



Hospitality & Tourism  
Business Advisors



Mahon Jones  
& Associates



# **TOURISM DEVELOPMENT OPPORTUNITIES ASSESSMENT SOUTHGROW ALBERTA**

**Final Report**

**Prepared for: Alberta Culture & Tourism**

**April 2015**

## Acknowledgements

PKF Consulting Inc. and Mahon Jones & Associates would like to express our gratitude and appreciation to Alberta Culture & Tourism; SouthGrow Regional Alliance; Chinook Country Tourism; and extensive list of individuals, communities, organizations, tourism operators and developers who were contacted and contributed their valuable time, information, ideas and perspectives throughout the course of the study.

We wish you every success in securing the necessary entrepreneurial investment to realize the development of these potential tourism opportunities, which in turn will help to strengthen the Alberta SouthGrow Region as a significant tourism destination area.

## Notice to Reader

The entire study is based on our knowledge and information with respect to identified land-based commercial tourism development opportunities in the Alberta SouthGrow market area during the study time frame of January 2015 to April 2015.

It should be noted that the high level market & economic feasibility assessments for each tourism investment opportunity has been based on preliminary limited scope research and where applicable has relied on information provided by project proponents. A developer / investor interested in pursuing any of the identified opportunities would be expected to undertake their own market, financial, costing, land use and regulatory research and due diligence as part of their own internal business decision making process.

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## EXECUTIVE SUMMARY

### Study Scope and Process

In January 2015, PKF Consulting Inc. in association with Mahon Jones & Associates was retained by Alberta Culture & Tourism in partnership with the Alberta SouthGrow Regional Alliance and Chinook Country Tourism to identify specific land based tourism development opportunities that will help to position SouthGrow Alberta as a significant tourism destination area. The subject study was commissioned to identify those tourism investment opportunities that have the best chance of driving increased visitation and expenditures with a particular focus on opportunities that can be pursued by private developers and investors in the short term (1 to 3 years) and that are or are close to being investor ready.

The project workplan included three phases:

1. **Phase 1-** A Current Situational Analysis and Identification of Opportunities; entailing data collection and market research, an opportunity workshop, preparation of a long list of tourism development opportunities and an opportunity evaluation matrix.
2. **Phase 2** – An Analysis of Tourism Development Investment Opportunities for the Region; which included a preliminary market and economic feasibility analysis for the top 10 opportunities.
3. **Phase 3** – A Short Term Tourism Investment Attraction Strategy, including the preparation of investment packages for the top 10 opportunities.

### Economic Overview

Provincially, Alberta has now shifted from being one of the top performers in the country, to expecting a contraction in GDP of 1.5% in 2015.

The south central region of the Province is one of Alberta's major research and educational regions, with the largest employment in this sector. It is also a major agricultural region, which accounts for a higher percentage of employment than the provincial average. Other fast growing industries in recent years have been the alternative energy, manufacturing, metal fabrication and construction sectors followed by accommodation and food services. While oil and gas production are leading sectors in many other parts of the Province, both sectors in the Region represent only a fraction of the total production in the Province.

## **Tourism Overview**

The Region is considered a significant, unique and authentic tourism destination. Tourism in the Region is directly related to the abundance of historic landmarks, natural landscapes, and cultural influences. The Region offers three provincial parks, almost 40 campgrounds, more than 10 museums, cowboy and western themed products and several provincial historic sites including Writing-on-Stone Provincial Park, Fort Whoop Up, Galt Historic Railway Park and Remington Carriage Museum.

The Region is largely dependent on the domestic travel market but also derives visitation from the rest of Canada, the US and from overseas travelers. As a percentage of total Alberta visitation, visits to south central Alberta accounted for roughly 7% in 2012. Significant drivers of visitation to the Region include Writing-on-Stone Provincial Park and other south central provincial campgrounds. Additional drivers of tourist visitation include an array of museums, natural attractions and historic sites.

Oil prices and a lower Canadian dollar, while impacting the Alberta economy in general, will have a positive impact on tourism to the province as Albertans take advantage of staycations and US visitors will benefit from increased buying power.

## **Land Use Planning Process Considerations**

Land-based planning processes will need to be considered based on the status of the proposed or determined site for each of the identified tourism investment opportunities. One of the initial steps in the development of these investment opportunities will require stakeholders to contact the proper regulatory areas within municipal, provincial and federal governments for approval.

## **Major Tourism Development Opportunity Analysis**

The Project Team identified a list of 40+ development opportunities for consideration in an Opportunity Workshop held in Lethbridge for SouthGrow Region tourism industry stakeholders. An Opportunity Matrix was used to evaluate the long list of tourism development opportunities, focusing on the private sector opportunities that had the most appropriate capital investment alternatives for south central Alberta. The key criteria used to evaluate each opportunity included: Investment Potential, Site Considerations, Market and Financial Feasibility and Tourism Destination Factors.



## Top Ranked Short Term Investment Opportunities

Based on the major tourism development opportunity analysis and the results from the Evaluation Matrix, Table 1 provides a summary of the Top 10 Major Tourism Development Opportunities recommended for SouthGrow Alberta as described below:

1. There is an opportunity to partner **in the development of a Rail Tour Excursion at Aspen Crossing**, in Mossleigh, Alberta. In Spring 2015, Aspen Crossing will be expanding its offerings to include a **rail tour excursion**. Approximately 14 miles of track have been purchased, including 278 acres of right of way. To date, an estimated \$2 Million has been invested into the tourist train project, including acquiring the necessary operating and maintenance equipment.

The tourist train will begin with 2 passenger cars, an open car, saloon car and a caboose pulled by the locomotive for a total capacity of 169 passengers. In order to reach its full potential, the train will require further investment to access and renovate 8 rail cars with a total capacity of 415 passengers.

2. There is an opportunity to partner with the Davidsen Family to build a **heritage based RV Park, Fort and Cabins** in Mountain View between Cardston and Waterton, Alberta. The owner's vision calls for the creation of an authentic "old-timer's" village where guests will experience hospitality and entertainment, with engaging activities, games, reenactments and hands-on learning, all while exploring their own family roots.

The Davidsen Family own a 59-acre site on the north side of Highway 5, and have purchased excavating equipment and begun construction of an 800-metre gravel road with culverts, and 56 non-serviced campsites with 5 pit toilets. While, the initial phase of the development calls for the opening of the 56-site "dry" campground during the 2015 summer season, water and electrical servicing will be added to all the campsites in a phased manner over a 5-year period.

The 2<sup>nd</sup> phase of development calls for the addition of up to 30 pioneer cabins. Phase 3 of the development will see the addition of other heritage themed forms of accommodation, such as Covered Wagons. As the 4<sup>th</sup> phase of development, Cabin Circles will be added, to accommodate large groups for family reunions and retreats. The final phase of development will include the Fort structure, which will include stained log poles as the exterior wall and offer retail, foodservice and recreational activities in a

pioneer setting. The primary feature of the Fort will be the Old Rock Church, a genealogy centre for family historic research on the ground floor as well as a gathering centre for families on the upper level.

3. There is an opportunity to partner with the owner of Roosters Country Marketplace in Magrath to expand the operation to include **an aquaponics facility, a restaurant featuring locally grown produce and a hostel**. Roosters Country Marketplace is a family-owned green grocery store, which carries unique, locally produced goods which support Southern Alberta farmers and producers.

**Aquaponics** is a relatively new form of agriculture, which integrates aquaculture and hydroponics in a soil-less controlled system to produce food closer to urban centres. In addition, **a 60-seat on-site restaurant has been proposed**, which will feature locally produced goods from the aquaponics operation as well as from Southern Alberta farmers and producers, together with **a 7-room, 28-bed hostel** on the upper floor of the Roosters Country Marketplace.

4. There is an **opportunity to acquire the Bridge County Raceway**, an established race facility which has been owned and operated as a family business for 20 years from 1991 to 2011. The Bridge County Raceway is one of the longest and widest clay oval tracks in Western Canada, comparable in size to the Castrol Raceway in Edmonton. The local owners have decided to retire, after building the original facility and surpassing all the goals they had set to accomplish.

Since the closure of the facility in 2011, the owners have kept all equipment and buildings in good condition, and believe that the facility could be fully operational within one month of purchase.

5. There is an opportunity to develop a **100-unit branded, select service hotel**, as a complement to the Crossings Development, which is currently under construction in the City of Lethbridge, at the intersection of Whoop Up Drive and Benton Drive in West Lethbridge.

The Crossings is expected to become the commercial heart of West Lethbridge, with additional complementary recreation and leisure amenities, combined with the benefit of the existing University of Lethbridge and Lethbridge College demand, and growing commuter traffic flow. The residential aspect of the development is already under construction, and residents are set to move into the first 450 units by Fall 2015.

6. There is an opportunity to address the growing market for **comfort camping** in the Region.

This opportunity could be developed by an existing campground or an entrepreneur who is not connected to a campground. Public and/or private campgrounds could set up comfort camping structures on their properties, while entrepreneurs could rent comfort structures and products to campgrounds during the camping season. Alternately, a profit-sharing arrangement could be initiated where an entrepreneur leases a number of sites within an existing campground for comfort camping and rents them to the public independently.

7. There is an opportunity to expand the existing Perrett Park Campground in Raymond, Alberta by adding **30 additional, fully serviced campsites**, along with a new campground office for sundry and rental equipment sales.

The Town of Raymond is seeking private sector investment for the expansion of the campground, along with the addition of sundry/grocery facility and rentals of recreation equipment (i.e. kayaks, bicycles, etc.). No proponent has been identified for this opportunity, but it is expected that the developer would also manage the property through a fixed fee arrangement.

8. There is an opportunity to acquire a **13-unit motel** in Coutts, Alberta at the US Canada Coutts, Alberta/Sweetgrass, Montana International border.

The motel offers 10 rooms in the main building and 3 kitchenettes in an on-site ADCO trailer. Of the 10 rooms in the motel, 4 provide kitchen units, while 6 are rooms only. At an asking price of \$400,000 for the subject Double Tree Inn, a price of \$31,000 per room would fall in line with similar transactions which have occurred elsewhere in the province.

9. There is an opportunity to develop a **60-unit limited service hotel** in close proximity to Highway 23 in the Town of Vulcan.

The Town has identified a need for a branded hotel to accommodate corporate and leisure visitors, including an estimated 60,000 annual “Trekkies” who visit the Town for the Vulcan Tourism & Trek Station and its two major annual events – Spock Days and Vul Con.

10. There is an opportunity to develop a **35-unit Luxury Guest Ranch** in the Region, to be operated on a seasonal basis from May through October.

There is currently no proponent for this opportunity, but it could be developed by an existing cattle ranch owner or an entrepreneur who is looking to purchase an active ranch operation, and willing to operate it as a hospitality establishment. Ideally the site will include barns for horses and ample land for both riding and cattle drives, which would be key activities at the subject resort.

TABLE 1 TOP 10 MAJOR TOURISM INVESTMENT OPPORTUNITIES SOUTHGROW, ALBERTA					
#	Tourism Investment Opportunity	Investment Potential	Equity Required		Year 5 ROE
1	Rail Tour Excursion - Aspen Crossing, Mossleigh	\$1.3 Million to purchase additional rail cars, restore equipment and construct a maintenance shed.	50% = \$665,000	Excluding land	37%
2	Fort Heritage and Frontier RV Park, Mountain View	\$2.6 Million over a 5 year phased development period.	55% = \$1.4 Million	Excluding land	25%
3	Roosters Country Market Agri-Tourism Business, Magrath	\$540,000 in building improvements, furniture, fixtures and equipment.	50% = \$270,000	N/A	23%
4	Bridge County Raceway, Lethbridge County	\$1.2 Million purchase price	50% = \$600,000	Including land	23%
5	Branded Hotel at Crossings Development, Lethbridge	\$13 Million	45% = \$5.9 Million	Including land	13%
6	Comfort Camping Tent Rentals and Distribution, SouthGrow Region	\$300,000	50% = \$150,000	N/A	18%
7	Perret Park Campground Expansion, Raymond	\$272,000	50% = \$136,000	N/A	26%
8	Double Tree Inn Acquisition, Coutts	\$400,000	45% = \$183,000	Including land	8%
9	New Build Hotel, Vulcan	\$4.4 Million	45% = \$2 Million	Excluding land	13%
10	Luxury Guest Ranch	\$4.8 Million	50% = \$2.4 Million	Excluding land	15%
Source: PKF Consulting Inc.					

## Medium to Longer Term Opportunities

Meetings with community representatives, responses from the online survey and discussions at the tourism opportunities workshop contributed to the identification of additional opportunities for the Region that are potentially worth pursuing in the medium to long-term. These additional opportunities include:

1. Lee Creek Campground, Cardston
2. Apohsoowatsis Tipi Village, Cardston
3. Urban Family Farm Training Centre, Cardston
4. Coaldale Motor Inn, Coaldale
5. New Build Hotel, Coaldale
6. Coaldale Campground / RV Park, Coaldale
7. Family-style Restaurant, Coaldale
8. Coutts Travel Service Station, Coutts
9. Lethbridge Campground / RV Park, Lethbridge
10. Galt #8 Historic Site, Lethbridge
11. Magrath Bed & Breakfast, Magrath
12. Willow Gardens Travel Centre, Magrath
13. School-based Restaurant and Foodservice, Magrath
14. Mormon Trail Tours, south central Alberta (Stirling, Raymond, Magrath, Cardston)
15. Horseback Riding and Trail Tours, Magrath
16. Southern Alberta Shuttle Service, Magrath, Raymond, Vulcan and other south central Alberta communities
17. Magrath Golf Course and Resort, Magrath
18. Writing-on-Stone Provincial Park Horseback Riding, Trail Rides and Shuttle Service, Warner County
19. Restaurant at Riverside Golf Course and Campground, Milk River
20. Writing-on-Stone Bed & Breakfast, Warner County
21. Milo Golf Course, just south of Milo
22. New Raymond Hotel, Raymond
23. Restaurant in Raymond, Raymond
24. Raymond Golf Course, Raymond
25. Taber Restaurant, Taber
26. Vauxhall Sports Camp, Vauxhall
27. Vulcan Discovery Centre, Vulcan
28. Warner Hotel, Warner
29. Zip Lining and Zorbing, throughout the Region

## Tourism Opportunities Investment Strategy

SouthGrow Alberta is a region rich in tourism potential which largely remains untapped compared to other areas in the province. Through the implementation of an effective Tourism Opportunities Investment Strategy, investment in land based tourism opportunities in the SouthGrow Alberta Region will serve to strengthen and diversify communities and economies, increase the tax base, enhance employment and advance the Region's attractiveness for prospective investors and employees while enhancing the quality of life for residents.

The primary objectives of the Tourism Opportunities Investment Strategy for the SouthGrow Alberta Region are:

1. To communicate with study partners and industry stakeholders regarding study results:
  - To introduce the results of the 3-phase Tourism Investment Opportunity Assessment for Region; and
  - To describe each of the tourism investment opportunities.
2. To generate investor interest in the investment opportunities by:
  - Preparing Individual Investment Packages for the tourism investment opportunities that offer the highest potential for market and economic support in the short term; and
  - Utilizing various government support programs to attract potential investors.
3. Research and access capital investment programs which maybe applicable to the tourism investment opportunities identified.

## 1.0 INTRODUCTION AND SCOPE OF STUDY

### 1.1 Study Background

In January 2015, PKF Consulting Inc. in association with Mahon Jones & Associates was retained by Alberta Culture & Tourism in partnership with the Alberta SouthGrow Regional Alliance and Chinook Country Tourism to identify specific land based tourism development opportunities that will help to position SouthGrow Alberta as a significant tourism destination area.

SouthGrow Alberta is one of 11 Regional Economic Development Alliances in Alberta and represents 20 member communities located in south central Alberta with a combined population of approximately 150,000, including:

- Blood Tribe
- Cardston County
- Municipal District of Taber
- Town of Cardston
- Town of Coaldale
- Town of Coalhurst
- Town of Milk River
- Town of Picture Butte
- Town of Raymond
- Town of Taber
- Town of Vauxhall
- Town of Vulcan
- Village of Carmangay
- Village of Champion
- Village of Coutts
- Village of Lomond

- Village of Milo
- Village of Nobleford
- Village of Stirling
- Village of Warner

In addition, the following communities were also included within the scope of this study:

- City of Lethbridge
- Lethbridge County
- Town of Magrath
- Vulcan County/Hamlet of Mossleigh (Aspen Crossing)
- Village of Barnwell

Throughout the following report the above listed communities, located in south central Alberta, are referred to as “the Region”, while table and charts including all communities will be labeled “SouthGrow Alberta”, based on the title of this report.

The Region has a concentration of tourist attractions including: more than 30 attractions, 10 museums, 14 golf courses, at least five major historic sites, three provincial parks, almost 40 campgrounds, numerous hiking trails and back roads, ranch get-a-ways and other special events.

In order to maintain the visitor appeal of the Region, Alberta Culture and Tourism is aware that existing product must be refreshed and new experiences developed, in order to attract repeat and new visitation. Hence, the subject study was commissioned to identify those tourism investment opportunities that have the best chance of driving increased visitation and expenditures.

## 1.2 Study Purpose & Approach

The primary objectives of the subject study are as follows:

- To identify land-based tourism development opportunities with a particular focus on opportunities that can be pursued by private developers, and investors in the short term (1 to 3 years) and that are or are close to being “investor ready”;
- To provide detailed business case assessments for each of the identified short term opportunities;
- To identify other medium or long-term opportunities in more general terms; and
- To provide an action oriented investment attraction strategy to position the identified development opportunities with investors.

The project workplan included three phases:

4. Phase 1 - Current Situational Analysis and Identification of Opportunities;
5. Phase 2 - Analysis of Tourism Development Investment Opportunities for the Region; and
6. Phase 3 – Short Term Tourism Investment Attraction Strategy.

The study work program has involved the following steps:

- Project team orientation meeting and confirmation of study workplan;
- Analysis of previous studies and relevant background documents;
- Review and analysis of the existing regional tourism product base in terms of its tourism market readiness, potential for further development, and whether or not it has potential to draw demand from outside the Region;
- Analysis of the Region’s positioning in terms of built product, accommodation market performance and visitor statistics;
- Review of emerging tourism, consumer and product trends, with consideration given to the most likely investment opportunities for SouthGrow Alberta;
- Consultation with 27 representatives from communities in the region, including: Economic Development Officers, municipal Chief Administrative Officers, elected officials, Chambers of Commerce and business advisors, to gain insight into the potential of tourism development opportunities for the Region;
- 100+ follow-up phone calls/emails to further investigate initial tourism opportunity leads;
- Creation and distribution of an online survey, focusing on the strengths and weaknesses of existing tourism product, top drivers of tourism to the region and opportunities for new tourism product experiences – with distribution to 98 tourism



operators in the region, of which 25 responded (26% response rate);

- Organization of an Opportunity Workshop at the Lethbridge Lodge Hotel & Conference Centre, with 23 attendees to present an overview of the market research to date, ascertain stakeholder objectives, and identify additional opportunities for tourism investment in the Region;
- Identification of a long list of tourism product opportunities for the region, by each of the 22 municipalities;
- Development of an Evaluation Matrix to ascertain those opportunities that best match market requirement and provide the most reasonable investment opportunities, based on a variety of criteria (including market and locational factors, investment potential, and planning and policy implications);
- Preparation of a PowerPoint presentation to discuss the research to date and a meeting with the Steering Committee to determine the top ten opportunities for further evaluation;
- In cases where project proponents were identified for the top-rated tourism investment projects, interviews were held with the proponents to discuss concept plans, site, facility program and order of magnitude capital costs.
- Preparation of a high level market and economic feasibility analysis for each of the top ten tourism investment opportunities identified, inclusive of: concept description,

location and site considerations, land tenure and regulatory issues, complementary business development opportunities, competitive supply and demand influences, facility programming and estimate of project costs, preliminary five year operating projections, and an indication of supportable value and/or financial structure framework;

- Identification and description of mid to long term opportunities for the area;
- The preparation of an investment strategy for the tourism investment opportunities with the highest potential for market and economic support in the short term, and a development strategy to assist in attracting potential investors/developers; and
- Consolidation of research and findings into a Final Report.

## 2.0 ECONOMIC AND TOURISM OVERVIEW

### 2.1 Introduction

The tourism market potential of a jurisdiction is influenced by Provincial and local economic conditions. Accordingly, the analysis has included a review of recent economic performance in the Province of Alberta, and for the local market specifically.

### 2.2 Provincial Economic Overview

Provincial oil and gas factors impacting Alberta's accommodation demand include the following:

- Major capital projects already under construction will move forward to completion/startup;
- Further increases to oil production that will swell inventories and impact price recovery -- Despite the downturn in oil prices, production activity from the oil sands will increase in 2015;
- Capital expenditures for 2015 forecast to be down significantly for oil and natural gas projects;
- Decline in drilling activity in Alberta with rig counts down since January 2015;
- Technological advances changing the nature of drilling industry;
- Natural gas prices remain low;
- No one can accurately project when oil prices will recover or how high they can reach in the future;

- Investment uncertainty for developers and investors - expect more mergers, bankruptcies and acquisitions in the future; and
- Pipelines – more delays in decision making and approvals.

