Estimate
Medicine Hat Multiplex
(Millions \$, 2005)**

| Item | 6000 seats | 6000 expandable to 8000 seats | 6000 expandable to 10,000 seats |
|-----------------------------------------------------------|------------|-------------------------------|---------------------------------|
| Hard construction Cost Estimate | 34.46 | 42.23 | 50.05 |
| FF&E | 1.14 | 1.14 | 1.14 |
| Owner's Contingency | 1.07 | 1.30 | 1.54 |
| Soft Costs | 1.69 | 2.02 | 2.35 |
| Total Estimated Development Cost | 38.36 | 46.69 | 55.08 |
| Annual Operating profit at 6000 seats (no debt repayment) | 0.062 | 0.062 | 0.062 |
| 100% Debt Financing, Annual Payment | 3.05 | 3.71 | 4.38 |

Land costs vary between \$10,000 and \$60,000 / acre. This would increase the development costs by \$80,000 to \$480,000 based on a new facility requiring approximately 8 to 10 acres of land.

Operating Pro Forma

Nustadia prepared a detailed operating pro-forma based on a determination of reasonable income expectations specific to the Medicine Hat market place and expenses based on Nustadia's operating expertise from other multiplex and community multi pads that we manage.

Nustadia estimated income to the Multiplex from all sources including;

- Minor and adult hockey
- Public skating
- Advertising
- Naming rights
- WHL game attendance
- Vending
- Suites and Club seating
- Concerts, Trade shows and Family events
- Food and beverage sales
- Commercial leases

Nustadia has recent operating experience for Multiplexes and applied this knowledge to estimate the total operating costs of a facility in Medicine Hat. Expenses include;

- Staffing
- Utilities
- Operations
- Maintenance
- Capital reserve

Based on the model created for the multiplex the revenues expected to be generated total about \$1,346,000 per year with total expenses estimated at about \$1,184,000 per year resulting in an annual operating surplus of \$62,000. This operating surplus includes an allowance of \$100,000 dedicated to a capital replacement reserve fund. The current operating deficit for The Arena is about \$240,000 per year with no dedicated funds to a capital replacement reserve fund. This analysis suggests that development of a Multiplex could result in annual operating savings to the City of over \$400,000 per year.

The above analysis is predicated on a 90 %/10 % split, Tigers/City on the gate for all WHL home games. Nustadia has not been able to meet with the Tigers as previously noted and therefore does not know what their response would be to both size of a new facility and acceptance of a new lease agreement structure. If the City could not come to an agreement with the Team then consideration could be given to crystallizing the team's gate revenue at the current 4006 sold out attendance and the City taking all the increased revenue from gate sales over the 4006. This could result in an additional \$530,000 to the projected operating surplus of the Multiplex of \$62,000, however it may be difficult to implement with control of ticket sales and collection of ticket money residing with the team. The

Tigers should be receptive to a new agreement that would see them make significantly more money even though they would pay more than they currently do at The Arena. There must be a win/win agreement reached with the team and a long term lease ideally agreed to before the City commits to a multi-million dollar new multiplex.