As shown in Table 2-1, Real GDP growth in Alberta is expected to contract 1.5% in 2015 after posting the country's strongest growth in 2014 and employment growth is expected to be flat in 2015. With a slight rebound in the price of oil expected by late 2015 and with more stable economic conditions, GDP is forecast to grow 1.2% in 2016.

TABLE 2-1 ALBERTA ECONOMIC INDICATORS			
Percentage Change	2014 (f)	2015 (f)	2016 (f)
Real GDP	4.0%	-1.5%	1.2%
Employment	2.2%	0.0%	0.9%

Source: Conference Board of Canada Provincial Outlook,  
Winter 2015

### 2.3 Canada and Alberta Travel Forecast

Despite Alberta's economic woes, the drop in oil prices combined with a strong US dollar will serve to increase local/regional and US visitation to the province, at least in the short term.

The impact of oil prices will likely have a significant impact on the travel of Albertans – increased unemployment/lower income levels will likely mean that more Albertans will choose to vacation within the province, and lower prices at the pump will encourage them to explore Alberta via rubber tire, taking advantage of the fact that the

Alberta leads all of Canada's provinces in sales of recreational vehicles<sup>1</sup>.

The strength of the US dollar (and a lower Canadian dollar) plus lower oil prices will likely mean an increase in US travel to Canada in general – buoyed by the realization of a pent-up desire among US citizens to travel in the wake of the recession, and the growing strength of the US economy. This is reflected in the 10% increase in outbound travel from the US in 2014, which saw a record 68.3 million Americans travelling abroad<sup>2</sup>.

The most recent Alberta travel forecast figures were updated in the Conference Board of Canada's Winter 2015 scenario information update, which was prepared following the drop in oil prices. New figures for 2014 and 2015 were updated provincially and nationally. Based on the significant drop in oil prices the following travel assumptions have been made for Canada in 2015:

- The 25% lower oil price will result in a reduction of airfares by approximately 5%;
- The 5% decrease in airfares will create an increase in total domestic air travel by an estimated 1.5%;
- Over 2015, the low gas prices will result in an increase of overall auto travel by 3%;
- Lower oil/gas prices and Canada's weaker exchange rate will influence a 2% increase in non-business US air travel to

Canada and a 3% increase of non-business US auto travel to Canada; and

- Decrease in airfares and weak Canadian exchange rate will create an increase of 2.5% in overseas air travel to Canada.

A softer economy means more visitation from Albertans for staycations and US residents who can take advantage of the lower Canadian dollar, as well as gas prices.

TABLE 2-2 PROVINCIAL OVERNIGHT TRAVEL FORECAST (% CHANGE) ALBERTA						
	2013 (e)	2014 (f)	2015 (f)	2016 (f)	2017 (f)	2018 (f)
Domestic Origin	3.1	2.7	1.6	3.3	2.7	2.0
Business	3.6	3.0	-4.3	3.5	2.9	2.0
Pleasure	2.8	3.1	2.3	3.6	2.9	2.1
United States Origin	3.0	4.1	3.6	2.5	2.3	2.1
Overseas Origin	0.9	6.6	3.4	3.1	3.1	3.1
<b>Total Visitation</b>	<b>3.0</b>	<b>3.0</b>	<b>1.8</b>	<b>3.3</b>	<b>2.7</b>	<b>2.1</b>

Source: Conference Board of Canada Travel Markets Outlook, Fall 2014; Statistics Canada

## 2.4 SouthGrow Alberta Economic Overview

The Region is located in Alberta Census District (CD) 2 and consists of 22 south central Alberta municipalities, as shown in Table 2-3 and Figure 2-1. The Region has a land area of 18,605 km<sup>2</sup>, which includes more than 1 million acres of irrigated farm lands and accounts for 2.8% of Alberta's total land mass.

The Region features significant geographic diversity, from rolling prairie grasslands and foothills, to mountain peaks and river valleys. Natural resources and historic sites are key recreational assets in

<sup>1</sup> HarrisDecima, *Economic Impact of the Canadian Recreational Vehicle Industry*, December 2012

<sup>2</sup> US Citizen Travel to International Regions, 2014, Office of Travel and Tourism Industries, February 20, 2015

south central Alberta, including: Writing-on-Stone Provincial Park, Little Bow Provincial Park, Fort Whoop-Up and many more.

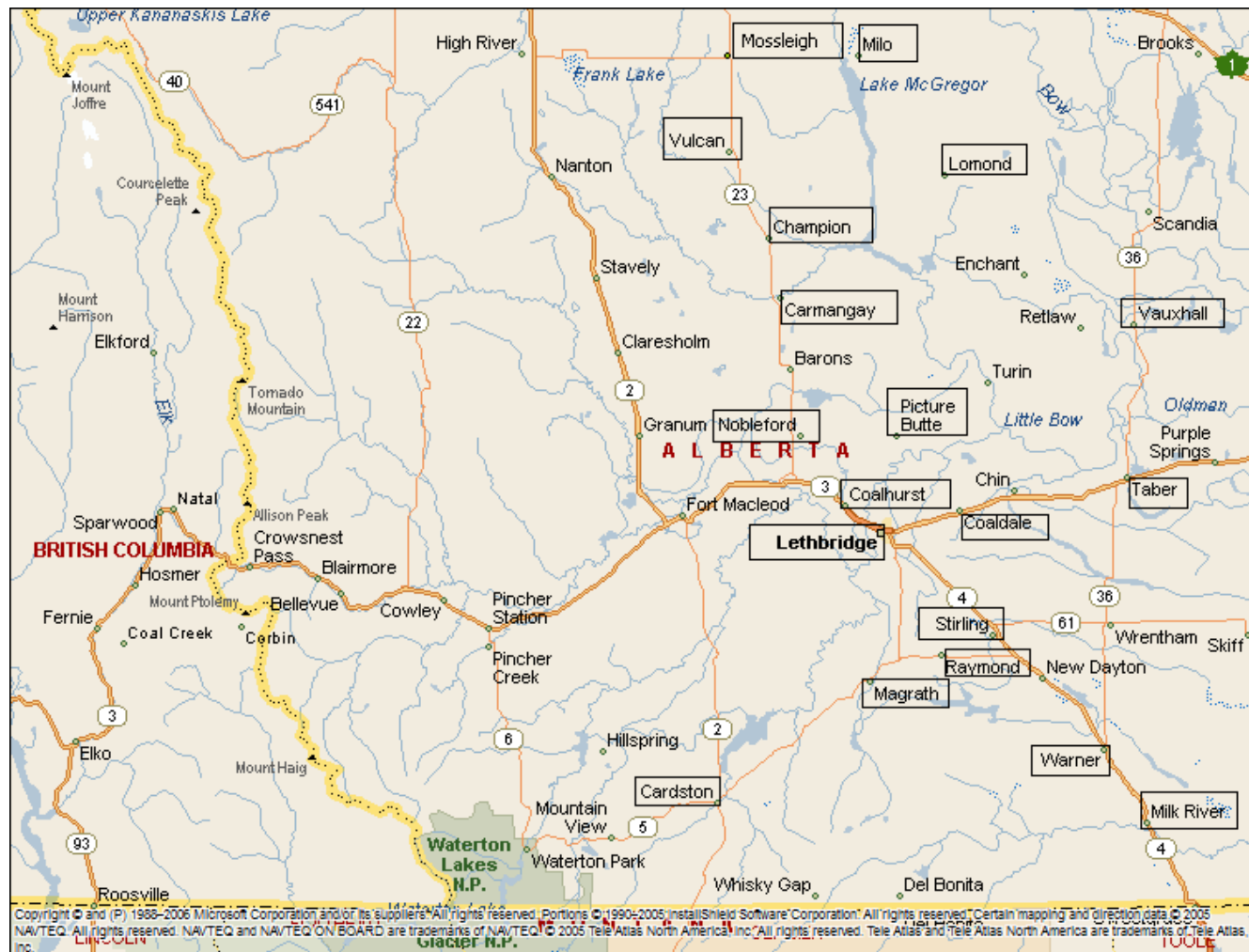
Quality of life is typical of rural communities with a full range of recreation, health, education, and cultural amenities. With more than 30 individual cultural organizations, cultural attractions are significant tourism demand generators in the Region, along with arts and heritage experiences.

According to the SouthGrow Regional Initiative, the population of the the Region was 150,000 in 2011 or 4.1% of Alberta's total population of 3,645,000. As shown in Table 2-3, the largest communities are the City of Lethbridge and Blood Tribe, representing 68% of the population of all communities combined. The regional population has increased by almost 15% from 2006 (131,000) to 2011 (150,000).

TABLE 2-3 SOUTHGROW ALBERTA POPULATION BY COMMUNITY, 2011		
Community	Population	% of Total
City of Lethbridge	90,417	60.3%
Blood Tribe	11,610	7.7%
Town of Taber	7,821	5.2%
Town of Coaldale	7,493	5.0%
Municipal District of Taber	6,851	4.6%
Cardston County	4,167	2.8%
Town of Raymond	3,892	2.6%
Town of Cardston	3,578	2.4%
Town of Coalhurst	2,269	1.5%
Town of Magrath	2,217	1.5%
Town of Vulcan	1,940	1.3%
Town of Picture Butte	1,658	1.1%
Town of Vauxhall	1,288	0.9%
Village of Nobleford	1,200	0.8%
Village of Stirling	1,157	0.8%
Town of Milk River	846	0.6%
Village of Champion	384	0.3%
Village of Warner	382	0.3%
Village of Coutts	277	0.2%
Village of Carmangay	273	0.2%
Village of Lomond	173	0.1%
Village of Milo	122	0.1%
<b>Total (rounded)</b>	<b>150,000</b>	<b>100.0%</b>

Source: SouthGrow Regional Initiative

**FIGURE 2-1  
MAP OF SOUTHGROW ALBERTA STUDY AREA**

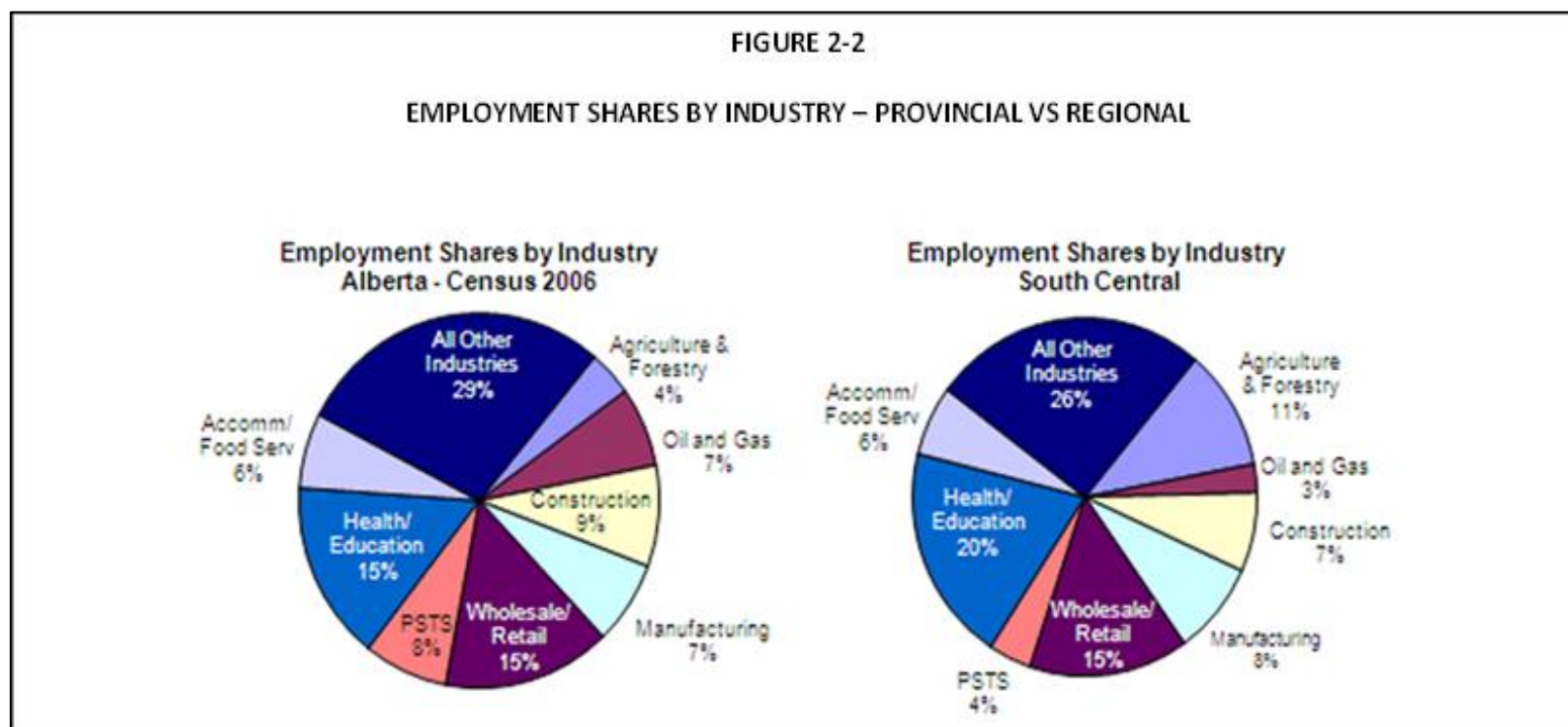


Source: Microsoft MapPoint North America, 2006

Statistics Canada data indicates that Registered and Treaty Indians comprised 12.2% of the total population in the Region in 2010, compared with 2.9% for the province as a whole.<sup>3</sup> As such, the First Nations culture represents an important part of the Region's economy. The area also has a strong influence from Mormon, Dutch, Mennonite and Hutterite cultures.

With a well-established agriculture economy, large greenhouse and field vegetable production, and an array of established food

processing activities, the Region produces approximately 61% of Alberta's vegetable crops and 25% of Alberta's food and manufacturing products (as of 2001).<sup>4</sup> The Region also accounts for 14% of Alberta cattle production, more than 16% of the provincial hen and chicken population and over 15% of the province's pig population. According to the 2001 Census of Agriculture, the region has more than 1 million acres of irrigated farm lands, nearly 233,000 square feet of land being used for greenhouse production and has received a total of \$2,073 million dollars in gross farm receipts. As



Source: <http://www.albertacanada.com/business/statistics/south-central-labour.aspx>

shown in Figure 2-2, at 11% the south central Alberta agriculture industry is significant not only to the region, but also to the rest of the province.

Apart from the agriculture, metal fabrication, construction, manufacturing and building product industries, the research and development sector is very strong within the region, with key centres including the University of Lethbridge, Lethbridge College, Agriculture and Agri-Food Canada Research Centre, and Alberta Agriculture and Rural Development. As a result, Health and Education industries account for the highest employment shares within the Region at 20% (see Figure 2-2).

The Southern Alberta Alternative Energy Partnership (SAAEP) is located within the Region, which is a partnership of 37 municipalities from south western and south central Alberta that assists in the creation of alternative energy systems, which contributes to bringing corresponding businesses to the Region.

According to the SouthGrow Regional Initiative, the tourism industry is strong within the Region, attracting 550,000 visitors annually. Tourism to this region primarily consists of domestic visitors from Alberta, who account for 70% of total visitation.<sup>5</sup>

In the largest community of Lethbridge, the core local employment industries consist of agri-food, aviation and aerospace, environmental products and services, information and communications technology (recently a technology commercialization centre was developed in Lethbridge), manufacturing, and supply chain and logistics. For the Blood Tribe, which constitutes the region's second largest

community, the main economic bases are farming and oil/gas exploration.

There are a number of future economic opportunities for the Region which have been identified as bio energy, carbon credit, sugar confectionery, ready meals and meal components, solar energy and wind energy. In addition, the region was home to almost 18,000 seniors (aged 65 and over) in 2006, which has created expanded opportunities within the south central Alberta retirement living industry.

The Region is accessible through ground, rail, air and water modes of transportation. It is situated on the CANAMEX Trade Corridor, which spans from Mexico to Alaska. The Region also includes Alberta's only 24-hour border crossing, which is located in Coutts and connects the United States interstate road system with Alberta's export highway. In terms of rail accessibility, there are stations throughout the Region, which are served by the Canadian Pacific Railway. The Lethbridge County Airport is a key regional asset that has runways which are equipped to accommodate scheduled air service. The Lethbridge Airport is served by Air Canada and IntegraAir, and also offers charter flights.

As of March 31, 2011, there were 32 projects proposed, planned, under construction or recently completed in the south central Alberta Region. The total value for the projects was \$1.9 Billion of which institutional projects accounted for 31% of the total value, and infrastructure related projects accounted for an additional 25%.<sup>6</sup>

<sup>5</sup> <http://southgrow.com/investing/key-industries>

<sup>6</sup> <http://www.albertacanada.com/business/statistics/south-west-region.aspx>

As shown in Table 2-4, power industry projects have been the most prolific and in 2011 generated just over half of the combined value of all projects, while tourism investment has been lacking in the south central Alberta Region over the past few years, demonstrating the importance of the subject report.

<b>TABLE 2-4</b> <b>MAJOR CONSTRUCTION PROJECTS - 2010 - 2011</b> <b>SOUTH CENTRAL ALBERTA</b>				
Industry Sector	Number of Projects		Value of Projects (\$M)	
	2011	2010	2011	2010
Agriculture & Related	1	0	\$23.0	\$0.0
Biofuels	3	3	\$385.0	\$388.0
Commercial/Retail	1	1	\$5.2	\$5.2
Infrastructure	8	19	\$115.5	\$227.8
Institutional	10	20	\$225.0	\$599.5
Other Industrial	1	0	\$8.0	\$0.0
Pipelines	0	5	\$0.0	\$103.8
Power	4	6	\$1,056.0	\$1,284.0
Tourism/Recreation	4	3	\$80.3	\$65.3
<b>Total</b>	<b>32</b>	<b>57</b>	<b>\$1,898.0</b>	<b>\$2,673.6</b>
<b>% of Provincial Total</b>	<b>3.8%</b>	<b>6.2%</b>	<b>1.0%</b>	<b>1.2%</b>

Source: <http://www.albertacanada.com/business/statistics/south-central-projects.aspx>

## 2.5 SouthGrow Alberta Tourism Overview

Tourism in the Region is directly related to the abundance of natural landscapes, historic landmarks and cultural influences. Thus, much of

the tourist activity is concentrated around outdoor and arts/culture/heritage activities, which include, but are not limited to:

- Writing-on-Stone Provincial Park, Little Bow Provincial Park, and Park Lake Provincial Park, plus numerous recreation and natural areas;
- Several Provincial Historic Attractions (Fort Whoop-Up, Galt Historic Railway Park, Village of Stirling National Historic Site, Michelson Farmstead);
- More than 10 museums (Galt Museum & Archives, Remington Carriage Museum, Taber Irrigation Impact Museum, Courthouse Museum, Gem of the West Museum, Prairie Tractor & Engine Museum, Raymond Pioneer Museum, Vulcan's Trekcetera Museum, Vulcan & District Historical Society Museum, Devils Coulee Dinosaur Museum, Nobleford Area Museum);
- Nature Attractions (Helen Schuler Nature Centre, Alberta Birds of Prey Centre);
- 14 Golf Courses with over 200 holes combined;
- Almost 40 Campgrounds;
- Western-themed products (ranch stays, Rodeos);
- Numerous hiking trails;
- Arts, Heritage & Cultural venues (Southern Alberta Art Gallery, The Buggy Barn Studio and Gallery, Card Pioneer Home, Cobblestone Manor, Nikka Yuko Japanese Garden, Aspen Crossing);
- Agri-Tourism (Farmers' markets, Corn Fests, Harvest Fest, Ag Expo, Aggie Days, Cornmazes);
- Aboriginal Tourism (Kainai Indian Days Fair and Rodeo, Alberta Big Game Outfitters, Kainai Pow Wow); and
- Special events (Whoop Up Days, Alberta Culture Days, Alberta International Airshow, Jamboree Days, Vauxhall



Canada Demolition Derby, Annual Star Trek Convention, Settlers Days).

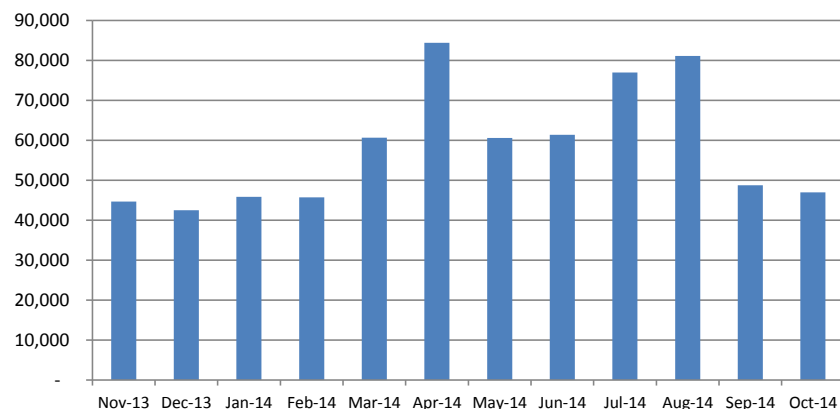
The Region is primarily located within Alberta Census Division 2. Visitation statistics have been based on the most recent Statistics Canada *Travel Survey of the Residents of Canada (TRSC)* and *International Travel Survey (ITS)* for 2011 and 2012. As shown in Table 2-5, in 2012 tourism visitation to Alberta decreased by 6%, while visitation to South Alberta increased by 6%. In 2012, Alberta South accounted for approximately 14% of total visitation to Alberta and at 2.27 Million visits, CD 2 made up 48% of Alberta South's visitation, or 7% of total visitation to Alberta.

**TABLE 2-5**  
**SOUTHGROW ALBERTA AND PROVINCIAL VISITATION - 2012**

	2011 Visitation		2012 Visitation			2011-2012 % Change		CD as % of Alberta	
	Alberta	Alberta South	Alberta	Alberta South	CD 2	Alberta	Alberta South	CD 2 as % of Alberta	CD 2 as % of Alberta South
<b>Length of Stay</b>									
Overnight Person Visits	14,430,000	1,760,000	13,490,000	1,860,000	859,000	-7%	5%	6%	46%
Same-Day Person Visits	20,890,000	2,730,000	19,600,000	2,910,000	1,412,000	-7%	6%	7%	49%
<b>TOTAL VISITS</b>	<b>35,320,000</b>	<b>4,490,000</b>	<b>33,100,000</b>	<b>4,770,000</b>	<b>2,271,000</b>	<b>-7%</b>	<b>6%</b>	<b>7%</b>	<b>48%</b>
<b>Origin- Total Visits</b>									
Canada	33,840,000	4,310,000	31,600,000	4,570,000	2,172,000	-7%	6%	7%	48%
US & Overseas	1,480,000	180,000	1,500,000	200,000	99,000	1%	10%	7%	50%
<b>TOTAL VISITS</b>	<b>35,320,000</b>	<b>4,490,000</b>	<b>33,100,000</b>	<b>4,770,000</b>	<b>2,271,000</b>	<b>-7%</b>	<b>6%</b>	<b>7%</b>	<b>48%</b>

Source: Alberta Culture & Tourism

**FIGURE 2-3  
US TO CANADA BORDER CROSSINGS AT COUTTS BORDER  
NOVEMBER 2013 - NOVEMBER 2014**



Source: Village of Coutts, Border Crossing Statistics, February 2015

Approximately 39% of the visitors to the area spent at least one night in the Region in 2012, as compared to 41% overnight visitors to the Province of Alberta overall. The Region is highly dependent on domestic visitation with approximately 96% of overall visitor volumes comprised of visitors from other parts of Alberta and the rest of Canada, but also derives 4% visitation from Americans and overseas travelers. The proximity of the region to the Sweetgrass/Coutts Montana border continues to drive a significant portion of visitation with approximately 700,000 visitors crossing the border in 2014 (as displayed in Figure 2-3). More specifically, there were an estimated 403,000 vehicle crossings in 2014, comprised of 60% cars and 40% trucks.

Significant drivers of visitation to the Region are Writing-on-Stone Provincial Park and other south central provincial campgrounds.

Writing-on-Stone Provincial Park (Áísínai'pi) is a key natural landscape that preserves representative native grasslands and is among one of the most sacred locations for the Blackfoot people. There has been a proposed nomination for Writing-On-Stone Provincial Park to be included on the World Heritage List. This nomination has been supported by the Government of Alberta and if successful, Writing-on-Stone would be the sixth Alberta site to be inscribed on the World Heritage List. With six World Heritage Sites, Alberta would have more than any other Canadian Province, thus influencing Alberta's cultural and heritage tourism potential.<sup>7</sup> As shown in Table 2-6, visitor centre attendance at Writing-on-Stone Provincial Park has decreased by 19.4% from 2013 to 2014.

As shown in Figure 2-4, over the past few years, overall visitation to Alberta south central campgrounds has decreased, with overall visits decreasing by 2.6% in 2014 (34,400 visitors) from 2013 levels (35,300 visitors).

**TABLE 2-6  
WRITING-ON-STONE PROVINCIAL PARK ATTENDANCE - 2010-2014**

	2010	2011	2012	2013	2014
Visitor Centre Attendance	10,857	10,883	10,472	16,699	13,453
% Annual Change		0.2%	-3.8%	59.5%	-19.4%

Source: Writing-on-Stone Provincial Park, Park Division

<sup>7</sup> South Saskatchewan Region Plan, 2014-2024

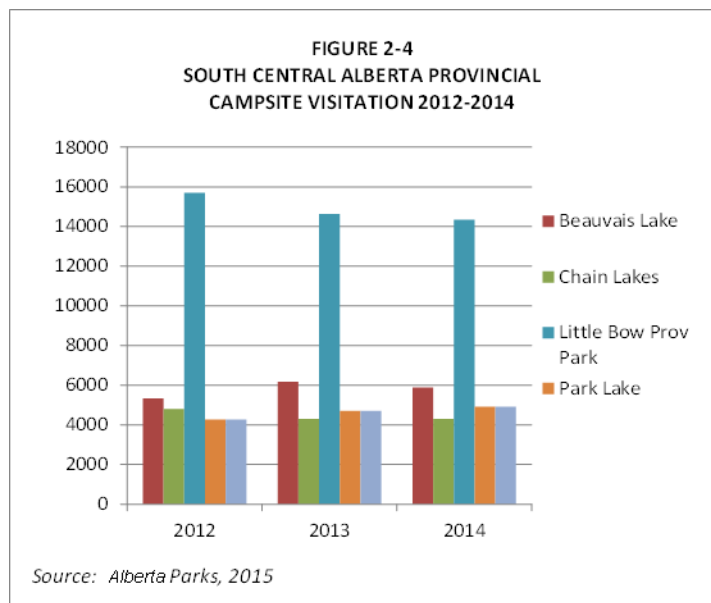


TABLE 2-7 SOUTHGROW ALBERTA GOLF COURSES		
Community	Golf Courses	
	Properties	Holes
Cardston/County	1	18
Coaldale	1	18
Lethbridge/County	5	72
Magrath	1	18
Milk River	1	9
Nobleford	1	9
Picture Butte	1	27
Raymond	1	9
Taber/MD Taber	1	18
Vulcan	1	18
<b>Total</b>	<b>14</b>	<b>216</b>

Source: PKF Consulting Research

Other key drivers of tourist visitation to the Region include an array of museums, natural attractions and historic sites. In terms of recreational assets, the Region features 14 golf courses with over 200 holes, as shown by community in Table 2-7.

Overall, the Region's accommodation market consists of a broad range of accommodation types, including approximately 41 hotels and motels with 2,007 rooms, as well as 18 bed and breakfast operations with at least 45 rooms and other accommodations (Lethbridge College and the University of Lethbridge) offering a further 808 beds. Table 2-8 and Table 2-9 highlight the room count for the hotels/motels and B&B accommodations by community.

TABLE 2-8 SOUTHGROW ALBERTA HOTEL/MOTEL ACCOMMODATION MARKET		
Community	Hotel/Motel	
	Properties	Rooms
Cardston/County	3	113
Carmangay	1	-
Coaldale	1	-
Coutts	1	13
Lethbridge/County	19	1,538
Lomond	1	4
Milk River	1	20
Milo	1	5
Mossleigh	1	17
Picture Butte	1	12
Taber/MD Taber	5	190
Vauxhall	2	-
Vulcan	3	87
Warner/County	1	8
<b>Total</b>	<b>41</b>	<b>2,007</b>

Source: PKF Consulting Research

TABLE 2-9 SOUTHGROW ALBERTA B&B ACCOMMODATION MARKET		
Community	B&B	
	Properties	Rooms
Cardston/County	4	7
Lethbridge/County	7	23
Magrath	1	3
Milk River	1	1
Raymond	2	7
Stirling	1	3
Vauxhall	1	2
Vulcan	1	2
<b>Total</b>	<b>18</b>	<b>48</b>

Source: PKF Consulting Research

Based on a representative sample of 1,500 rooms in 2014 (75% of the total accommodation supply) which participate in PKF's *Trends in the Hotel Industry National Market Report*, annual occupancy rates in the Region have ranged between 55% to 60% in the past 5 years, with an Average Daily Rate of \$107 in 2014 (as shown in Table 2-10). The Region's accommodation market performs at 4 to 11 percentage points below the provincial average, and \$24 to \$36 below provincial Average Daily Rates.

Table 2-11 displays the Region's accommodation market growth over the last 5 years. In 2014, room supply increased by 8.6% and room demand increased by 3.1% over 2013 levels. In addition, the average daily rate increased by almost 1%. With the total room supply increasing faster than demand, combined with only slight increases in the ADR, overall revenue per available room decreased by 4.2% in 2014.

**TABLE 2-10**

**SOUTHGROW AND ALBERTA HISTORICAL ACCOMMODATION MARKET**

	2010	2011	2012	2013	2014
<b>SouthGrow Alberta</b>					
Occupancy	54.7%	55.6%	56.8%	59.7%	56.7%
ADR	\$99.11	\$100.59	\$104.75	\$106.18	\$107.15
RevPar	\$54.17	\$55.90	\$59.46	\$63.39	\$60.75
<b>Alberta (excl. Resorts)</b>					
Occupancy	58.3%	62.3%	65.8%	68.1%	67.8%
ADR	\$125.30	\$124.84	\$132.58	\$138.10	\$142.98
RevPar	\$73.08	\$78.38	\$87.07	\$94.11	\$96.92

Source: PKF Consulting Inc. Trends in the Hotel Industry, National Market Report Based on  
PKF Trends participants representing 1,500 rooms in the SouthGrow Alberta Market

**TABLE 2-11**

**SOUTHGROW ALBERTA HISTORICAL ACCOMMODATION MARKET**

	2011	2012	2013	2014
<b>SouthGrow Alberta</b>				
Available Rooms	7.0%	-3.6%	-2.7%	8.6%
Occupied Room Nights	8.8%	-1.5%	2.3%	3.1%
Average Daily Rate	1.5%	4.1%	1.4%	0.9%
RevPar	3.2%	6.4%	6.6%	-4.2%

Source: PKF Consulting Inc. Trends in the Hotel Industry, National Market Report  
Based on PKF Trends participants representing 1,500 rooms in the SouthGrow  
Alberta Market

## 2.6 Alberta's Tourism Framework

In 2013, *A Pathway to Growth* was released, providing a seven year strategy to align Travel Alberta, the Alberta Strategic Tourism Council and the Alberta Government behind one framework.

Figure 2-5 provides an overview of the region's tourism framework. In Alberta South, the primary tourism products supplied are specialty lodging, cultural and heritage tourism and Alberta aboriginal cultural-based activities. In addition, there are six tourism products that are emerging in supply which include resorts, ag-tourism/culinary tourism, event tourism, winter outdoor recreation/adventure tourism, Alberta authentic arts and crafts products and urban experiences.

Regional product demand shows that specialty lodging, cultural and heritage tourism and trails account for the highest demand by travellers from within Alberta. Although there is a high demand for trails, only a secondary amount of supply exists. In addition, there is moderate demand for tourism products in terms of winter outdoor recreation / adventure tourism, Alberta authentic arts and crafts products and urban experiences, which only have an emerging supply base. With higher regional demand than supply in these categories, it provides insight into potential opportunities for future tourism development in the Region.

Similar to regional demand, the highest domestic demand is in categories of specialty lodging, cultural and heritage tourism and trails. There is higher domestic demand than supply for product categories of resorts, Alberta authentic arts and crafts and trails.

International product demand is highest in Alberta aboriginal cultural-based activities and Alberta authentic arts and crafts products. International demand outweighs the supply in regards to cultural and heritage tourism and Alberta authentic arts and crafts products, which implies that the supply of these categories could be broadened to enhance international inbound travel to Alberta South.

Overall, primary opportunities for development in tourism supply, to cater to growing regional, domestic and international demand, would be in the product categories of specialty lodging like guest ranches, resorts, winter outdoor recreation/adventure tourism, Alberta authentic arts and crafts products, urban experiences, and cultural and heritage tourism.

FIGURE 2-5 ALBERTA SOUTH				
Primary	■	High Demand	■	
Secondary	■	Moderate Demand	■	
Emerging	■	Emerging Demand	■	
	Product Supply Strength	Product Demand Regional	Product Demand Domestic	Product Demand Int'L
Resorts	■	■	■	■
Camping	■	■	■	■
Specialty Lodging	■	■	■	■
Ag Tourism / Culinary Tourism	■	■		
Event Tourism	■	■	■	
Cultural and Heritage Tourism	■	■	■	■
Special Attractions and Tours	■	■	■	■
Summer Outdoor Recreation / Adventure Tourism	■	■	■	■
Winter Outdoor Recreation / Adventure Tourism	■	■	■	■
Alberta Aboriginal Cultural-based Activities	■	■	■	■
Alberta Authentic Arts and Crafts Products	■	■	■	■
Urban Experiences	■	■	■	
Trails	■	■	■	■

Source: Alberta Tourism, Parks and Recreation and Travel Alberta, A Pathway to Growth, 2013

## 2.7 SouthGrow Alberta –Market Segmentation based on EQ©

Travel Alberta and the Chinook Country Tourist Association (the latter markets Alberta South as a tourism destination and includes many communities from the Region) use the Explorer Quotient® "EQ" market segmentation system to define and understand tourism demand. Developed for the Canadian Tourism Commission (CTC), EQ is based on psychographics (combining psychology and demographics) and is the result of primary research into travel values, conducted in Canada, the US and other CTC overseas markets. EQ also takes into account research conducted to support CTC's Global Tourism Watch. EQ also takes into account earlier research from the extensive Travel Activities and Motivations survey (TAMS), conducted in Canada and the US. As a result, EQ profiles different kinds of travellers (expressed as EQ Types) from the perspective of who they are, how they travel, what they are interested in doing while on vacation and, most importantly, *why* they travel.

South Central Alberta, with its rich cultural heritage in addition to its many opportunities for outdoor recreation and exposure to aboriginal culture, is well positioned to appeal to the **Cultural Explorer** EQ type.

Broadly speaking, this is a higher yield client with average income and education that comprises about 12% of the global market (9% in Canada). The predominant age range is 45-54 years old (in Canada, the range is 35-54). When travelling long haul (for example, those taking advantage of direct air access to Calgary from Germany, the UK, the Netherlands, the US and Ontario) Cultural Explorers tend to travel as two adults, without children, and spend an average of \$3,850 per trip (per party). The average long haul trip length is 12 nights.

Cultural Explorers travelling shorter distances, such as those originating within the province, show a stronger inclination for travelling as 3 adults with children. As more than 80% of travel in Alberta is by Albertans, it is highly likely that these short-haul travel patterns will prevail. Cultural Explorers also prefer self-directed travel, which aligns well with the fact that most visitors to Southern Alberta arrive by car or recreational vehicle. Trip spending per party will also be considerably less than those travelling long-haul, as Albertans show a high preference for camping or staying with friends and relatives.

Other EQ types that align well with the Region's product offerings are **Free Spirits, Authentic Experiencers and Personal History Explorers**.

**Free Spirits** are Travel Alberta's foremost target EQ Type. They show a slightly younger age range (18-34) and life stage (families with children at home) and constitute approximately 13% of the global market (12% of the Canadian market). Enthusiastic travellers, they tend to be attracted to destinations with a lot to offer in terms of iconic attractions, adventure and activities. These travellers are more likely to be attracted to Lethbridge, due to its cluster of attractions like Fort Whoop-Up, the Southern Alberta Art Gallery, Galt Museum and the Helen Schuler Nature Centre, plus its shopping, sports and music events as well as its restaurants and nightlife. Free Spirits prefer brand hotels and like to travel in groups, with friends or relatives, and are attracted to fully escorted or guided tours with all-inclusive elements. Canadian Free Spirits have the highest anticipated spend per group across all of the Canadian EQ types (approximately \$4,645) – significantly higher than the Canadian average.

**Authentic Experiencers** tend to be more mature, with higher than average education levels. Many are retired, so income levels are just average. These are understated travellers looking for authentic tangible engagement with the destination, with particular interest in its history. Authentic Experiencers make up about 9% of the global market (12% in Canada). Like Cultural Explorers, they value other cultures and seek out experiences on their vacations that will help them learn as much about the destination as possible. Authentic Experiencers avoid 'touristy' situations and will seek to go behind the scenes to the root of the destination's authenticity. For example, they enjoy B&B's much more than brand hotels. Canadian Authentic Experiencers spend more time and dollars than the Canadian average on their trips (approximately \$4,300)

**Personal History Explorers** are primarily defined by their desire to connect with their own cultural roots, but to do so while travelling in comfort, style and security. Often visits will be from those who have moved away in search of jobs and other opportunities and wish to return to connect with their root cultures and home towns. Many will bring their families to ensure that their children have a sense of where they come from. Personal History Explorers constitute about 9% of the global market and 13% of the Canadian market. Canadian Personal History Explorers spend more than the Canadian average on their vacations, but this is likely modified in Alberta by their desire to stay with relatives, particularly for the regional market.

These traveller types align well with the destination marketing organizations that are marketing the area. The Chinook Country Tourist Association has targeted **Cultural Explorers** as a primary target type for Alberta South. Travel Alberta has targeted **Free Spirits** and **Cultural Explorers** as its primary EQ types for the Province. The Canadian Tourism Commission has targeted **Free Spirits, Cultural**

**Explorers** and **Authentic Experiences** as the three global target types that are best suited to the Canadian travel experience.

Travel Alberta's 2014-17 Business and Marketing Plan indicates that its primary markets are regional (Alberta, BC, Saskatchewan), Ontario and the rest of Canada, the US, Europe (UK, Germany, Netherlands), Asia/Pacific (China, Japan, South Korea, Australia, India) and Mexico. These targets align well with those of the Canadian Tourism Commission, providing needed emphasis on Canada which is not currently among the CTC's targets. In addition, the CTC recently announced that it plans to reinvest in the U.S. market.<sup>8</sup>

For the US market, Travel Alberta is targeting the state of California and Texas due to those markets' large concentration of Free Spirits and Cultural Explorers.

## 2.8 Summary

Provincially, Alberta has now shifted from being one of the top performers in the country, to expecting a contraction in GDP of 1.5% in 2015.

The south central region of the Province is one of Alberta's major research and educational regions, with the largest employment in this sector. It is also a major agricultural region, which accounts for a higher percentage of employment than the provincial average. Other fast growing industries in recent years have been the alternative energy, manufacturing, metal fabrication and construction sectors followed by accommodation and food services. While oil and gas

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<sup>8</sup><http://www.canadianbusiness.com/global-report/canada-us-tourism-advertising-returns/>



production are leading sectors in many other parts of the Province, both sectors in the Region represent only a fraction of the total production in the Province.

The Region is considered a significant, unique and authentic tourism destination. Tourism in the Region is directly related to the abundance of historic landmarks, natural landscapes, and cultural influences. The Region offers three provincial parks, almost 40 campgrounds, more than 10 museums, cowboy and western themed products and several provincial historic sites including Writing-on-Stone Provincial Park, Fort Whoop Up, Galt Historic Railway Park and Remington Carriage Museum.

The Region is largely dependent on the domestic travel market but also derives visitation from the rest of Canada, the US and from overseas travelers. As a percentage of total Alberta visitation, visits to south central Alberta accounted for roughly 7% in 2012. Significant drivers of visitation to the Region include Writing-on-Stone Provincial Park and other south central provincial campgrounds. Additional drivers of tourist visitation include an array of museums, natural attractions and historic sites.

Oil prices and a lower Canadian dollar, while impacting the Alberta economy in general, will have a positive impact on tourism to the province as Albertans take advantage of staycations plus a high incidence of RV ownership, and US visitors benefit from increased buying power.

### 3.0 LAND USE PLANNING PROCESS CONSIDERATIONS

#### 3.1 Introduction

This section displays an overview of the land use planning process involved in examining the Region's land-based tourism investment opportunities. The location of the top ten tourism investment opportunities identified will determine which procedures should be considered when obtaining approvals/permits for each development based on the following criteria and government requirements.

#### 3.2 Land-Based Development Process

There are three types of land ownership: government owned (municipal, provincial or federal); privately held (freehold); or Aboriginally owned (First Nations, Metis, Inuit groups).