**PRELIMINARY PROFORMA
The Arena
Phases 1, 2 & 3 Renovations**

| | 2006 | | | | |
|-------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| | \$ | \$ | \$ | \$ | \$ |
| Development Cost | | | | | |
| Total Capital Estimate | 18,489,930 | | | | |
| Operational Revenues | | | | | |
| Ice Rental Revenues <i>see Ice Rental Summary Table</i> | | | | | |
| the City of Medicine Hat users | 144,480 | 148,814 | 153,279 | 157,877 | 162,614 |
| Outside users | 175,296 | 180,555 | 185,972 | 191,551 | 197,297 |
| Anchor Tenant Revenue | 176,652 | 181,952 | 187,410 | 193,032 | 198,823 |
| Other Event Revenue | 35,000 | 36,050 | 37,132 | 38,245 | 39,393 |
| Contract Revenues <i>see building Program Assumptions Table</i> | 330,000 | 339,900 | 350,097 | 360,600 | 371,418 |
| Other Lease / Rental Revenue <i>see building Other Facility Revenue Table</i> | 176,652 | 181,952 | 187,410 | 193,032 | 198,823 |
| Public Skating Revenue <i>see Public Skating Revenues Table</i> | 9,000 | 9,270 | 9,548 | 9,835 | 10,130 |
| Food and Beverage Net Revenues <i>see F & B Summary Table</i> | 134,653 | 138,692 | 142,853 | 147,139 | 151,553 |
| Other Revenues <i>see Other Revenues Table</i> | 8,000 | 8,240 | 8,487 | 8,742 | 9,004 |
| Total Revenues | 1,190,000 | 1,225,000 | 1,262,000 | 1,300,000 | 1,339,000 |
| Operational Expenses | | | | | |
| General & Administration <i>see Facility Expenses Table</i> | 424,000 | 436,720 | 449,822 | 463,316 | 477,216 |
| Marketing, Sales and Events <i>see Facility Expenses Table</i> | 40,000 | 41,200 | 42,436 | 43,709 | 45,020 |
| Operations and Maintenance <i>see Facility Expenses Table</i> | 703,000 | 724,090 | 745,813 | 768,187 | 791,233 |
| Total Expenses | 1,167,000 | 1,202,000 | 1,238,000 | 1,275,000 | 1,313,000 |
| Net Cash Flow Before C R, Taxes and Debt Service | 23,000 | 23,000 | 24,000 | 25,000 | 26,000 |
| Capital Reserve <i>allowance</i> | 100,000 | 103,000 | 106,090 | 109,273 | 112,551 |
| Debt Service <i>see Financing Program Table</i> | 0 | 0 | 0 | 0 | 0 |
| Annual Cash Flow | (77,000) | (80,000) | (82,000) | (84,000) | (87,000) |
| Cumulative | (77,000) | (157,000) | (239,000) | (323,000) | (410,000) |

Escalation

3

Note: GST not included in above.

| | \$ | \$ | \$ | \$ | \$ |
|-------------------------------------------------------------------------------|------------|---------|---------|---------|---------|
| Total Capital Estimate | 55,074,435 | | | | |
| | * | | | | |
| Ice Rental Revenues <i>see Ice Rental Summary Table</i> | | | | | |
| the City of Medicine Hat users | 98,480 | 101,434 | 104,477 | 107,612 | 110,840 |
| Outside users | 142,296 | 146,565 | 150,962 | 155,491 | 160,155 |
| Anchor Tenant Revenue | 243,600 | 250,908 | 258,435 | 266,188 | 274,174 |
| Other Event Revenue | 70,000 | 72,100 | 74,263 | 76,491 | 78,786 |
| Contract Revenues <i>see building Program Assumptions Table</i> | 370,000 | 381,100 | 392,533 | 404,309 | 416,438 |
| Other Lease / Rental Revenue <i>see building Other Facility Revenue Table</i> | 243,600 | 250,908 | 258,435 | 266,188 | 274,174 |
| Public Skating Revenue <i>see Public Skating Revenues Table</i> | 9,000 | 9,270 | 9,548 | 9,835 | 10,130 |
| Food and Beverage Net Revenues <i>see F & B Summary Table</i> | 160,657 | 165,477 | 170,441 | 175,554 | 180,821 |
| Other Revenues <i>see Other Revenues Table</i> | 8,000 | 8,240 | 8,487 | 8,742 | 9,004 |
| | * | | | | |
| General & Administration <i>see Facility Expenses Table</i> | 424,000 | 436,720 | 449,822 | 463,316 | 477,216 |
| Marketing, Sales and Events <i>see Facility Expenses Table</i> | 40,000 | 41,200 | 42,436 | 43,709 | 45,020 |
| Operations and Maintenance <i>see Facility Expenses Table</i> | 720,000 | 741,600 | 763,848 | 786,763 | 810,366 |
| Capital Reserve <i>allowance</i> | 100,000 | 103,000 | 106,090 | 109,273 | 112,551 |
| Debt Service <i>see Financing Program Table</i> | 0 | 0 | 0 | 0 | 0 |

Escalation

%

Note: GST not included in above.

Downloading of responsibilities to Municipal governments and changing tax structures has resulted in a severe strain on the ability of Cities to replace aging facilities. This has in many centres created a trend towards a “user pay” approach to sustainable operations.

The most economical source of funding for a project is grant money, followed by debt and then equity investment. Debt as a financing instrument provided by the private sector would be a viable alternative provided that a covenant on the debt was provided by the City to obtain the best available long term interest rate. Currently 20 year debt financing with the guarantee of the City is about 5.1% where as equity investors would want about 15% return on their money.