For tourism investment opportunities that involve the purchase or lease of private lands directly from the owner, the development process will need to ensure that the proposed use for the land is permitted. This process is largely governed at the municipal level, using tools like the Subdivision and Development Regulation.<sup>9</sup>

The Government of Alberta develops statutory consents that grant permission for businesses or individuals to use public lands for specific activities, such as for recreational use. Statutory consents also exist specifically for impacts on or the use of public resources (such as water), and permit specific development, conservation and other activities. The process for tourism commercial investment opportunities that may require the lease or purchase of Crown lands,

<sup>9</sup> *South Saskatchewan Regional Plan, Alberta Government, pg.3*

depends on which of the following jurisdictions is responsible for the site/location proposed or under consideration:

- Alberta Environment and Sustainable Resource Development
  - Land Division;
  - Parks Division (within a provincial park or provincial recreation area, regulated under the Provincial Parks Act);
- Federal Government lands (includes National Parks, Military reserves and some airports); or
- Alberta Transportation<sup>10</sup>.

Within Alberta there is a large number of existing Public Land Use Zones, Integrated Resource Plans, surface requirements (under the *Public Lands Act*) and voluntary practices that work towards supporting ecological preservation and help to guide public land management decisions.

Alberta Environment and Sustainable Resource Development (AESRD) manages Alberta's land planning for protected areas and parks, public lands, forests, fish and wildlife<sup>11</sup>. AESRD may allow private sector investors to develop, enhance and provide tourism opportunities on public lands through permits and dispositions, including private golf courses, recreational campsites, ski hills, guest ranches, shooting ranges, boat launches, hunting and fishing lodges, recreational cottages, trails and staging areas.

<sup>10</sup> *Tourism Development Guide, Alberta Culture and Tourism, pg.15*

<sup>11</sup> *After September 15, this function will be taken over by the Ministry of Environment and Sustainable Resource Development*

### 3.3 Resource Assessments

Dependent on the nature of the tourism investment opportunity, the proponent may be required to submit an Environmental Impact Assessment to the ESRD and/or a Historic Resources Impact Assessment submitted to the Ministry of Culture and Tourism if the proposed activity is likely to threaten the integrity of a historic resource. If either requirement does not produce a satisfactory assessment it can restrict the development process from moving forward.

Alberta Environment is responsible for the Environmental Protection and Enhancement Act and the Water Act, and the tourism investment opportunities may require formal approvals before they can begin development and/or operation.

#### 3.3.1 Alberta's Environmental Protection and Enhancement Act

The purpose of this Act is to support and promote the protection, enhancement and wise use of the environment, while recognizing the need to balance the protection of the environment with the need for Alberta's economic growth, encourage prosperity in an environmentally responsible and sustainable manner and promote sustainable development, while minimizing environmental impacts.<sup>12</sup>

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<sup>12</sup> *Alberta's Environmental Protection and Enhancement Act, Section 2, Chapter E-12.*

#### 3.3.2 Alberta's Water Act

Within the South Saskatchewan Region, the two main watersheds are the Milk River Basin and the South Saskatchewan River Basin. The Water Act supports and helps to encourage the management and conservation of Alberta's water resources, while streamlining administrative processes.<sup>13</sup> South Saskatchewan faces high pressure on regional water resources and access to water within the South Saskatchewan River Basin remains one of the limiting factors in terms of economic growth.

The use of ground water and surface water is regulated through a system of water licenses that are issued by the AESRD, under Alberta's Water Act. Municipalities, private companies, individuals and potential tourism investors are required to apply for permission to use water for drinking, irrigation, industrial processes or other uses, through the provision of licenses, which stipulate maximum volume, rate of diversion and timing. Water licenses are issued based on a priority system, whereby those with the highest priority (ie. those issued earliest) have the right to have their requirements met before licenses with a lower priority status.<sup>14</sup> The largest users of water in the South Saskatchewan River Basin are municipalities and the agriculture industry, with agricultural irrigation accounting for approximately 75% of the volume of all water allocations in the Region.<sup>15</sup> Within the South Saskatchewan River Basin, water licenses are at or nearing capacity. The provision for water allocation transfers provides a means for new and expanded developments to secure

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<sup>13</sup> *Alberta's Water Act, Section 2*

<sup>14</sup> *Profile of the South Saskatchewan Region, Government of Alberta, pg.64*

<sup>15</sup> *South Saskatchewan Regional Plan, Government of Alberta, pg. 27*

water allocations from existing license holders, through private arrangements, which must be approved by AESRD.<sup>16</sup>

### 3.3.3 Alberta's Historic Resources Act

The Historical Resources Act establishes the responsible interpretation, preservation and promotion of appreciation for Alberta's historic resources, while also coordinating the regulation and approval process for the development of land.<sup>17</sup> Historic resources include archaeological and paleontological sites, historic buildings/sites and traditional Aboriginal locations. Some lands that include essential historic resources are designated as Provincial/Municipal Historic Resources, which protects them from development and any other excessive impact.

To ensure historic resource preservation and protection, developers must submit their land-based development proposals for review and evaluation.<sup>18</sup> Submitted development proposals are evaluated based on professional reviews, the Listing of Historic Resources and other essential criteria. The Listing of Historic Resources is issued semiannually and specifies public and private lands that contain or are highly likely to contain historical resources.

If the proposed development could potentially impact a historic resource, the developer may have to do a subsequent study or create an avoidance strategy. Depending on the evaluation, additional studies may be required before proceeding with the development or

it may be prohibited from the vicinity of the historic resource altogether.

### 3.4 Aboriginal Consultation Process

The Land-use Framework implementation strategy specifies that to reach a consistent vision, the Government of Alberta must consult with First Nations communities on regional planning, specifically in regards to issues that could potentially affect their interests and constitutionally protected rights. In situations where the tourism investment opportunity is on provincial Crown land, which may infringe on First Nations Rights and Traditional Uses, written notice to the affected First Nation will be required followed by a consultation process before development approvals can be obtained.

### 3.5 Alberta Tourism Recreational Leasing Process

The Alberta Tourism Recreational Leasing Process is used for recreational and commercial tourism investment opportunities potentially located on public lands, which involve any or all of the following:

- Permanent structures;
- Long-term tenure;
- Public review; and
- Integration with existing land uses.

There are three steps in the Leasing Process including the preparation, submission and review of the application (Step 1), a letter of intent (Step 2) issued by the Land Administration Division

<sup>16</sup> *Profile of the South Saskatchewan Region, Government of Alberta, pg. 64*

<sup>17</sup> *Historic Resources Act, Province of Alberta, 2013*

<sup>18</sup> *Profile of the South Saskatchewan Region, Government of Alberta pg. 28*

upon approval of Step 1 and the Lease Issuance (Step 3) once all conditions and terms of Step 2 are met.<sup>19</sup>

AESRD is the provincial department responsible for the overall process administration and land management for public lands.

### 3.6 Land-use Framework

Alberta's Land-use Framework Integrated Plan (for 2014-2024) provides a new strategic approach for the management of lands and natural resources in order to achieve the province's long term economic, environmental and community goals. A key strategy of the framework is the development of seven regional plans, which have been based on the major watersheds. Each tourism investment opportunity will need to consider the policies and guidelines provided in the South Saskatchewan Regional Plan. Following three phases of consultation, this Regional Plan was approved by the Cabinet and became effective on September 1, 2014.

The key areas of concern within this Framework are the inter-related elements of population growth and water supply, and demand on agriculture, energy, forestry, transportation, surface materials, recreation and tourism. Other concerns have been raised about the limits to be placed on motorized vehicles on lease lands, near water sources or other ecologically sensitive areas and in the back country of the eastern slopes of Rocky Mountains; and that random camping may only be permitted in a few designated camping areas.

To date, the South Saskatchewan Regional Plan has put forth the following suggestions in terms of Recreation and Tourism planning guidelines:

- Create an all-season water and land based recreational trail system;
- Develop a more comprehensive understanding of recreation and tourism preferences;
- Redevelop significant recreational areas damaged by the flood of 2013;
- Restrict motorized recreation to designated areas and trails to protect wetlands and other habitats;
- Support and enhance long-term public access to recreational water bodies;
- Provide education and awareness compliance programs to encourage responsible recreational land use and shared stewardship;
- Increase the supply of recreational opportunities, including destination areas, attractions, facilities and Infrastructure, and serviced and un-serviced camping areas;
- Develop and enhance Tourism Destination Areas through working with municipalities, aboriginal communities and other essential stakeholders.

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<sup>19</sup> *Alberta Tourism & Recreational Leasing Process, 2013*

- Encourage infrastructure development and tourism investment opportunities through collaboration with landowners, private investors and municipalities;
- Determine, create and promote scenic byways that are located near key recreation and tourism features and attractions through improving and expanding waterways, trails and routes.<sup>20</sup>

### 3.7 Provincial Park and Recreation Area Opportunities

For tourism investment opportunities that are identified in a provincial park or recreation area, consideration must be given to the Land-use Framework and Alberta's 2009-2019 Plan for Parks. Park and recreation opportunities could include private sector investment in existing facilities and/or developing new facilities (such as trails, picnic/day-use areas, buildings, campgrounds, visitor centres, water and sewer systems, and all other infrastructure essential in enhancing park visitors experiences) or the provision of visitor activities (such as the operation of motorized vehicles, horseback riding, geocaching, climbing, hunting/outfitting and other activities)<sup>21</sup>.

Although provincial recreation areas and parks cannot be sold, contract agreements can be made that allow a service to be delivered to the public on the property. Required permits and approvals for envisioned projects in a provincial park or recreation area need to be investigated early in the development process. Contact must be made with Alberta Parks, which is under the jurisdiction of AESRD.

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<sup>20</sup> *South Saskatchewan Regional Plan, 2014-2024*

<sup>21</sup> *Tourism Development Guide, Alberta Culture & Tourism, pg. 22*

### 3.8 Summary

Land-based planning processes will need to be considered based on the status of the proposed or determined site for each of the identified tourism investment opportunities. One of the initial steps in the development of these investment opportunities will require stakeholders to contact the proper regulatory areas within municipal, provincial and federal governments for approval.

#### **4.0 HIGH LEVEL MARKET & ECONOMIC FEASIBILITY ANALYSIS**

The following ten tourism investment opportunities have been selected to undergo a high level Market & Economic Feasibility Analysis:

1. Rail Tour Excursion – Aspen Crossing, Mossleigh
2. Fort Heritage and Frontier RV Park, Mountain View
3. Roosters Country Market Agri-Tourism Business, Magrath
4. Bridge County Raceway, Lethbridge Country
5. Branded Hotel at Crossings Development, West Lethbridge
6. Comfort Camping Tent Rentals and Distribution
7. Perrett Park Campground Expansion, Raymond
8. Double Tree Inn Sale, Coutts
9. Vulcan New Build Hotel, Vulcan
10. Luxury Guest Ranch

Where applicable, the preliminary assessment of each tourism investment opportunity includes a description / analysis of the following nine components:

- Description of the Tourism Investment Opportunity
- Site Location
- Land Tenure and Regulatory Issues
- Complementary Business Development Opportunities
- Competitive Supply and Market Demand
- Potential Target Market Appeal and Alignment with Travel Alberta Marketing
- Facility Program and Preliminary Capital Cost Estimates
- Preliminary High Level Proforma / Sales Estimates
- Supportable Indication of Value / Financial Structure

It should be noted that the High Level Market & Economic Feasibility assessments for each tourism investment opportunity has been based on preliminary limited scope research and where applicable has relied on information provided by project proponents. A developer / investor interested in pursuing any of the identified opportunities would be expected to undertake their own market, financial, costing, land use and regulatory research and due diligence as part of their own internal business decision making process.

#### 4.1 Rail Tour Excursion – Aspen Crossing, Mossleigh

##### 4.1.1 Tourism Investment Opportunity

There is an opportunity to partner **in the development of a Rail Tour Excursion at Aspen Crossing**, in Mossleigh, Alberta.

Aspen Crossing was originally established by its owner, Jason Thornhill, in 2004 as one greenhouse, attached to a replica of a CPR Train Station, a Caboose with 3 staff members. There is an historical link between CPR and horticulture, with CPR creating gardens at a number of their railway stations showcasing the fertile soil in order to entice settlers to the area.

Aspen Crossing's mission is "to provide the ultimate quality of product to our customers, using superior assistance, while preserving history of the railway, agriculture and gardening." In 2006, Aspen Crossing added a second Greenhouse, a museum and gift store, followed by an 1887 Pullman Dining Car in 2007. The restored dining car, which was once John Diefenbaker's business car, is utilized as a 36-seat train-themed dinner theatre. In the 2010, Aspen Crossing completed an 85-site campground, including a shower house, laundry, and convenience store in another replica railway bunkhouse. The cabooses, which are also located in the campground, have been converted into luxury cabins that include a full-size bed, kitchenette, living area, washroom, fireplace, private deck and outdoor fire pit.

In 2011, Aspen Crossing received SouthGrow's "Growth and Expansion Award" as well as the "Alberta Growing Rural Tourism Award" and in 2013, the ownership group received "Marketing of the

Year" and "Excellence in Diversification" from Vulcan Business Development.

In Spring 2015, Aspen Crossing will be expanding its offerings to include a **rail tour excursion**. Approximately 14 miles of track have been purchased, including 278 acres of right of way. To date, an estimated \$2 Million has been invested into the tourist train project, including acquiring the necessary operating and maintenance equipment.

The tourist train will begin with 2 passenger cars, an open car, saloon car and a caboose pulled by the locomotive for a total capacity of 169 passengers. In order to reach its full potential, the train will require 8 rail cars with a total capacity of 415 passengers.





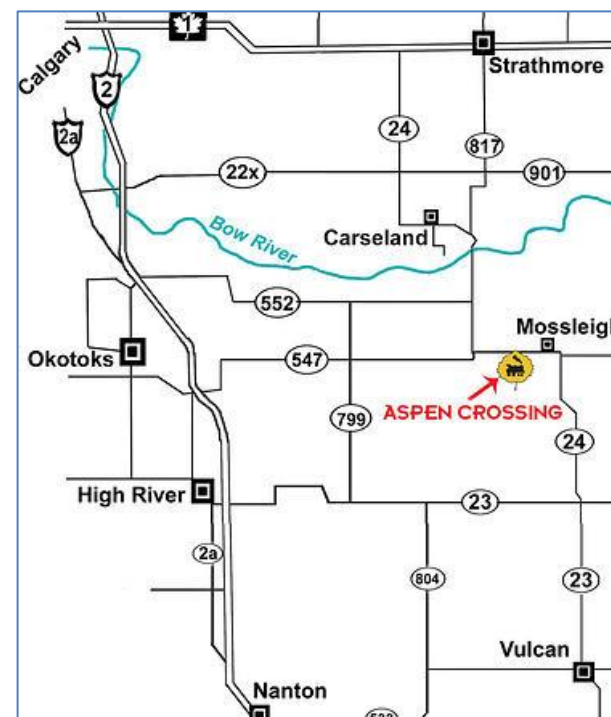
**TABLE 4.1-1  
ASPEN CROSSING RAILWAY  
CURRENT FACILITY PROGRAM**

<b>Accommodation</b>		
Full Service Campground		
Full Service Sites	49	
Partial Service Sites	26	
No Service	10	
<b>Total Sites</b>	<b>85</b>	
Caboose Cabins	3	
<b>Total Accommodation Units</b>	<b>88</b>	
<b>Total Overnight Capacity</b>	<b>300</b>	
<b>Food &amp; Beverage</b>		
1887 Pullman RailCar - Dining Car	36	
Outdoor Patio	36	
	72 seats	
<b>Retail</b>		
Gift Shop	2,000 Sq.ft.	
Greenhouse	2,850 Sq.ft.	
Greenhouse	3,420 Sq.ft.	
<b>Attractions</b>		
Mossleigh Station	1	
Caboose Display	1	
Farm Animals/Garden	1	
Victorian Farm House	3,500 sq.ft.	
Fish Pond	3 acres	
<b>Rail Stock &amp; Infrastructure</b>		
Locomotive	1	
<b>Passenger Cars</b>		
Saloon Car	30 seats	
Table Car	60 seats	
Coach Car	64 seats	
Caboose	15 seats	
Open Air Car	30 Good weather only	
	<b>199 seats</b>	
Rail Track	14 miles	
Railway right of way	278 acres	
<b>Infrastructure</b>		
Parking	250	
	acres of which 50 is	
<b>Total Site</b>	<b>300 currently developed</b>	

Source: Aspen Crossing Ltd.

#### 4.1.2 Site Location and Existing Operation

Aspen Crossing is located 1 km north of Mossleigh, approximately 75 km southeast of Calgary on Highway #24, and 133 km north of Lethbridge via Highway 23N. Table 4.1-1 provides a facility summary outline of the current assets at the Aspen Crossing operation including: 85 site campground; 3 caboose cabins; 36-seat dining car with an outdoor patio with an additional 36 seats; gift shop and 2 greenhouses on 50 acres of the 300 acre site.



To date, the ownership group has purchased a locomotive, 2 rail cars, a saloon car, caboose and open air car with a total capacity of 199 seats, as well as rights to 14 miles of track for a 28 mile round trip rail excursion.

#### 4.1.3 Preliminary Capital Cost Estimates

While the owner has invested \$2 Million in equipment and track to date, in order for the train excursion to reach its full potential of an estimated 400 persons per trip, the train will require 4 additional passenger rail cars. A 14,000 square foot maintenance shed will also be required to store up to 8 pieces of rail equipment, and provide a proper environment to restore, repair and maintain the equipment throughout the year.

Total capital costs for Aspen Crossing Rail Tour are summarized in Table 4.1-2 and have been estimated at \$1.3 Million. Each additional rail car has been estimated at between \$50,000 to \$150,000 including delivery, and may require \$30,000 to \$50,000 in restoration costs. For the purposes of this analysis, we have estimated the capital costs at \$140,000 per additional passenger rail car, for a total of \$560,000 for 4 rail cars. Construction of the maintenance shed has been estimated at \$770,000, based on a 14,000 square foot building at \$55 per square foot.

TABLE 4.1-2 ASPEN CROSSING RAIL TOUR ESTIMATE OF CAPITAL COST REQUIREMENTS			
Assumptions	Range		Avg
Purchase Addtl Rail Cars including delivery	\$50,000 to	\$150,000	\$100,000 per car
Restore Rail Cars	\$30,000 to	\$50,000	\$40,000 per car
Construct Maintenance Shed	14,000		\$55 per sq.ft.
Capital Costs	Capacity		
Future Coach	\$140,000		72 seats
Future Coach	\$140,000		72 seats
Future Dining Car	\$140,000		36 seats
Future Table Car	\$140,000		56 seats
	<b>\$560,000</b>		<b>180 seats</b>
Construct Maintenance Shed	14,000	sq.ft.	
	<b>\$55</b>	per sq.ft.	
	<b>\$770,000</b>		
<b>TOTAL CAPITAL COSTS</b>	<b>\$1,330,000</b>		

Source: Aspen Crossing Ltd.

#### 4.1.4 Complementary Business Development Opportunities

In the mid to long term, an additional opportunity exists to develop a **small Hotel** on the Aspen Crossing site, to expand and broaden the attraction's overnight accommodation capacity and market appeal. An opportunity also exists to **lease space in the Maintenance Shed** to rail enthusiasts/societies interested in restoring rail equipment.

#### 4.1.5 Land Tenure and Regulatory Issues

The Aspen Crossing Railway site is zoned as Commercial, with the railway portion governed through Alberta Transportation. The balance of the site is zoned as Rural Commercial, Rural Recreational and Rural General which allows for accommodation, retail and agriculture. The facility is fully licensed to serve food and alcohol

both in the on-site Dining Car and within the stationing Greenhouses and on the rail tour excursion.

#### **4.1.6 Competitive Market**

Prairie Steam Tours located in Stettler, Alberta also offers steam and diesel powered train excursions. Stettler is located approximately 230 km northeast of Calgary and 180 km south of Edmonton. The 5 to 6 hour rail excursions include a full course buffet, on board entertainment and a possible train robbery while enjoying scenic views of Alberta Parklands. Average admission rates range from \$100 to \$165 per adult, to \$40 to \$70 for children, with an estimated 20,000 visitors per annum.

#### **4.1.7 Market Appeal**

Rail touring is becoming a popular activity for western Canada, with attractions that range from luxury travel through the mountains on the Rocky Mountaineer or VIA Rail, to heritage rail experiences at Calgary's Heritage Park and Prairie Steam Tours out of Stettler, to complementary experiences such as the Brooks Aquaduct (built to accommodate the needs of the railway). The region's strong history with the railway is an obvious attraction for rail history buffs, but it is also appealing for Cultural Explorers seeking a first-hand experience of this important aspect of western history and culture. Canadian Cultural Explorers are particularly fond of rail touring.

This experience will have appeal to:

- Regional Cultural Explorers seeking cultural experiences to take part in with their families;

- Cultural Explorers and History Buffs interested in learning more about heritage train travel in the region; and
- Cultural Explorers looking for a multi-day/activity experience including staying at the Aspen Crossing campground or in one of the cabooses, going on the rail tour and eating in the dining car.