The City of Medicine Hat is fortunate in that it has one of the best standards of living in Alberta with one of the lowest tax structures and ownership of extensive natural gas reserves resulting in one of the lowest costs for utilities for its residents in all of Canada. Medicine Hat has several options to finance this project. Any combination of debt, equity or capital contribution from reserves is a viable way to finance the multiplex.

If the multiplex was to be 100% debt financed then the annual debt repayment based on the City’s ability to borrow at 5.1% amortized over 20 years would be approximately \$4.4 Million/year for a 6000 seat expandable to 10,000 seat facility with a total order of magnitude estimated development cost of about \$55 Million.

The preceding sections of this report have shown the need for a new multiplex in the City of Medicine Hat, from the demand for increased WHL home game hockey tickets to the need for proper concert and multiplex space and to meet the needs of a growing and prosperous community at large a multiplex is needed. Once a decision is made by City Council to proceed, consideration must be given as to how best to implement the project.

The method of implementing a project can have a major impact on overall cost, cost control, ease of making changes, and the construction schedule. Three different approaches to the development of a new multiplex in Medicine Hat are presented in the following sections.

The Traditional Public Sector Model consists of the selection of an Architect through a public request for qualifications, followed by a review and short listing of Architects by City administration staff. A detailed Request for Proposals would then be prepared and the short listed consultants would be invited to submit detailed proposals. A preferred proponent would be selected from the proposals received and the City would award a contract to that firm to prepare detailed construction drawings and specifications. When the working drawings are

completed the City would then tender the construction directly or go through a prequalification phase first. The City would have to decide on the most appropriate construction contracting methodology. The conventional design, tender, construct or design build, or construction management methodology are all valid ways to deliver a new multiplex. In this model the City would be the operator. The City has used all of these methods on past projects and understands the pros and cons of each.

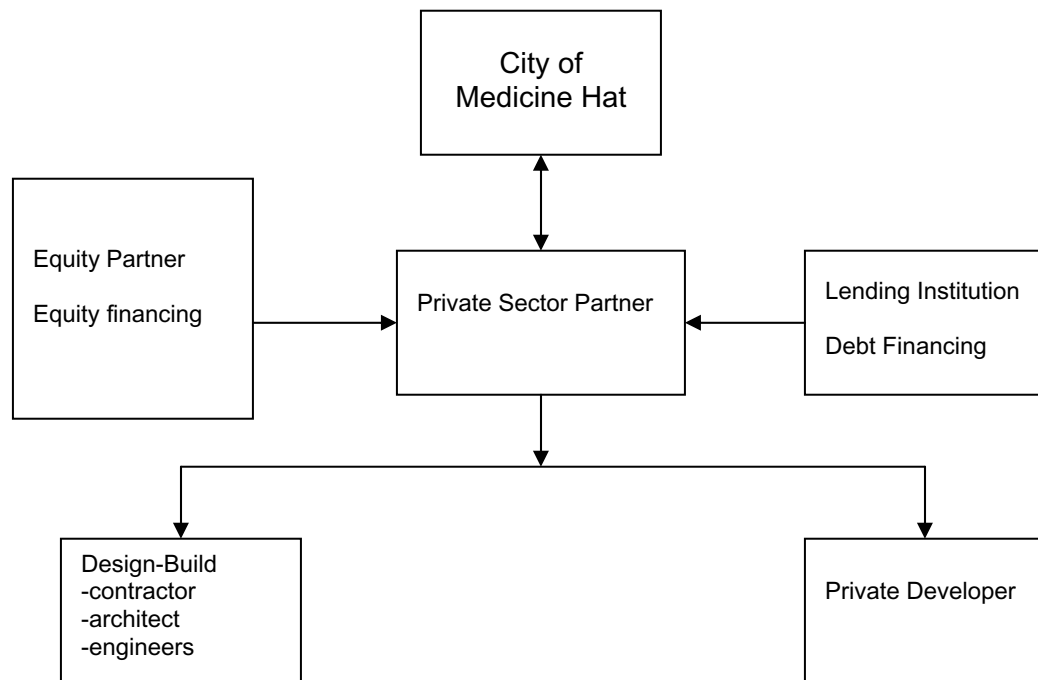
The Development Management Model approach to delivering a multiplex would see the City of Medicine Hat contract a third party development management company experienced in the development, design and operation of multiplex facilities and community multi-pad arenas. The development management firm through their experience would provide assistance to the City in finalizing the site selection process, building the facility pro-forma and re calibrating the financial requirements of the facility through out the design process, establishing the building programming requirements, assembling tight performance specifications for bid by contractors and help set up the operating standards and methodologies necessary for the long term financial sustainability of the multiplex.

The Community Partnership Model is considered an important and legitimate alternate form of project delivery in the community service and recreation industry. This model may be the most appropriate project delivery alternative for a new multiplex in Medicine Hat. Through this model the City would select a private sector partner to develop, design, construct and operate the new facility. The private sector partner would be responsible for guaranteeing the total development cost of the project including all of the hard and soft costs at the beginning of the project. The major advantage to this delivery model is that the City knows ahead of time how much the project will cost and has the confidence in the demonstrated experience of its partner and the pro-forma generated that the on going operation will be sustainable. Community Partnerships have demonstrated that municipalities can minimize labour and capital expenses over the long term. Private sector operations can maximize operating revenue from concerts, tradeshows, other spectator events, advertising and building naming rights, pouring rights, ice user rates, commercial tenants and food and beverage revenues. The furniture, fixtures and equipment necessary to fit up a multiplex and the pre-opening requirements of these types of facilities is extensive and the Community Partnership model works well to manage and control costs to agreed budgets and schedules.

In a design/build/own/operate model, the most significant item that must be considered when the borrower changes from the City covenant to the private sector covenant, is the availability of financing and the resulting cost of this financing. It is very important that both the public and private sector work together on this issue. Nustadia strongly believes that a collaborative effort can

result in a business plan that will bring financing at very competitive rates, even in situation where the City does not guarantee the project.

A single purpose private sector Joint Venture company could be incorporated with the sole purpose of owning the private sector's rights to this project. The private sector JV company could act as the project company. As project company, they would contract directly with the City, and accordingly contract with the private sector for services, as well as act as the borrower of debt financing for the project.



Since debt financing is more economical than equity financing we recommend that the project first look to the cheaper debt markets, and borrow the maximum it can here, and then look to equity markets to make up the remainder of the turnkey funding requirements.

The design-build process represents a significant risk transfer from the owner/architect (traditional development) to the contractor. This transfer of risk has now been accepted by the marketplace, but the public sector in particular, has taken design-build further.

The turnkey concept is becoming popular. Under the turnkey concept, the design-build contractor finances the project through to completion, and therefore takes on total completion risk, including schedule, interest rate and building operations. Only after the City accepts the final facilities, does the turnkey obligation cease. The design-build contractor typically contracts with its bank to secure the necessary construction financing.

The turnkey concept can be extended further. The private sector can provide the permanent financing and enter into a long-term concession contract, to operate and finance the project through the term of the concession agreement. The private sector typically contracts with life insurance companies to secure the necessary permanent financing.

The primary factors that impact any community partnership for a recreational ice complex are;

- Operating cash flow (user rates, utilization, ancillary revenues, operating efficiency)
- Total development capital required
- Capital contribution (grants, development capital, capital recoveries from decommissioned facilities, subordinate loans at 0% interest)
- Operating subsidy (current losses in decommissioned facilities, net difference between user rates and service contracts for ice)
- Debt (interest rate, terms, amortization, security)

Every municipality has a different set of priorities as it pertains to each of the above factors. The financial model can be modified with respect to any and all of the above parameters in negotiation through an “open book” approach to financial projections. There has to be equitable sharing of the risks, responsibilities and rewards.

There is an opportunity to utilize energy saving and environmentally responsive design approaches in the development of the new Multiplex facility. Some Green initiatives or LEED related items that may be incorporated into the building design include the use of energy efficient fixtures and equipment, DDC controllable mechanical and electrical systems, geothermal systems for the ice plant, heat exchange refrigeration systems such as Ice Kube or Ecochill, low VOC emitting products, use of locally produced and recycled construction materials and building site considerations. Energy efficient roof systems that are available include highly reflective membranes or the use of planting material to reduce water runoff and lower heat gain. Heat exchange systems may be used to improve mechanical efficiency by converting waste heat from cooling which is then transferred to radiant heating systems, hot water production, air handling equipment and even to adjacent buildings when the opportunity exists.