#### **4.1.8 Aspen Crossing Rail Excursion Package Prices**

Table 4.1-3 provides a listing of 7 rail tour excursion packages being offered during the attraction's upcoming first year of operation commencing in Spring 2015. During the May to October season, rail excursions will typically range from 3.25 to 4.5 hours, with admission rates ranging from \$65.99 to \$139.99 per adult. A special Polar Express will be offered starting the last weekend in November to Christmas, at an average of \$32.99 to \$39.99 for a 1.25 hour excursion.

**TABLE 4.1-3**  
**2015 ADMISSION RATES - ASPEN CROSSINGS RAIL TOUR**

	Trip	Price/Ticket	Length of Trip	Description
1	Dinner Theatre	\$119.99 - \$139.99	4 hours	A railway themed Dinner Theatre
2	Prairie Tour	\$35.99- \$65.99	3.25 hours	An insight to culture and history, incl tour of an historic wooden elevator
3	Alberta Special	\$79.99 - \$139.99	4.5 hours	Dinner in a prairie setting. Includes a train robbery.
4	Wine and Cheese	\$99.99	3.25 hours	Wine and Cheese Train Tour, includes train robbery.
5	Ales on Rails	\$119.99	3.25 hours	Pub style atmosphere, includes train robbery.
6	Circus Train	\$45.99 - \$65.99	3.25 hours	Wed. in July and August. Geared towards children with magicians, balloon animals, etc.
7	Polar Express	\$32.99 - \$39.99	1.25 hours	Meet Santa and his elves after picking him up from the North Pole. (Nov to Dec)

Source: Aspen Crossing Ltd.

#### 4.1.9 Preliminary High Level Proforma (Income Statement)

A preliminary five year high level proforma has been prepared for the subject Aspen Crossing Rail Excursion based on the following assumptions:

- The operating season would run from the May through October each year beginning with an average of 39 trips per season increasing to 49 trips by Year 4. The attraction will also offer 33 Polar Express trips on weekends from the end of November through December in its first year of operation, increasing to 55 trips by Year 5. As such, total annual trips

have been projected to increase from 72 trips in Year 1 to 104 trips by Year 5.

- In its first year of operation, the attraction would operate with 4 cars (30-seat Saloon Car, 60-seat Table Car, 64-seat Coach Car, and 15-seat Caboose) providing a capacity of 169 passengers. An additional rail car with 72 seats would be added in the 2<sup>nd</sup> year of operation: with a 2 additional cars (92 seats) added during the 3rd year of operation, increasing capacity to 343 passengers. By Year 4, plans call for an additional 72-seat Coach car which will increase the total capacity to 415 passengers.
- The rail excursion would be operated professionally and appropriate levels of ongoing marketing would occur;
- May to October average attendance levels per trip have been estimated at 100 persons in Year 1, increasing to 135 in Year 2, 175 in Year 3 and stabilizing at 210 by Year 5;
- Average attendance for the Polar Bear Express excursions, have been estimated at 110 persons in Year 1, increasing to 155 in Year 2, 225 in Year 3, 300 in Year 4 and stabilizing at 315 by Year 5.
- Total annual attendance has been forecast to increase from 7,530 in Year 1 to a stabilized level of 27,615 by Year 5, when the 4 additional passenger cars have increased the seating capacity to 415 passengers per trip.
- Based on the package pricing, Year 1 average admission rates for the May to October excursions have been estimated at

\$105 per diem, while the Polar Bear Express admission rate has been estimated at \$39, increasing by inflation thereafter;

- An inflationary factor of 2.0% per annum;
- Total admission revenues have been estimated at \$550,000 in Year 1, of which 76% will be derived by May to October excursions and 26% by Polar Express excursions, increasing to \$1.9 Million by Year 5;
- Four trained professional rail staff will be required per trip, together with hospitality and entertainment staff. Labour expenses have been estimated at 25% of revenues in Year 1 and increased at an approximate cost of \$2,000 per trip inflated thereafter;
- Assuming \$20 of the May to October excursion packages is attributable to food and beverage costs, the cost of goods has been estimated at 30% of food and beverage sales;
- Fuel costs have been estimated at \$470 per trip, inflated;
- Administration and general operating expenses have been estimated at \$27,000 in Year 1, with marketing at \$22,000, inflated;
- Royalty fees for the Polar Express excursions will be payable to Rail Events and Warner Brothers, at 25% of ticket sales in Years 1 and 2, increasing to 30% thereafter;
- An estimated \$38,500 in equipment and maintenance expenses have been estimated for Year 1, which equates to

\$545 per trip. Expenses have been increased on a per trip basis and inflation;

- Rail line repairs and maintenance have been estimated at \$27,500, which equates to \$400 per trip. Expenses have been increased on a per trip basis and inflation;
- Year 1 insurance costs have been estimated at \$25,000 in Year 1, inflated;
- A management fee of 3% of ticket revenue will be paid to Aspen Crossing Ltd.; and
- A capital reserve of 4% of revenues has been applied to the projection period.

Based on these assumptions, the Aspen Crossing Rail Tour is projected to generate an estimated net operating income of \$7,000 (rounded) in Year 1, increasing to \$330,000 (rounded) by the fifth year. The proforma is provided in Table 4.1-4.



**TABLE 4.1-4**  
**ASPEN CROSSING - RAIL TOUR**  
**OPERATING PROJECTIONS (\$000's)**

	Year 1		Year 2		Year 3		Year 4		Year 5	
# Rail Cars	4		5		7		8		8	
May to October Train Trips	39		41		43		44		49	
Maximum Capacity Per Trip	169		241		343		415		415	
Maximum Capacity Per Season	6,591		9,881		14,749		18,260		20,335	
Polar Bear Express	33		43		50		55		55	
Maximum Capacity Per Trip	169		241		333		405		405	
Maximum Capacity Per Season	5,577		10,363		16,650		22,275		22,275	
Total Trips	72		84		93		99		104	
Maximum Capacity	12,168		20,244		31,399		40,535		42,610	
Avg Attendance per May to Oct Trip	100		135		175		200		210	
Avg Attendance per Polar Bear Express	110		155		225		300		315	
Avg Ticket Price - May to October	\$105		\$107		\$109		\$111		\$114	
Avg Ticket Price - Polar Bear Express	\$39		\$40		\$40		\$41		\$42	
Attendance	7,530		12,200		18,775		25,300		27,615	
% Occupancy	62%		60%		60%		62%		65%	
REVENUES										
Ticket Sales (May to Oct)	\$409	74%	\$592	69%	\$821	64%	\$980	59%	\$1,168	62%
Polar Bear Express Ticket Sales	\$141	26%	\$263	31%	\$453	36%	\$678	41%	\$726	38%
Total Revenues	\$550	100%	\$855	100%	\$1,275	100%	\$1,658	100%	\$1,895	100%
DIRECT EXPENSES										
Labour	\$137	25%	\$164	19%	\$185	14%	\$201	12%	\$215	11%
Cost of Goods Sold	\$23	4%	\$34	4%	\$47	4%	\$56	3%	\$67	4%
Fuel	\$33	6%	\$39	7%	\$44	5%	\$48	5%	\$52	4%
Total Direct Expenses	\$194	47%	\$237	40%	\$276	34%	\$305	31%	\$333	29%
UNDISTRIBUTED EXPENSES										
Administration	\$27	5%	\$28	3%	\$29	2%	\$29	2%	\$30	2%
Marketing	\$22	4%	\$22	3%	\$23	2%	\$23	1%	\$24	1%
Royalty Fee (Polar Bear Express)	\$35	25%	\$66	25%	\$136	30%	\$203	30%	\$218	30%
Equipment R&M	\$38	7%	\$46	5%	\$52	4%	\$56	3%	\$60	3%
Railway Line R&M	\$27	5%	\$33	4%	\$37	3%	\$40	2%	\$43	2%
Total Undistributed Expenses	\$151	37%	\$195	33%	\$276	34%	\$352	36%	\$375	32%
FIXED COSTS										
Insurance	\$25	5%	\$26	3%	\$26	2%	\$27	2%	\$27	1%
Management Fee	\$16	3%	\$26	3%	\$38	3%	\$50	3%	\$57	3%
Reserve for Capital Replacement	\$16	4%	\$24	4%	\$33	4%	\$39	4%	\$47	4%
Total Fixed Expenses	\$58	14%	\$75	13%	\$97	12%	\$115	12%	\$131	11%
NOI (Before Debt Service)	\$7	2%	\$86	15%	\$172	21%	\$207	21%	\$330	28%

Source: PKF Consulting Inc. and Aspen Crossing Ltd.

Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.

#### 4.1.10 Supportable Indication of Value

Given the operating projections above, the Aspen Railway Crossing Rail Tour could potentially support a value of approximately \$1.6 Million off its cash flow, assuming an 18% capitalization rate and a 20% discount rate, which is slightly above its capital cost requirements of \$1.3 Million.

The preliminary financial analysis reflects approximately \$665,000 in debt, and \$665,000 in equity, with funds borrowed on a 10 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the Aspen Crossing Railway Rail Tour have the potential to generate a 37% return on equity by Year 5.

TABLE 4.1-5 ASPEN CROSSING RAILWAY ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW					
		INFLATION	2.0%		
		DISCOUNT RATE	20.0%		
		TERMINAL CAPITALIZATION RATE	18.0%		
		# of Rail Cars	8		
NET PRESENT VALUE ANALYSIS					
Year	Cash Flow	Discount Rate @ 20%	Net Present Value	Implied Yield	
1	\$7	0.833	\$6	0.5%	
2	\$86	0.694	\$60	6.5%	
3	\$172	0.579	\$100	12.9%	
4	\$207	0.482	\$100	15.6%	
5	\$330	0.402	\$133	24.8%	
6	\$336	0.335	\$113	25.3%	
7	\$343	0.279	\$96	25.8%	
8	\$350	0.233	\$81	26.3%	
9	\$357	0.194	\$69	26.8%	
10	\$364	0.162	\$59	27.4%	
Cashflow Value		\$2,553	Discounted	\$815	
Residual Value		\$2,064	Discounted	\$829	
			Per Train	\$206	
			Estimate of Value	\$1,645	
INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Capital Inv.		\$1,330	Term (months/years)	120	10
Debt		\$665	Interest Rate		5.0%
Equity		\$665	LTV		50%
			Annual Payment		\$85
			Mortgage Constant		0.12728
FINANCING CASHFLOW					
Year	Debt Service (P&I)	After Financing Cash Flow (Before Tax)	Debt Coverage Ratio (DCR)	Return on Equity (ROE)	Return on Investment (ROI)
1	\$85	(\$78)	0.1	-11.7%	0.5%
2	\$85	\$1	1.0	0.2%	6.5%
3	\$85	\$87	2.0	13.1%	12.9%
4	\$85	\$123	2.4	18.4%	15.6%
5	\$85	\$245	3.9	36.9%	24.8%

Source: PKF Consulting Inc.

## 4.2 Fort Heritage and Frontier RV Park, Mountain View

### 4.2.1 The Tourism Investment Opportunity

There is an opportunity to partner with the Davidsen Family to build a **heritage based RV Park, Fort and Cabins** in Mountain View between Cardston and Waterton, Alberta. The owner's vision calls for the creation of an authentic "old-timer's" touch, where guests will experience historic hospitality and entertainment, with engaging activities, games, reenactments and hands-on learning, all while exploring their own family roots.

The Davidsen Family own a 59-acre site on the north side of Highway 5, and have purchased excavating equipment and begun construction of an 800-metre gravel road with culverts, and 56 non-serviced campsites with 5 pit toilets. While, the initial phase of the development calls for the opening of the 56-site "dry" campground during the 2015 summer season, water and electrical servicing will be added to all the campsites in a phased manner over a 5-year period.

The 2<sup>nd</sup> phase of development calls for the addition of up to 30 pioneer cabins. Each cabin will be approximately 15 ft X 20 ft to accommodate 2 adults and up to 4 children, including sleeping quarters, a washroom and small kitchenette. For the purposes of this analysis, we have assumed that the cabins would be added over a 4-year period.

Phase 3 of the development will see the addition of other heritage themed forms of accommodation, such as Covered Wagons, equipped with a double/queen mattress, bedding, electric lantern,

and bench seating. The construction of up to 3 covered wagons as a comfort camping option has been included in this analysis.



*Source: Example of Covered Wagon accommodation from Bar10 Ranch, Grand Canyon.*

As the 4<sup>th</sup> phase of development, Cabin Circles will be added, to accommodate large groups for family reunions and retreats. Each cabin circle will be built in the shape of an octagon, with 8 accommodation units on the outer edge surrounding a centre gathering hall, which contains the washroom, shower, kitchen and entertainment area. At a maximum capacity of 6-8 guests per accommodation pod, each cabin circle can accommodate from 50 to 60 overnight guests. For the purposes of this analysis, we have



included the construction of 1 circle cabin over the first 5 years of operation.

The next phase of development will include the Fort structure, which will include stained log poles as the exterior wall and offer retail, foodservice and recreational activities in a pioneer setting. The primary feature of the Fort will be the Old Rock Church, a genealogy centre for family historic research on the ground floor as well as a gathering centre for families on the upper level. The Church will be a center for historical archives as well as a place for guests to learn how to find their family roots with computers and staff services. Guests will be given the opportunity to find at least their four generation pedigree and then have the opportunity to have their family printed out in various styles, including a “tree shirt.”

Recreational activities will be offered to overnight guests, as well as day visitors, including peddle powered covered wagons, pogo pony corral, hand cart mini treks, boating, stilt walking, rope climbing up the Fort wall, archery and pioneer golf. Figure 4.2-1 provides photos of the existing property, including the historic church, and some of the proposed on site activities.

**FIGURE 4.2-1**  
**FORT HERITAGE AND FRONTIER RV PARK PHOTOS**



*Source: The Davidsen Family*

Table 4.2-1 provides a summary of the phased development plans for Fort Heritage and Frontier RV Park over its first five years.

TABLE 4.2-1 FORT HERITAGE and FRONTIER RV PARK PROPOSED FACILITY PROGRAM					
Accommodations	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Campsites</b>					
No Service	56	41	26	16	11
Water & Electrical Service	0	15	30	40	45
	56	56	56	56	56
<b>Cabins</b>	0	5	10	20	30
<b>Covered Wagons</b>	0	0	3	3	3
<b>Cabin Circles for Family Reunions</b>	0	0	0	1	1
<b>Total Accommodation Units</b>	56	61	69	80	90
<b>Total Overnight Capacity</b>	168	188	214	304	344
<b>Fort Structure</b>					
Exterior Wall				X	X
Retail sq.ft.				2,500	
Restaurant sq.ft.					3,000
Old Rock Church sq.ft.				2,100	
<b>Infrastructure</b>					
Pit Toilets	5	5	5	5	5
Washrooms				500	sq.ft.
Administration				500	sq.ft.
Parking				150	spaces
<b>Total Site</b>				59	acres

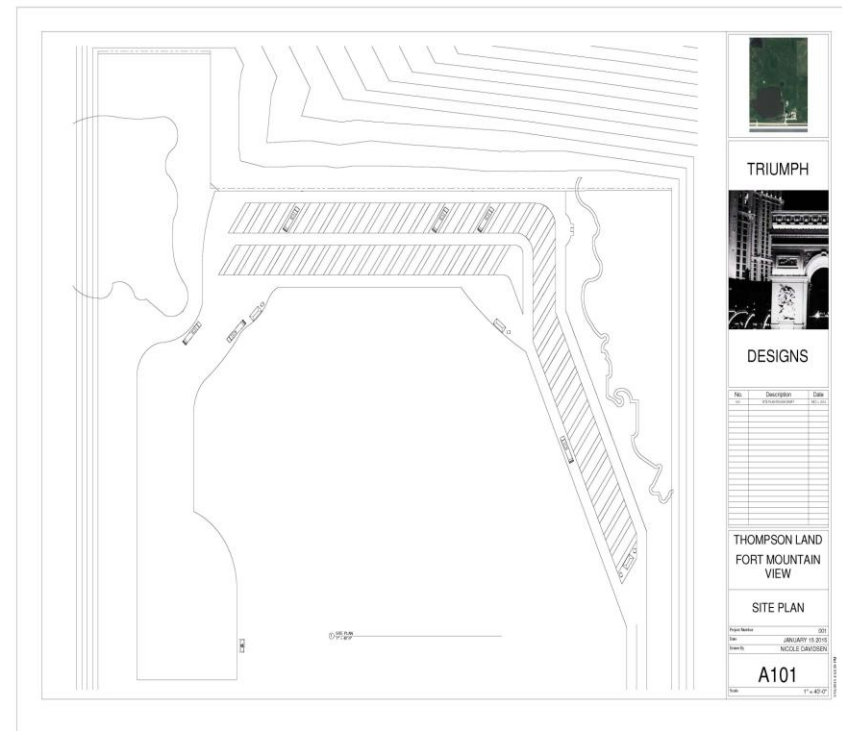
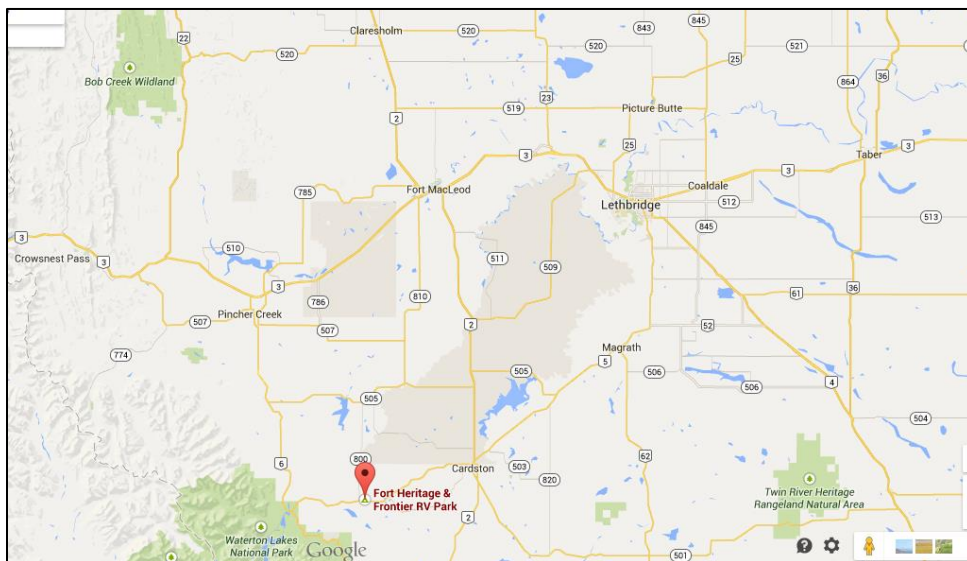
Source: PKF Consulting and Davidsen Family

## 4.2.2 Site Location

The 59-acre site is located on Highway 5, 1 km west of Mountain View, and 15 minutes east of Waterton National Park, and 15 minutes west of Cardston. Waterton National Park receives approximately 400,000 visitors per year.

Figure 4.2-2 highlights the location of the Fort Heritage and Frontier RV Park within the Region, along with a site plan of the proposed expansion.

**FIGURE 4.2-2**  
**MAP & SITE PLAN OF FORT HERITAGE AND FRONTIER RV PARK**  
**MOUNTAIN VIEW, AB**



#### 4.2.3 Land Tenure and Regulatory Issues

In the summer of 2014, the Davidsen Family received approval for their developments and the lands have been rezoned as Rural Recreational, which permits Recreational uses. If a restaurant should be added in future, the owners will also have to apply for Commercial zoning.

#### 4.2.4 Complementary Business Opportunities

Long term plans for the development call for a **performance venue**. The Davidsen family has a family band, Legacy. They have written and performed in the area and plan to entertain guests with heritage songs, legends and music at campfires and reunions.

#### 4.2.5 Camping Market

Table 4.2-2 provides a summary of the market performance of 5 Provincial campgrounds located in South Central Alberta during the 2014 operating season. These campgrounds typically operate from mid May to early October. As shown, the market average occupancy rate at comparable campgrounds located in Provincial Parks is 35%, equating to 34,400 occupied campsite nights for the 2014 operating season.

<b>TABLE 4.2-2 ALBERTA SOUTH CENTRAL PROVINCIAL CAMPSITES</b>			
	<b>2014 Occupied</b>		
	<b>Sites</b>	<b>Campsites</b>	<b>Occupancy</b>
Beauvais Lake	87	5,890	37%
Chain Lakes	93	4,298	25%
Little Bow Prov Park	224	14,343	35%
Park Lake	72	4,919	37%
Writing-on-Stone	64	4,919	42%
	<b>718</b>	<b>34,369</b>	<b>35%</b>

Source: Reserve.AlbertaParks.ca

Other market trends for the campground industry in North America include:

- Significant growth in the past ten years in recreational vehicle ownership;
- Recreational vehicles are getting larger and sometimes include slide out rooms, TVs, microwaves, computers and even dishwashers, resulting in the need for 50 amp power or 30 amp at a minimum;
- Recreation vehicles are being used as second homes creating demand for seasonal sites at campgrounds with amenities such as laundry facilities and cable connections;
- Camping with tents has declined as the baby boomer market seeks more comfort; and
- There is a growing trend toward educational, cultural and recreational activities while camping, creating a need for

campgrounds to offer these types of experiences or to be located within close proximity to these services and experiences.

#### 4.2.6 Potential Target Markets

The market for campgrounds in Alberta is primarily comprised of local Albertans but also includes visitors from British Columbia, Saskatchewan and nearby US states. The typical operating season for campgrounds in Alberta is May through September/October.

The Fort Heritage and Frontier RV Park will primarily attract the following markets:

- Summer independent leisure tourists from the Northwestern U.S., Alberta, other western Canadian provinces, and overseas tourists;
- Residents of Southern Alberta interested in weekly or monthly camping experiences; and
- Visitors travelling on the Mormon Trail.

The Fort Heritage and Frontier RV Park holds good appeal for both Canadian and US **Cultural Explorers** within the Explorer Quotient® psychographic segmentation system (EQ), which aligns well with Travel Alberta and the Chinook Country Tourist Association's marketing targets. Situated on the Mormon Trail and Highway 3 enroute to Waterton National Park, the campground will provide a unique stopping place for US Cultural Explorers in RV's, or seeking a unique family vacation destination in a heritage setting to explore their family roots.

#### 4.2.7 Preliminary Capital Cost Estimates

Based on a proposed 5-year development plan, the **preliminary order-of-magnitude capital costs for Fort Heritage and Frontier RV Park have been estimated at \$2.6 Million**, excluding land costs. Table 4.2-3 provides a summary of the capital cost program.

Plans are underway to launch a Fort Heritage Campaign on the July 1<sup>st</sup> 2015 long weekend to the vast heritage blood lines which have their roots in Southern Alberta in order to raise capital funds for the heritage cabins. Each cabin will be named after an early settler or ancestor with their stories and pictures displayed on the walls. The Davidsen Family anticipates raising up to \$1 Million in funding from the blood lines in addition to attracting private sector partners for the overall development.

TABLE 4.2-3 FORT HERITAGE AND FRONTIER RV PARK ESTIMATE OF CAPITAL COSTS						
Accommodations	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
<b>Campsites</b>						
No Service @ \$100 per site	\$5,600	\$0	\$0	\$0	\$0	\$5,600
Water & Electrical Service @ \$8,000/site	\$0	\$120,000	\$120,000	\$80,000	\$40,000	\$360,000
	<b>\$5,600</b>	<b>\$120,000</b>	<b>\$120,000</b>	<b>\$80,000</b>	<b>\$40,000</b>	<b>\$365,600</b>
<b>Cabins @ \$25,000</b>	\$0	\$125,000	\$125,000	\$250,000	\$250,000	\$750,000
<b>Covered Wagons @ \$5,000</b>	\$0	\$0	\$15,000	\$0	\$0	\$15,000
<b>Cabin Circles for Family Reunions @\$250,000</b>	\$0	\$0	\$0	\$250,000	\$0	\$250,000
<b>Total Accommodation Units</b>	<b>\$5,600</b>	<b>\$245,000</b>	<b>\$260,000</b>	<b>\$580,000</b>	<b>\$290,000</b>	<b>\$1,380,600</b>
<b>Fort Structure</b>						
Exterior Wall				X	X	\$120,000
Retail sq.ft.				2,500		\$125,000
Restaurant sq.ft,					3,000	\$300,000
Rock Church				2,100		\$252,000
Recreational Activities/Equipment				X		\$30,000
<b>Infrastructure</b>						<b>\$827,000</b>
Pit Toilets	5	5	5	5	5	\$2,500
Washrooms				500 sq.ft.		\$15,000
Administration				500 sq.ft.		
Parking				150		
<b>Land @ 69 acres</b>	<b>\$0</b>	excludes land				\$17,500
<b>Subtotal</b>						<b>\$2,225,100</b>
Soft Costs	<b>7.5%</b>					\$167,000
Contingency	<b>5.0%</b>					\$111,000
Pre-Opening Marketing	<b>1.0%</b>					\$22,000
Furniture Fixtures & Equipment	<b>5.0%</b>					\$111,000
<b>TOTAL CAPITAL COSTS</b>				<b>59 acres</b>		<b>\$2,636,100</b>

Source: PKF Consulting and project proponents, the Davidsen Family

\*PKF Consulting is not qualified as a Quantity Surveyor and all estimates are based on third party sources and should be used as a guideline for

#### 4.2.8 Preliminary High Level Proforma

A preliminary five year high level proforma for the Fort Heritage and Frontier RV Park has been based on the following assumptions:

- The operating season for the RV Park and Covered Wagons would be 153 days, running from the May long weekend to mid October each year, with the Cabins open 250 days per year;
- An inflationary factor of 2.0% per annum;
- The RV sites reflect a stabilized occupancy of 55% by the third year of operation and an average daily rate of \$20 in its first year of operation for unserviced sites, and \$35 per site for serviced sites as they are added, for an overall average daily rate of \$36.50 by Year 3, increasing by inflation thereafter;
- The cabins will be phased in beginning with 5 cabins in Year 2, increasing to 30 cabins by Year 5. Average daily rates have been projected at \$150 with occupancy levels stabilizing at 50% by Year 4;
- Covered wagon accommodation will also be added in Year 2, at an average daily rate of \$75 at a 55% occupancy;
- A Cabin Circle will be added in Year 1. Given its size of 8 accommodation units, rental rates have been projected at \$1,200 per night, with demand levels reaching 50% occupancy by its stabilized year;
- Sundry and rental recreation equipment revenues have been estimated at \$9 per occupied camp night, equating to a combined \$111,000 in revenues by Year 4;
- Facility rental income for the Old Rock Church has been estimated at 20 rentals per season in Year 4, increasing to 25 rentals by Year 5, at a rental rate of \$200 per day;
- Departmental expenses for the campground and cabins largely include wages and salaries, repairs and maintenance, tools and equipment, cost of goods sold, and general operating expenses and have been estimated at 20% of gross revenues. As the operation adds retail, cost of goods has been estimated at 50% of revenues, and direct expenses associated with foodservice operations have been estimated at 70%;
- Undistributed operating expenses which include administration, marketing, and utility costs have been estimated at 25% of gross revenues; and
- Other fixed costs include property taxes, insurance and a capital reserve. Total fixed charges are estimated at 10% of revenues.

Based on these assumptions, the subject Fort Heritage and Frontier RV Park is estimated to generate net income of \$39,000 (rounded) in Year 1, increasing to \$500,000 (rounded) by Year 5. The proforma is provided in Table 4.2-4.

TABLE 4.2-4 PRELIMINARY PROJECTED OPERATING RESULTS (\$000's) FORT HERITAGE AND FRONTIER RV PARK MOUNTAINVIEW, ALBERTA										
	Year 1		Year 2		Year 3		Year 4		Year 5	
# of RV Sites	56		56		56		56		56	
# of Available RV Nights per Year	8,568		8,568		8,568		8,568		8,568	
Occupancy %	50%		53%		55%		55%		55%	
# of Occupied RV Nights per Year	4,284		4,541		4,712		4,712		4,712	
Average Daily RV Rate	\$20		\$24		\$29		\$33		\$35	
# Cabins	0		5		10		20		30	
# Available Cabin Nights per Year	-		1,250		2,500		5,000		7,500	
Occupancy %	-		40%		45%		50%		50%	
# of Occupied Cabin Nights per Year	-		500		1,125		2,500		3,750	
Average Daily Cabin Rate	\$150		\$153		\$156		\$159		\$162	
# Covered Wagons	0		0		3		3		3	
# Available Wagon Nights per Year	-		-		459		459		459	
Occupancy %	-		-		55%		55%		55%	
# of Occupied Wagon Nights per Year	-		-		252		252		252	
Average Daily Wagon Rate	\$75		\$77		\$78		\$80		\$81	
# Circle Cabins	0		0		0		1		1	
# Available Nights per Year	-		-		-		250		250	
Occupancy %	-		-		-		40%		45%	
# of Occupied Nights per Year	-		-		-		100		113	
Average Daily Rate	\$1,200		\$1,224		\$1,248		\$1,273		\$1,299	
REVENUES										
RV Revenue	\$86	100%	\$111	59%	\$137	41%	\$154	17%	\$164	13%
Cabin Revenue	\$0	0%	\$77	41%	\$176	53%	\$398	45%	\$609	50%
Wagon Revenue	\$0	0%	\$0	0%	\$20	6%	\$20	2%	\$20	2%
Cabin Circles	\$0	0%	\$0	0%	\$0	0%	\$127	14%	\$146	12%
Retail	\$0	0%	\$0	0%	\$0	0%	\$45	5%	\$51	4%
Restaurant	\$0	0%	\$0	0%	\$0	0%	\$0	0%	\$51	4%
Recreational Activities	\$0	0%	\$0	0%	\$0	0%	\$66	7%	\$74	6%
Facility Rentals (net)	\$0	0%	\$0	0%	\$0	0%	\$80	9%	\$102	8%
TOTAL REVENUE	\$86	100%	\$188	100%	\$333	100%	\$890	100%	\$1,217	100%
DIRECT EXPENSES										
RV Expenses	\$17	20%	\$22	20%	\$27	20%	\$31	20%	\$33	20%
Room Expenses	\$0	0%	\$15	20%	\$39	20%	\$120	22%	\$171	22%
Retail	\$0	0%	\$0	0%	\$0	0%	\$23	50%	\$26	50%
Restaurant	\$0	0%	\$0	0%	\$0	0%	\$0	0%	\$36	70%
Recreational Activities	\$0	0%	\$0	0%	\$0	0%	\$16	25%	\$18	25%
Total Direct Expenses	\$17	20%	\$38	20%	\$67	20%	\$190	21%	\$283	23%
GROSS PROFIT	\$69	80%	\$150	80%	\$266	80%	\$700	79%	\$934	77%
UNDISTRIBUTED EXPENSES										
Total Undistributed Expenses	\$21	25%	\$47	25%	\$83	25%	\$223	25%	\$304	25%
INCOME BEFORE FIXED CHARGES	\$47	55%	\$103	55%	\$183	55%	\$478	54%	\$630	52%
FIXED CHARGES										
Total Fixed Charges	\$9	10%	\$19	10%	\$33	10%	\$89	10%	\$122	10%
INCOME BEFORE OTHER FIXED CHARGES	\$39	45%	\$84	45%	\$150	45%	\$389	44%	\$508	42%
Source: PKF Consulting Inc. Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.										



#### 4.2.9 Supportable Indication of Value

Given the operating projections above, the Fort Heritage and Frontier RV Park could potentially support a value of approximately \$2.5 Million off its cash flow, assuming an 18% capitalization rate and a 20% discount rate, which is slightly below its capital cost requirements of \$2.6 Million.

The preliminary financial analysis reflects approximately \$1.2 Million in debt, and \$1.4 Million in equity, with funds borrowed on a 10 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the Fort Heritage and Frontier RV Park have the potential to generate a 25% return on equity by Year 5.

TABLE 4.2-5					
FORT HERITAGE and FRONTIER RV PARK					
ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW					
INFLATION		2.0%			
DISCOUNT RATE		20.0%			
TERMINAL CAPITALIZATION RATE		18.0%			
# Units		90			
NET PRESENT VALUE ANALYSIS					
Year	Cash Flow	Discount Rate @ 20%	Net Present Value	Implied Yield	
1	\$39	0.833	\$32	1.5%	
2	\$84	0.694	\$59	3.2%	
3	\$150	0.579	\$87	5.7%	
4	\$389	0.482	\$188	14.7%	
5	\$508	0.402	\$204	19.3%	
6	\$518	0.335	\$174	19.7%	
7	\$529	0.279	\$147	20.0%	
8	\$539	0.233	\$125	20.4%	
9	\$550	0.194	\$107	20.9%	
10	\$561	0.162	\$91	21.3%	
Cashflow Value		\$3,866	Discounted	\$1,213	
Residual Value		\$3,178	Discounted	\$1,277	
			Per Unit	\$28,000	
			Estimate of Value	\$2,490	
INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Capital Inv.	\$2,636	Term (months/years)	120	10	
Debt	\$1,245	Interest Rate		5.0%	
Equity	\$1,391	LTV		50%	
		Annual Payment		\$158	
		Mortgage Constant		0.12728	
FINANCING CASHFLOW					
Year	Debt Service (P&I)	After Financing Cash Flow (Before Tax)	Debt Coverage Ratio (DCR)	Return on Equity (ROE)	Return on Investment (ROI)
1	\$158	(\$120)	0.2	-8.6%	1.5%
2	\$158	(\$74)	0.5	-5.3%	3.2%
3	\$158	(\$9)	0.9	-0.6%	5.7%
4	\$158	\$230	2.5	16.6%	14.7%
5	\$158	\$350	3.2	25.1%	19.3%

Source: PKF Consulting Inc.

### 4.3 Roosters Country Market Agri-Tourism Business, Magrath

#### 4.3.1 The Tourism Investment Opportunity

There is an opportunity to partner with the owner of Roosters Country Marketplace in Magrath to expand the operation to include **an aquaponics facility, a restaurant featuring locally grown produce and a hostel**. Roosters Country Marketplace is a family-owned green grocery store, which carries unique, locally produced goods which support Southern Alberta farmers and producers.

**Aquaponics** is a relatively new form of agriculture, which integrates aquaculture and hydroponics in a soil-less controlled system to produce food closer to urban centres. According to an online survey of 257 aquaponics producers<sup>22</sup>, 73% of respondents produced and sold aquaponics-grown fish or plants and are considered commercial producers, while 63% sold aquaponics-related materials or service, including the sale of supplies and equipment, consulting fees for design or construction of aquaponics facilities and fees associated with workshops, classes, public speaking or agro-tourism. Greenhouses were the most popular facility for housing aquaponics systems, with the average commercial production site at 0.03 acres in size, and 10,300 litres in volume. The average respondent raised two species of aquatic animals, the most popular being tilapia (69%), ornamental fish (43%), catfish (18%), perch (16%), bluegill (15%) trout (10%) and bass (7%). The most frequently raised plants among commercial producers were basil (81%), salad greens (76%), other

herbs (73%), tomatoes (68%), head lettuce (68%), kale (56%), chard (55%), bok choy (51%), peppers (48%), and cucumbers (45%). Study findings show that there tends to be an economic and a biological basis for a higher focus on food production than aquatic animals for several reasons. Crops, such as herbs and salad greens have a higher farm gate price than fish; and crops can reach harvestable size sooner than fish, which allows for multiple plantings in the same year.

In addition, **a 60-seat on-site restaurant has been proposed**, which will feature locally produced goods from the aquaponics operation as well as from Southern Alberta farmers and producers, as well as a **7-room, 28-bed hostel** on the upper floor of the Roosters Country Marketplace. The addition of an aquaponics operation, restaurant and hostel to Roosters Country Marketplace will create a unique agri-tourism destination and increase customer traffic.

Table 4.3-1 provides a summary of the development plans for the expanded Roosters Country Marketplace.

TABLE 4.3-1 ROOSTERS AQUAPONICS, CAFÉ AND HOSTEL PROPOSED FACILITY PROGRAM			
<b>Aquaponics Operation</b>			
Start Up Operation	1,500 sq.ft.		
Office/Admin/Public Space	750 sq.ft.		
<b>Restaurant / Café (ground floor)</b>	2,750 sq.ft.	60 seats	
<b>Hostel (upper level)</b>	1,850 sq.ft.	7 dorms/ 28 beds	
<b>Total</b>	<b>6,850 sq.ft.</b>		

Source: PKF Consulting and J. Mackenzie

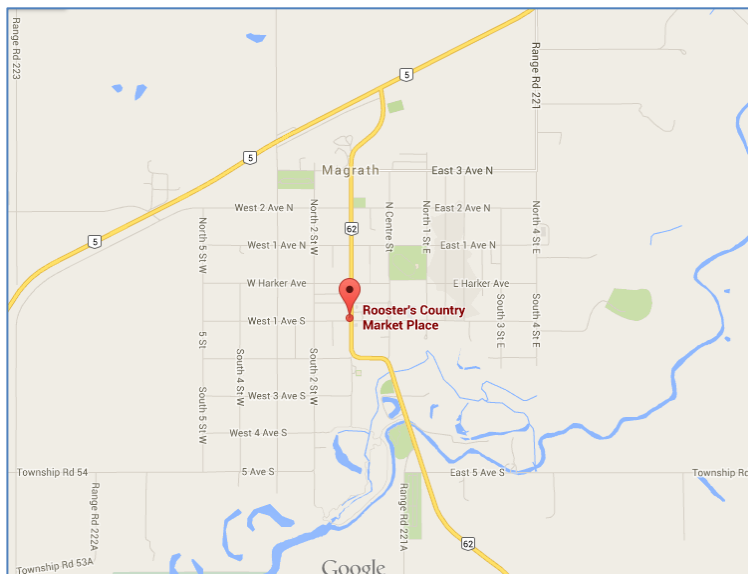
<sup>22</sup> David C. Love, Jillian P. Fry, Ximin Li, Elizabeth S. Hill, Laura Genello, Ken Semmens, Richard E. Thomson; *Commercial Aquaponics Production and Profitability: Findings from an International Survey, September 2014*

#### 4.3.2 Site Location

Roosters Country Marketplace is located at the main intersection of West 1<sup>st</sup> Avenue South and 1<sup>st</sup> Street West in downtown Magrath, Alberta. The grocery store is open 7 days a week, and features an on-site butcher, fresh produce, bakery, deli, fresh cut flowers and Roosters Bistro, which offers sandwiches, wraps, and beverages. The proposed aquaponics and restaurant operation would be located in 5,000 square feet of retail space located adjacent to Roosters Country Marketplace, with the proposed hostel located in 1,350 square feet of space above the store, with a rear entrance.



**FIGURE 4.3-1**  
**ROOSTER'S COUNTRY MARKETPLACE, MAGRATH, AB**



#### 4.3.3 Land Tenure and Regulatory Issues

The site is zoned Commercial, and allows for the following uses: hotel, motel, public institution, restaurant, theatre, general warehousing and storage, accessory building and use, residential accommodation in conjunction with an approved commercial use, and utility. The proponent will need to investigate whether there are any zoning restrictions, or specific licenses and permits required to operate a commercial aquaponics business.

#### 4.3.4 Complementary Business Opportunities

The Town of Magrath has plans to build a \$2 Million Agriculture Innovation and Education Centre as part of the provincially funded \$18 Million renovation program to the town's Junior and Senior high schools. Plans call for the construction of a greenhouse and hydroponic training facility as a 2<sup>nd</sup> phase to the Agriculture Innovation and Education Centre, in collaboration with Lethbridge College. As such, the subject investment opportunity fits well with

the Town's economic vision and promotion of Magrath's longstanding "Garden City" theme, which has been associated with the community for the past 110 years.

#### **4.3.5 Competitive Market**

Broxburn Vegetables and Café located 5 km east of Lethbridge is an example of a family run greenhouse operation which has evolved to a tourist attraction. According to their website<sup>23</sup>, the proprietors purchased 80 acres and began a U-pick operation. In 1996 a small greenhouse was constructed to grow peppers; with a larger greenhouse added in 2001 for tomatoes and cucumbers. In 2002, the owners began renovating the barn, and opened a produce store and café in 2004. Broxburn Vegetables has become an agri-tourism attraction, which sells a range of produce that is grown on-site, as well as produce from local farmers. The local produce is also sold at the Lethbridge Farmers Market, Kingsland Fares Market in Calgary and supplied to a number of restaurants from Calgary to Lake Louise.

Sourcing sustainable local field produce and proteins is a growing trend amongst consumers today.

#### **4.3.6 Potential Target Markets**

The major market for a destination marketplace and restaurant facility offering locally/sustainably sourced products would originate in the region. Magrath and area has a higher-than-average population of professionals which implies a heightened appreciation

for protecting the environment and sustainably-produced goods and services, who would welcome another restaurant option within the Town. Farther afield, this facility would appeal to travellers from the US, particularly US-based Mormons and other Cultural Explorers who are interested in exploring the historic Canadian Mormon Trail. Canadian and US Cultural Explorers also have a high value for ethical consumerism and staying in hostels.

#### **4.3.7 Preliminary Capital Cost Estimates**

**Preliminary order-of-magnitude capital costs for the subject Agri-Tourism business have been estimated at \$580,000** as detailed in Table 4.3-2. The project proponent estimates the aquaponics operation to range from \$80,000 to \$120,000 in development costs, while furniture, fixtures and equipment for the 60-seat restaurant have been estimated at \$4,600 per seat and similarly outfitting a 7 dormitory style rooms (each with 2 bunk beds) and the addition of a common-area washroom and showers and front desk area has been estimated at \$20,000 per room.