The Multiplex should be designed with materials that are of a durable and low maintenance quality to extend building life. The use of concrete, concrete block and tile finishing in appropriate areas will greatly reduce the maintenance and operational costs for the facility. Concrete should contain supplementary cementing materials (SCM)'s such as fly ash to reduce CO2 emissions into the atmosphere during manufacturing. Building insulation and energy efficient building envelope provisions, solar shading, protective canopies and energy efficient glazing are a few approaches that can be utilized to reduce demand loading on the mechanical systems while improving building comfort.

The use of high efficiency motors, heat recovery units and computer controlled systems will improve the performance and effectiveness of the mechanical systems. Proper ventilation and exhausting of air is necessary to accommodate user comfort and health. Plumbing fixtures may be of water conserving type and hot water is to be supplied by high efficiency boiler and storage tank systems.

Lighting fixtures should be low energy consumptive and controlled to suit space and function requirements. Energy efficient ballasts are to be used where applicable. In addition to the use of energy efficient products and systems such as fluorescent lamps and ballasts and compact fluorescents, day lighting is to be incorporated where feasible to supplement artificial lighting.

The use of geothermal systems and heat exchangers can offer operational cost savings given the opportunity for utilizing excess heat for other building systems. The refrigeration system should exploit waste heat recovery to supplement under floor heating, ice machine water supply and snow melting. In addition, the refrigeration system should have insulated cooling headers, evaporative condensing units, variable speed brine pumps, infra-red computer controlled temperature, desiccant dehumidification and high efficiency motors for additional savings. The implementation of a geothermal or heat exchange system may offer utility savings of approximately \$50,000.00 per year for this type of facility with an estimated capital cost increase ranging between \$400,000.00 to \$1,000,000.00 depending on the system that is chosen.

Recreation and ice related spectator type buildings are relatively new to the LEED program for certification application. Large spectator ice arena buildings are unique in that they have a large amount of waste heat, do not operate continuously, typically are not built with energy efficient building envelopes and have reduced day lighting and view requirements. Some of the energy reducing strategies proposed would not have significant cost impacts such as using reflective roof materials, reducing construction waste and improving day lighting to the facility.

There is much opportunity for realizing significant improvements in all of the LEED categories which include Sustainable Sites, Water Efficiency, Energy & Atmosphere, Materials & Resources, Indoor Environmental Quality and Innovation in Design for the design of these facilities. We believe that the development of environmentally responsive and innovative recreation and multi-use spectator facilities is of great merit and worth pursuing. The application of the Leadership in Energy and Environmental Design principals will benefit all levels of the community from facility users, building owners and operators to the general public at large.

The construction of a new multiplex will have many qualitative and quantitative benefits to the City of Medicine Hat including community pride and the pride of ownership of a new modern multiplex to current standards. A new facility will create exposure to Medicine Hat throughout Western Canada through the WHL visiting teams and throughout Canada through the multitude of other spectator events that could be held in Medicine Hat. This will improve the quality of life and the ability for the City to recruit new businesses to Medicine Hat. Construction of a new facility signals to the rest of the country that Medicine Hat is growing and that Medicine Hat is the place for business and new residents to locate.

The construction of a new arena will result in wages and salaries being paid to contractors and sub-contractors who would likely be residents of Medicine Hat and the purchase of building materials would benefit the local economy. Both of these benefits are short lived.

Expenditures at spectator events within the facility would increase both from and through increased attendance and increased per capita spending by fans attending WHL games and through an increased number of total events that will be held at the multiplex including concerts, wrestling, figure skating, circus etc. These events will attract both local and out of town visitors who will not only spend money within the facility but on food and beverage from local restaurants and to a lesser extent on shopping in general.

Maintaining a vibrant WHL team in Medicine Hat will enhance the local economy as well through the local spending from the Medicine Hat Tigers and visiting teams on housing, retail goods and services and the home team's on going operating expenditures within the community.

Although the effective net hard dollar benefits to communities that have constructed new facilities is hard to define and is not the focus of this study it is not hard to believe that a significant amount of new dollars would be spent each year within the community as long as the facility is programmed efficiently, is treated as a business and events are supported by the community and surrounding trading area.