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<sup>23</sup> <http://www.broxburn-vegetables.com>

**TABLE 4.3-2  
ROOSTERS AQUAPONICS, CAFÉ AND HOSTEL  
ESTIMATE OF CAPITAL COSTS**

	Sq.ft.	\$ per sq.ft.	Capital Cost Estimate
Aquaponics Operation	2,250	\$50	\$112,500
Restaurant / Café (ground floor)	2,750	\$100	\$275,000
Hostel (upper level)	1,850	\$75	\$138,750
<b>Subtotal</b>	<b>6,850</b>		<b>\$526,250</b>
Soft Costs			5.0%
Contingency			5.0%
<b>TOTAL CAPITAL COSTS</b>			<b>\$579,000</b>

Source: PKF Consulting and project proponent, J. MacKenzie

\*PKF Consulting is not qualified as a Quantity Surveyor and all estimates are based on third party sources and should be used as a guideline for discussion only.

#### 4.3.8 Preliminary High Level Proforma

A preliminary five year high level proforma for the Aquaponics, Café and Hostel operation has been based on the following assumptions:

- The operation would be open on a year round basis;
- An inflationary factor of 2.0% per annum;
- According to the survey of 257 aquaponics operators, commercial producers sold plants and fish through a variety of direct and indirect markets, including farmers markets, farm stands, grocery stores, restaurants, institutions and wholesalers. The average respondent received \$1,000 to \$5,000 in gross sales revenue over the past 12 months, with most respondents typically reporting profitability at \$50,000 or more in gross sales revenue. For the purposes of this

analysis, we have projected aquaponics sales to grow from \$5,000 in Year 1 to \$50,000 by Year 5;

- Revenue will also be derived from conducting tours to school groups, special interest groups and tourists. In Year 1, 10 tours have been projected at an average size of 20 persons per tour and \$7.50 admission rate. The number of tours have been projected to increase to 50 by Year 5.
- The 60-seat restaurant has been projected to attract 200 customers per day during the peak season, and 100 customers during the off season for an annual guest count of just under 50,000. At an average check of \$6.00, restaurant receipts have been projected at approximately \$300,000 per annum.
- Occupancy levels for the 28-bed hostel have been projected at 25% in Year 1, increasing to a stabilized 33% by Year 3, at an average rate of \$25 per person per night, inflated.
- Departmental expenses for the aquaponics operation have been estimated at 25% of revenues;
- Cost of goods and labour for the restaurant operation have been estimated at 65% of revenues;
- Direct expenses related to the hostel operation, include payroll costs and room supplies, and have been estimated at \$45,000 per annum inflated.
- Undistributed operating expenses which include administration, marketing, and utility costs have been

estimated at \$74,000 in Year 1, or 20% of gross revenues, and inflated thereafter; and

- Other fixed costs include property taxes and insurance which have been estimated at 5% of revenues.

Based on these assumptions, the subject Agri-Tourism destination is estimated to generate net income of \$37,000 (rounded) in Year 1, increasing to \$102,000 (rounded) by Year 5. The proforma is provided in Table 4.3-3.

**TABLE 4.3-3**  
**PRELIMINARY PROJECTED OPERATING RESULTS (\$000's)**  
**ROOSTERS AQUAPONICS, CAFÉ AND HOSTEL**  
**MAGRATH, ALBERTA**

	Year 1		Year 2		Year 3		Year 4		Year 5	
<b>REVENUES</b>										
Aquaponics Sales	\$5	1%	\$10	3%	\$30	7%	\$40	9%	\$50	11%
Aquaponics Tours	\$2	0%	\$2	1%	\$3	1%	\$5	1%	\$8	2%
Restaurant	\$298	81%	\$304	77%	\$310	72%	\$316	70%	\$323	68%
Hostel	\$64	17%	\$78	20%	\$88	20%	\$89	20%	\$91	19%
<b>TOTAL REVENUE</b>	<b>\$368</b>	<b>100%</b>	<b>\$394</b>	<b>100%</b>	<b>\$431</b>	<b>100%</b>	<b>\$451</b>	<b>100%</b>	<b>\$472</b>	<b>100%</b>
<b>DIRECT EXPENSES</b>										
Aquaponics Expenses	\$1	25%	\$3	25%	\$8	25%	\$10	25%	\$13	25%
Restaurant Cost of Sales/Labour	\$194	65%	\$198	65%	\$202	65%	\$206	65%	\$210	65%
Hostel Rooms Expenses	\$45	70%	\$45	58%	\$46	53%	\$47	53%	\$48	53%
<b>Total Direct Expenses</b>	<b>\$240</b>	<b>65%</b>	<b>\$246</b>	<b>62%</b>	<b>\$255</b>	<b>59%</b>	<b>\$263</b>	<b>58%</b>	<b>\$270</b>	<b>57%</b>
<b>GROSS PROFIT</b>	<b>\$129</b>	<b>35%</b>	<b>\$149</b>	<b>38%</b>	<b>\$176</b>	<b>41%</b>	<b>\$188</b>	<b>42%</b>	<b>\$202</b>	<b>43%</b>
<b>UNDISTRIBUTED EXPENSES</b>										
Total Undistributed Expenses	\$74	20%	\$75	19%	\$77	18%	\$78	17%	\$80	17%
<b>INCOME BEFORE FIXED CHARGES</b>	<b>\$55</b>	<b>15%</b>	<b>\$74</b>	<b>19%</b>	<b>\$99</b>	<b>23%</b>	<b>\$110</b>	<b>24%</b>	<b>\$122</b>	<b>26%</b>
<b>FIXED CHARGES</b>										
Other Fixed Charges	\$18	5%	\$19	5%	\$19	4%	\$20	4%	\$20	4%
<b>INCOME BEFORE OTHER FIXED CHARGES</b>	<b>\$37</b>	<b>10%</b>	<b>\$55</b>	<b>14%</b>	<b>\$80</b>	<b>18%</b>	<b>\$90</b>	<b>20%</b>	<b>\$102</b>	<b>22%</b>

Source: PKF Consulting Inc.

Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.

### 4.3.9 Supportable Indication of Value

Based on the projected revenues and expenses, the subject operation could potentially support a value of approximately \$585,000 off its cash flow, assuming a 18% capitalization rate and a 20% discount rate, which is on par with its estimated capital investment requirements.

The preliminary financial analysis reflects approximately \$290,000 in debt, and \$290,000 in equity, with funds borrowed on a 10 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the Aquaponics, Restaurant and Hostel have the potential to generate a 23% return on equity by Year 5.

TABLE 4.3-4 ROOSTERS AQUAPONICS, CAFÉ AND HOSTEL ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW					
INFLATION			2.0%		
DISCOUNT RATE			20.0%		
TERMINAL CAPITALIZATION RATE			18.0%		
NET PRESENT VALUE ANALYSIS					
Year	Cash Flow	Discount Rate @ 20%	Net Present Value	Implied Yield	
1	\$37	0.833	\$31	6.4%	
2	\$55	0.694	\$38	9.5%	
3	\$80	0.579	\$46	13.8%	
4	\$90	0.482	\$43	15.5%	
5	\$102	0.402	\$41	17.6%	
6	\$104	0.335	\$35	18.0%	
7	\$106	0.279	\$30	18.3%	
8	\$108	0.233	\$25	18.7%	
9	\$110	0.194	\$21	19.1%	
10	\$113	0.162	\$18	19.4%	
Cashflow Value		\$904	Discounted	\$328	
Residual Value		\$638	Discounted	\$256	
Estimate of Value				\$585	
INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Capital Inv.	\$579	Term (months/years)	120	10	
Debt	\$290	Interest Rate		5.0%	
Equity	\$290	LTV		50%	
		Annual Payment		\$37	
		Mortgage Constant		0.12728	
FINANCING CASHFLOW					
Year	Debt Service (P&I)	After Financing Cash Flow (Before Tax)	Debt Coverage Ratio (DCR)	Return on Equity (ROE)	Return on Investment (ROI)
1	\$37	(\$0)	1.0	0.0%	6.4%
2	\$37	\$18	1.5	6.3%	9.5%
3	\$37	\$43	2.2	14.8%	13.8%
4	\$37	\$53	2.4	18.3%	15.5%
5	\$37	\$65	2.8	22.5%	17.6%

Source: PKF Consulting Inc.



#### 4.4 Bridge County Raceway, Lethbridge County

##### 4.4.1 The Tourism Investment Opportunity

There is an **opportunity to acquire the Bridge County Raceway**, an established race facility which has been owned and operated as a family business for 20 years from 1991 to 2011. The local owners have decided to retire, after building the original facility and surpassing all the goals they had set to accomplish.

The Bridge County Raceway is one of the longest and widest clay oval tracks in Western Canada, comparable in size to the Castrol Raceway in Edmonton. Because Bridge County Raceway's pit area is located on the outside of the track with no obstructions for the drivers, the track is considered very fast.

Table 4.4-1 provides a summary of the 29.3 acre property, buildings and equipment listed for sale. Since the closure of the facility in 2011, the owners have kept all equipment and buildings in good condition, and believe that the facility could be fully operational within one month of purchase.

Although the concessions have been recently upgraded, the wooden bleachers, which can accommodate 1,500 spectators, require some upgrades.



**TABLE 4.4-1  
BRIDGE COUNTY RACEWAY  
CURRENT FACILITY PROGRAM**

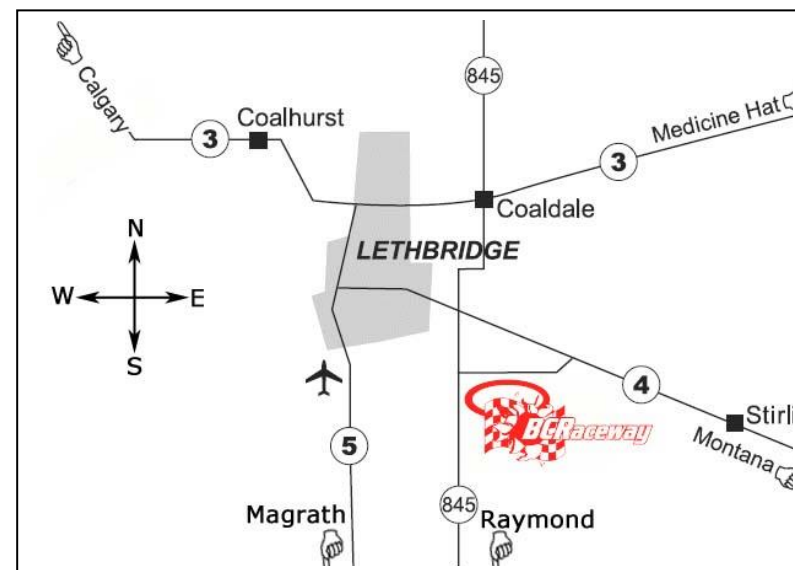
<b>Racing Facility</b>		
Clay Oval Track	3/8 to 1/2 mile	
Fenced Pit Parking	200,000 sq.ft.	
Concrete Barrier Wall	3,100 ft (10" thick)	
4" infield drain line		
<b>Main Spectator Area</b>		
Wooden Bleachers	1,500 seats (13 rows @ 160ft)	
Front Gate Building and Pit Entrance Gate Booth		
Radio Communication/2 way radio	PA System	
Washrooms	1,200 sq.ft.	
Septic Tank/Pumps	10,000 gallon holding	
3 Phase Diesel Generator		
24 towers with 2 lights each for night racing		
Parking	700 spaces	
<b>Food &amp; Beverage</b>		
Full Service Licensed Concession	2,400 sq.ft.	
Pit Concession	128 sq.ft.	
<b>Campground</b>		
Rough camping sites - No Service	60 sites	
<b>Large Equipment</b>		
Caterpillar Graders	3	
Tractors	2	
Double Disker	1	
Sheep's Foot Packers	2	
5 ft PTO Mowers	2	
Water Truck	2	
Dodge Ambulance	1	
4x3 Push truck/water truck	1	
Tracker Push Truck	1	
1 Ton Cube Truck	1	
1 Work Van	1	
<b>Small Equipment</b>		
Fuel Tanks	2 (500 and 300 gallon)	
2" and 3" pumps and hoses	100's of feet	
Truck Mount Pumps	3	
Misc fittings	Large supply	
Race Fence parts	Large supply	
Storage Rail Containers	3 960 sq.ft.	
<b>Outer Buildings and Infrastructure</b>		
Garage, Concrete Floor, insulated	280 sq.ft.	
Mobile Trailer	800 sq.ft.	
Sea cans for storage	3	
<b>Total Site</b>	<b>29.3 acres</b>	

Source: Bridge County Raceway

#### 4.4.2 Site Location

The Bridge County Raceway is located 12 km south of Lethbridge, by taking Highway 4 South (Coutts Highway to the US border) and turning right on Highway 845 (Town of Raymond exit) for 2 km.

The property is one hour north of the Alberta/Montana border and 2 hours south of Calgary.



#### 4.4.3 Land Tenure and Regulatory Issues

The Bridge County Raceway site is zoned as Commercial which does allow recreation uses as permitted uses. Adjacent lands are zoned for

agricultural use and may require rezoning to permit a possible campground.

The facility is fully licensed to serve alcohol and the ProServe license has been maintained on an annual basis.

#### 4.4.4 Complementary Business Development Opportunity

An additional opportunity exists to acquire adjacent lands for the development of a **Campground**. Currently drivers, crew and spectators utilize the property for rough camping, with up to 60 RVs and tents erected during race weekends. The current ownership group has adjacent farmlands and may be willing to sell 10 to 15 acres for the development of a 50 to 60 site campground.

#### 4.4.5 Market Demand

The Bridge County Raceway attracted an average attendance of 1,500 per event with 13 to 20 racing days per season. The attraction had a loyal fan base amongst Southern Alberta communities, with drivers coming from clubs in Edmonton, Swift Current and other regions in B.C., Saskatchewan and Alberta. The facility fostered and established relationships with other clubs, allowing drivers to attend each other's events.

The primary competition for Bridge County Raceway is the Castrol Raceway in Edmonton, which is of comparable size. Table 4.4-2 provides a listing of other racing tracks in Alberta.

When it was operational, Bridge County Raceway had a sister relationship with Castrol Raceway, with both operations working

together to present alternating race classes and events. Similarly Central Alberta Raceways in Rimbey has also expressed interest in working with Bridge County as a sister track. By forming co-operative working relationships, each of the tracks can be more profitable and attract more cars and racers.

TABLE 4.4-2 OTHER RACING TRACKS IN ALBERTA				
Competitor	City	Province	Distance from Bridge County Raceway KM	Driving Distance
<b>Paved Drag Strips</b>				
Castrol Raceway	Edmonton	AB	412	4h32m
Central Alberta Raceways	Rimbey	AB	404	4h4m
Grand Prairie Drag Wars	Grand Prairie	AB	959	9h11m
Medicine Hat Dragstrip	Medicine Hat	AB	177	2h0m
<b>Unpaved Drag Strips</b>				
Calgary Ground Pounders	Calgary	AB	201	2h1m
<b>Paved Oval Tracks</b>				
Hythe Motor Speedway	Hythe	AB	1,017	9h46m
<b>Dirt Oval Tracks</b>				
Sangudo Speedway	Sangudo	AB	618	5h51m
Yellowhead Raceway	Hinton	AB	731	7h22m
<b>Average Distance from Bridge County Raceway</b>			<b>282</b>	

Source: PKF Consulting research

This activity fits well within the scope of both Chinook Country Tourism and Travel Alberta's target markets as it would hold very high appeal for Free Spirits and Cultural Explorers, both of which have great interest in attending sports and leisure competitions and events. Its proximity to Lethbridge makes it a great option for Free Spirits, who will take advantage of Lethbridge's supply of attractions, restaurants and brand hotels.

#### 4.4.6 Facility Programs and Preliminary Capital Cost Estimates

The owner has listed the property for sale at \$1.2 Million as a turnkey operation. Further capital improvements call for upgrades to the wooden bleachers at an estimated cost of \$5,000. An adjacent campground development has been estimated at a preliminary capital cost of \$182,500, including the purchase of 5 acres of land and development of 50 sites. Total capital costs are summarized in the following table.

TABLE 4.4-3 BRIDGE COUNTRY RACEWAY ESTIMATE OF CAPITAL COSTS	
<b>Assumptions</b>	
Asking Purchase Price	\$1,200,000
	<b>\$1,200,000</b>
<b>Capital Improvements</b>	
Upgrade Wooden Bleachers	\$5,000
Purchase Adjacent Lands	\$32,500 5 Acres
Campground - Partial Svcd Sites	\$150,000 50 sites
<b>Capital Investment</b>	<b>\$1,387,500</b>

Source: Bridge County Raceway

#### 4.4.7 Preliminary High Level Proforma (Income Statement)

A preliminary five year high level proforma was prepared for the subject Bridge County Raceway based on its past performance levels and the following assumptions:

- The race season would run from the May through September each year. In its first year of re-opening, it would hold 15 race days, increasing to 16 in Year 2 and 17 by its 3<sup>rd</sup> year of

operation. The operating season can vary due to weather conditions;

- The raceway would be operated professionally and appropriate levels of ongoing marketing would occur;
- Attendance levels have been forecast at 1,000 increasing to over 1,300 by the fourth year of operation. Each race day would attract an average of 40 drivers and 125 crew members.
- Year 1 average admission rates have been estimated at \$11.00 for general admission; \$50.00 for driver and car; and \$20.00 per crew member, for an average admission rate of \$13.30;
- An inflationary factor of 2.0% per annum;
- Concession revenues have been estimated at \$4.00 per diem, equating to \$70,000 in Year 1 revenues. Historically, a local community group ran the concessions on a volunteer basis, in exchange for running a 50/50 draw for local charities;
- Sponsorship revenues have been estimated at \$45,000 in Year 1, increasing to \$55,000 per annum by Year 3. Historically, over 65 local businesses supported the raceway through sponsorships;
- Departmental expenses for the operation largely include cost of concession goods at 50%; and racing prizes estimated at \$3,000 per race day;

**TABLE 4.4-4**  
**BRIDGE COUNTY RACEWAY**  
**5 YEAR OPERATING PROJECTIONS (\$'000's)**

	Year 1	Year 2	Year 3	Year 4	Year 5
# Race Days	15	16	17	17	17
# Races per Day	3	3	3	3	3
Avg Spectator Attendance	1,000	1,100	1,200	1,300	1,300
Avg Drivers per Race Day	40	40	40	40	40
Avg Crew per Race Day	125	125	125	125	125
Spectator Attendance	15,000	17,600	20,400	22,100	22,100
Driver Attendance	600	640	680	680	680
Crew Attendance	1,875	2,000	2,125	2,125	2,125
<b>Total Attendance</b>	<b>17,475</b>	<b>20,240</b>	<b>23,205</b>	<b>24,905</b>	<b>24,905</b>
<b>ADMISSION PRICES</b>					
Avg Spectator Admission	\$11.00	\$11.22	\$11.44	\$11.67	\$11.91
Avg Car and Driver Admission	\$50.00	\$51.00	\$52.02	\$53.06	\$54.12
Avg Crew Admission	\$20.00	\$20.40	\$20.81	\$21.22	\$21.65
Avg Ticket Price	\$13.30	\$13.38	\$13.49	\$13.62	\$13.89
<b>REVENUES</b>					
Admissions	\$233 67%	\$271 67%	\$313 67%	\$339 68%	\$346 68%
Concessions	\$70 20%	\$83 20%	\$97 21%	\$106 21%	\$108 21%
Sponsorships	\$45 13%	\$50 12%	\$55 12%	\$55 11%	\$55 11%
<b>Total Revenues</b>	<b>\$347 100%</b>	<b>\$403 100%</b>	<b>\$465 100%</b>	<b>\$500 100%</b>	<b>\$509 100%</b>
<b>DIRECT EXPENSES</b>					
Concession Cost of Goods	\$35 50%	\$41 50%	\$48 50%	\$53 50%	\$54 50%
Racing Prizes	\$45 13%	\$48 13%	\$51 13%	\$51 13%	\$51 13%
<b>Total Direct Expenses</b>	<b>\$80 23%</b>	<b>\$89 22%</b>	<b>\$99 21%</b>	<b>\$104 21%</b>	<b>\$105 21%</b>
<b>UNDISTRIBUTED EXPENSES</b>					
Administration & General	\$70 20%	\$71 18%	\$73 16%	\$74 15%	\$76 15%
Marketing	\$15 4%	\$15 4%	\$16 3%	\$16 3%	\$16 3%
Property R&M	\$10 3%	\$10 3%	\$10 2%	\$11 2%	\$11 2%
Utilities	\$10 3%	\$11 8%	\$12 8%	\$12 8%	\$12 8%
<b>Total Undistributed Expenses</b>	<b>\$105 30%</b>	<b>\$108 27%</b>	<b>\$111 24%</b>	<b>\$113 23%</b>	<b>\$115 23%</b>
<b>FIXED EXPENSES</b>					
Property Taxes	\$8 2%	\$8 2%	\$8 2%	\$8 2%	\$8 2%
Insurance	\$18 5%	\$19 5%	\$20 4%	\$20 4%	\$20 4%
Reserve for Capital Replacement	\$10 3%	\$12 3%	\$14 3%	\$15 3%	\$15 3%
<b>Total Fixed Expenses</b>	<b>\$36 10%</b>	<b>\$39 10%</b>	<b>\$42 9%</b>	<b>\$43 9%</b>	<b>\$44 9%</b>
<b>NOI (Before Debt Service)</b>	<b>\$127 36%</b>	<b>\$151 37%</b>	<b>\$188 41%</b>	<b>\$211 42%</b>	<b>\$215 42%</b>

Source: PKF Consulting Inc. and Bridge County Raceway

Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.

- Undistributed operating expenses include administration, marketing, utility costs and have been estimated at 23% to 30% of gross revenues; and,
- Other fixed costs include property taxes, insurance, management fees and a capital reserve. Total fixed charges are estimated at 8 to 10% of revenues.

Based on these assumptions, the Bridge County Raceway is projected to generate an estimated net operating income of \$127,000 (rounded) in Year 1, increasing to \$215,000 (rounded) by the fifth year. The proforma is provided in Table 4.4-4.

#### 4.4.8 Supportable Indication of Value

Given the operating projections above, the Bridge County Raceway could potentially support a value of approximately \$1.3 Million off its cash flow, assuming a 18% capitalization rate and a 20% discount rate, which is on par with the asking price of \$1.2 Million.

The preliminary financial analysis reflects approximately \$600,000 in debt, and \$600,000 in equity, with funds borrowed on a 10 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the re-opened Bridge County Raceway have the potential to generate a 23% return on equity by Year 5.

TABLE 4.4-5					
BRIDGE COUNTY RACEWAY					
ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW (\$000's)					
INFLATION			2.0%		
DISCOUNT RATE			20.0%		
TERMINAL CAPITALIZATION RATE			18.0%		
NET PRESENT VALUE ANALYSIS					
Year	Cash Flow	Discount Rate @ 20%	Net Present Value	Implied Yield	
1	\$127	0.833	\$105	10.5%	
2	\$151	0.694	\$105	12.6%	
3	\$188	0.579	\$109	15.7%	
4	\$211	0.482	\$102	17.6%	
5	\$215	0.402	\$87	17.9%	
6	\$220	0.335	\$74	18.3%	
7	\$224	0.279	\$63	18.7%	
8	\$229	0.233	\$53	19.0%	
9	\$233	0.194	\$45	19.4%	
10	\$238	0.162	\$38	19.8%	
Cashflow Value		\$2,035	Discounted	\$780	
Residual Value		\$1,347	Discounted	\$542	
			Estimate of Value		\$1,322
INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Capital Inv.	\$1,200	Term (months/years)	120	10.5%	
Debt	\$600	Interest Rate		5.0%	
Equity	\$600	LTV		50%	
		Annual Payment		\$76	
		Mortgage Constant		0.12728	
FINANCING CASHFLOW					
Year	Debt Service (P&I)	After Financing Cash Flow (Before Tax)	Debt Coverage Ratio (DCR)	Return on Equity (ROE)	Return on Investment (ROI)
1	\$76	\$50	1.7	8.4%	10.5%
2	\$76	\$75	2.0	12.4%	12.6%
3	\$76	\$112	2.5	18.7%	15.7%
4	\$76	\$135	2.8	22.5%	17.6%
5	\$76	\$139	2.8	23.2%	17.9%

Source: PKF Consulting Inc.

Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.

## 4.5 Branded Hotel at Crossings Development, West Lethbridge

### 4.5.1 The Tourism Investment Opportunity

There is an opportunity to develop a **100-unit branded, select service hotel**, as a complement to the Crossings Development, which is currently under construction in the City of Lethbridge, at the intersection of Whoop Up Drive and Benton Drive in West Lethbridge.

A Multi-Land Use Market Analysis & Residual Land Value Financial Analysis was conducted in 2011 to determine the optimum development potential for the Crossings Development, including a combination of retail, office, residential and hotel opportunities. West Lethbridge is considered to be the fastest growing residential area in the City, with 3.0% average annual population growth anticipated between 2014 and 2019 (from 35,400 to 41,000 residents), yet retail and other commercial services are limited. The Crossings is expected to become the commercial heart of West Lethbridge, with additional complementary recreation and leisure amenities, combined with the benefit of the existing University of Lethbridge and Lethbridge College demand, and growing commuter traffic flow.

The residential aspect of the development is already under construction, and residents are set to move into the first 450 units by Fall 2015. Since RoyOp won the bid for commercial development at the Crossings, construction of 500,000 square feet of retail/commercial is also in the planning stages, and the first businesses are set to open in 2016. Other major anchors at the Crossings will be established on 55 acres of City-owned land, and will include the Crossings Leisure Complex (125,000 sq.ft. of twin ice and curling facility set to open in December 2015) and a Multi-Purpose Leisure Centre (\$110 Million

Aquatic Centre, fitness centre, indoor field, running track and gymnasium set to open in 2018).

With the Crossings Development still in the early stages of construction and new hotel supply being absorbed in the east part of the City near Crowsnest Highway (Hwy 3) and 43 St. S, demand for hotel accommodation at the Crossings is currently limited. However, with new commercial/retail and the Aquatic Centre in place, in addition to demand generated by the University of Lethbridge, the potential for a new hotel in West Lethbridge becomes much more feasible and attractive to a potential investor. As such, for the purposes of this analysis, the 100-room Crossings Hotel opportunity has been evaluated with an expected opening date of January 2019.

Furthermore, it would be necessary for the product to be branded in order to be financed and compete effectively in the market. Based on our review of the existing product in the market, it would be our recommendation to build a 100-unit select service property, comparable to a Courtyard by Marriott, Four Points by Sheraton, Hilton Garden Inn, or similar brand in this location. Developments of these properties tend to be located in high traffic volume areas (highways and other arterial roads) and in close proximity to corporate and tourism demand generators. Select service hotels also feature: standard guest rooms, continental or hot breakfast, limited meeting space, an indoor swimming pool, and fitness area; but eliminate the all-day restaurant that is often present at full service hotels – thereby presenting a leaner operating model, which is also a consideration in today's lending environment for the hotel industry.



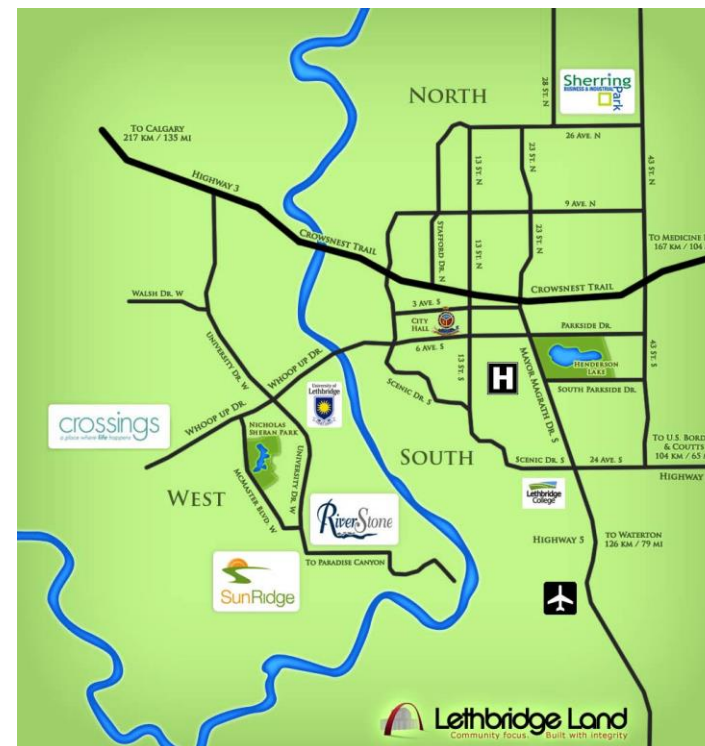
#### 4.5.2 Site Location

The Crossings Development site is located at the northwest corner of Benton Drive and Whoop Up Drive in West Lethbridge. A hotel site was originally envisioned for the northwest corner of the subject site, but no specific acreage has been set aside at this time. Based on PKF's experience, the development of a 100-room select service property requires a minimum site of approximately 3 acres.

The site should be located on Whoop Up Drive, with excellent visibility for travelers driving east/west along this route, in close proximity to the major intersection with Benton Drive, and no impediments to access/egress from the property.



Source: [looplink.lethbridge.avisonyoung.com](http://looplink.lethbridge.avisonyoung.com)



Source: [www.crossingslethbridge.ca](http://www.crossingslethbridge.ca)

#### 4.5.3 Land Tenure and Regulatory Issues

West Lethbridge has 4 major areas of future land use planned, including:

1. **Future Commercial Expansion** at the interchange of Hwy 3 and University Drive;



2. **Future Residential Expansion** to the West and Southwest of University Drive and Whoop Up Drive;
3. **Future Industrial Expansion** along Westside Drive, south of Hwy 3; and
4. **Future Mixed-Use Development** at the Crossings Site along Whoop Up Drive.

The Crossings Development site can accommodate both single family and medium density housing, and local serving mixed-use commercial. It should be noted that larger scale commercial land uses are expected to recognize regional scale retail development identified as a core component of the West Lethbridge Employment Centre area structure plan.

The Crossings site has strong visibility along Whoop Up Drive, but is limited from the major University Drive intersection. Regional accessibility is limited by the central West Lethbridge location via the Hwy 3 interchange, and could be enhanced by future Chinook Trail Expansion. There are 2 future signalized intersections planned for the east and west side portals of the site.

#### 4.5.4 Complementary Business Development Opportunities

As discussed, the City has plans to develop the Crossings Leisure Complex (125,000 sq.ft. of twin ice and curling facility set to open in December 2015) and a Multi-Purpose Leisure Centre (\$110 Million aquatic centre, fitness centre, indoor field, running track and gymnasium set to open in 2018). These uses, in addition to the 500,000 square feet of retail/commercial development, will be important complementary sources of demand for the proposed hotel.

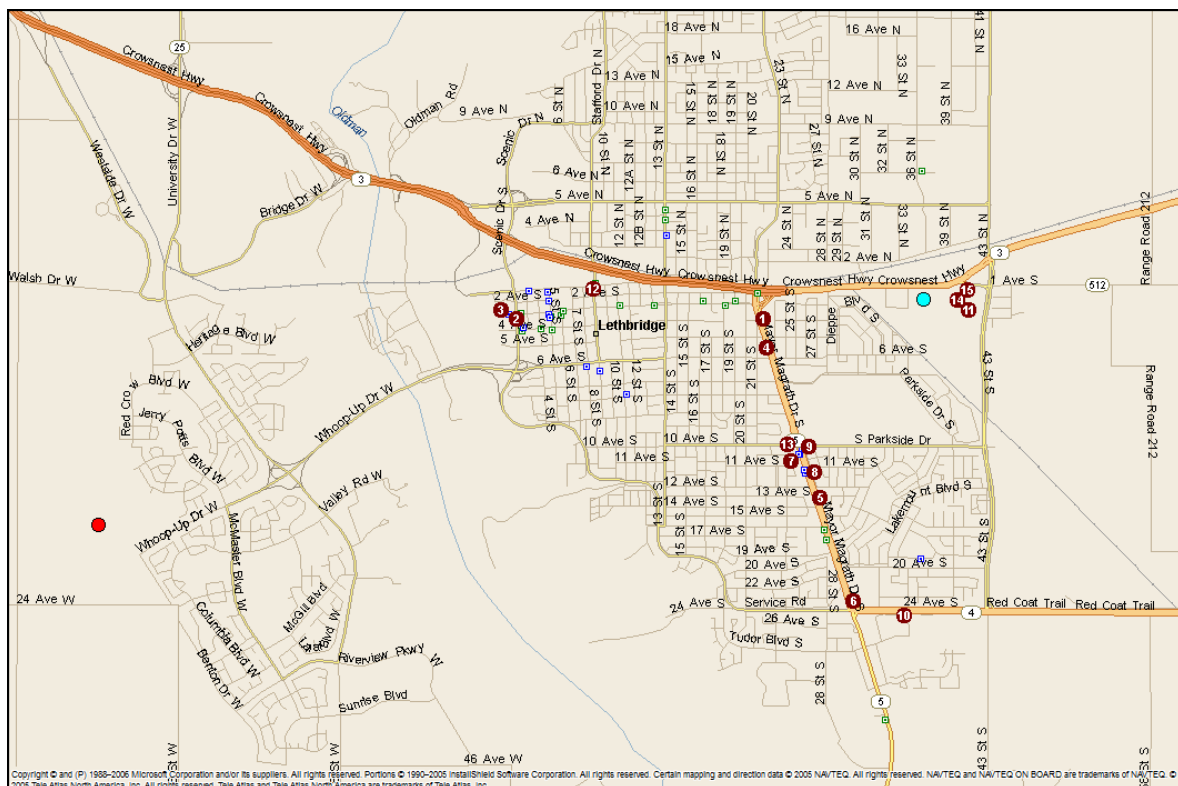
Depending on the exact location of the selected hotel site, other complementary private sector business development opportunities could include a **Leased Full Service Restaurant** and a **Multi-use Meetings/Event Centre**.

#### 4.5.5 Competitive Supply and Demand

The competitive Lethbridge accommodation market consists of 15 primary properties offering 1,325 available rooms as at December 2014, as identified in Table 4.5-1, and graphically depicted in the following map.

TABLE 4.5-1 PROPOSED BRANDED CROSSINGS HOTEL - LETHBRIDGE COMPETITIVE ACCOMMODATION MARKET		
#	Property Name	Rooms
1	Sandman Hotel Lethbridge	138
2	Lethbridge Lodge	190
3	Days Inn Lethbridge	87
4	Coast Lethbridge Hotel	103
5	Ramada Inn Lethbridge	66
6	Holiday Inn Lethbridge	119
7	Howard Johnson Lethbridge	37
8	Econo Lodge Lethbridge	44
9	Travelodge Lethbridge	66
10	Comfort Inn Lethbridge	58
11	Quality Inn & Suites Lethbridge	60
12	Holiday Inn Express Lethbridge	102
13	Super 8 Lethbridge Mayor Magrath	55
14	Hampton Inn Lethbridge	87
15	Best Western Service Inn & Suites Lethbridge	113
	<b>TOTAL ROOMS</b>	<b>1,325</b>

Source: PKF Consulting Inc.



The newest properties to enter the market include the Hampton Inn Lethbridge, which opened in October 2010 with 87 rooms, and the Best Western Plus, which opened in June 2014 with 113 rooms. Both of these properties are located in the east part of Lethbridge, at Hwy 3 and 43 St. S.

Table 4.5-2 presents a summary of the historic occupancy and average daily rates achieved by the competitive Lethbridge accommodation market from 2010 through 2014. Although the full complement of rooms in the Lethbridge market was 1,325 in 2014, the effective total was 1,269 rooms, as the 113-room Best Western property opened halfway through the year, and as such, only 57 rooms impacted the market in 2014.

#	Property Name	Rooms
●	<b>Subject Crossings Hotel</b>	<b>100</b>
1	Sandman Hotel Lethbridge	138
2	Lethbridge Lodge	190
3	Days Inn Lethbridge	87
4	Coast Lethbridge Hotel	103
5	Ramada Inn Lethbridge	66
6	Holiday Inn Lethbridge	119
7	Howard Johnson Lethbridge	37
8	Econo Lodge Lethbridge	44
9	Travelodge Lethbridge	66
10	Comfort Inn Lethbridge	58
11	Quality Inn & Suites Lethbridge	60
12	Holiday Inn Express Lethbridge	102
13	Super 8 Lethbridge	55
14	Hampton Inn Lethbridge	87
15	Best Western Plus Service Inn & Suites Lethbridge	113
●	<b>Fairfield Inn &amp; Suites – under construction</b>	<b>100</b>

TABLE 4.5-2 PROPOSED BRANDED CROSSINGS HOTEL - LETHBRIDGE HISTORIC MARKET PERFORMANCE					
	2010	2011	2012	2013	2014
Rooms	1,207	1,303	1,250	1,212	1,269
Available Room Nights	440,600	475,600	456,300	442,400	463,200
Occupied Room Nights	240,300	263,600	260,500	267,900	264,900
Occupancy	55%	55%	57%	61%	57%
Average Daily Rate	\$100	\$102	\$106	\$107	\$109

Source: PKF Consulting Inc.

As summarized, the competitive market occupancy has historically performed in the mid 50% to low 60% range. Total rooms in the market has also fluctuated from 1,207 in 2010 to 1,269 rooms in 2014, as several properties have closed and/or opened within the market.

Available room nights (accommodation supply) increased by 8% in 2011 with the balance of the Hampton and Super 8 both entering the market. Occupied room nights (accommodation demand) also increased in 2011 by 10% with the new corporate and leisure business in the market, most of which was supply induced. In 2013, occupancy reached 61%, the highest level over the historic period, due in part to the closure of the Thriftlodge midway through 2012, contributing to a 4% decline in supply in 2012 and 3% decline in 2013. When the Best Western Plus opened mid 2014, supply grew by another 5%, while demand contracted by 1%.

The Average Daily Rate (ADR) in Lethbridge has steadily increased over the past 5 years, from \$100 in 2010 to \$109 in 2014 – for total rate growth of 9% over the historic period.

In 2015, the competitive market is expected to witness a 106-room increase, with the balance of the Best Western Plus and new 100-room Fairfield property entering the market, contributing to an 8% increase in overall supply. The balance of the Fairfield opening (50 rooms) is expected to create a further 4% supply increase in 2016. With the subject 100-room Crossings Hotel opening in January 2019, a 7% supply increase is anticipated.

#### 4.5.6 Potential Target Markets and Hotel Demand Projections

A new hotel in the west Lethbridge area is expected to draw a portion of the existing demand from the local Lethbridge accommodation market. Due to its location, the proposed hotel is expected to benefit primarily from its **proximity to the University of Lethbridge and Lethbridge College**. Potential target markets include:

- Visiting parents of college/university students;
- Visiting professors and educational conference attendees;
- Corporate and association meeting/conference attendees, or visitors attending seminars and tradeshow in the vicinity;
- Independent and group leisure tourists, including: individuals, families, the “VFR” market (visiting friends or relatives) and groups attending social events;
- Sports tournament business;
- Independent corporate visitors and professionals travelling on business; and
- Federal and provincial government representatives travelling on government business.

The estimated market segmentation for the competitive market for 2014 is presented in Table 4.5-3.

<b>TABLE 4.5-3 PROPOSED BRANDED CROSSINGS HOTEL - LETHBRIDGE HISTORIC MARKET SEGMENTATION – 2014</b>		
	<b>2014</b>	<b>% of Demand</b>
Corporate	100,300	38%
Meeting/Conference	35,600	13%
Leisure	95,900	36%
Government/Other	33,900	13%
<b>Total</b>	<b>265,700</b>	<b>100%</b>

*Source: PKF Consulting Inc.*

Of the EQ segments, the hotel will hold greatest appeal to Free Spirits. To accommodate their interests, the hotel should offer free wifi, and packages that allow them to take advantage of local attractions, spa services, higher-end restaurants, outdoor recreation (hiking, watersports, etc.), golfing and sports/music events.

When the proposed 100-room Crossings Hotel enters the market, it will increase supply by over 7% to a total of 1,525 rooms. As the newest product in the market since 2015, and only proposed hotel for West Lethbridge, a new 100-room hotel stands to significantly enhance the existing accommodation market. The hotel is projected to achieve strong positioning in all segments with the exception of government and other discounted demand (i.e. crew demand), due to the anticipated price point.

In projecting occupancy performance of the proposed subject property over the projection period, the concept of “fair market share” has been utilized. This concept states that a property will attract rooms demand in the same proportion as its share of rooms supply. The basic assumption is that all things are equal; however,

different properties achieve different levels of market penetration based on various competitive factors including location, product and facilities, customer preferences, pricing and marketing strategies. Market penetrations in excess of 100.0% indicate that a hotel possesses competitive advantages relative to the market as whole, while competitive weaknesses are reflected in penetrations of less than 100.0%.

As shown in Table 4.5-4, the proposed Crossings Hotel is projected to achieve a stabilized occupancy of 71% by its third year of operation. The new hotel is also projected to achieve strong rate positioning against the Lethbridge hotel market, with an ADR of \$149 in the first year of operation, growing each year in line with the market at a rate of 2.0%.

TABLE 4.5-4 PROPOSED BRANDED CROSSINGS HOTEL - LETHBRIDGE PROJECT PROJECTIONS					
SUPPLY	Year 1	Year 2	Year 3	Year 4	Year 5
Crossings Hotel Lethbridge	100	100	100	100	100
Total Supply	1,525	1,525	1,525	1,525	1,525
Fair Share of Supply	6.6%	6.6%	6.6%	6.6%	6.6%
DEMAND PROJECTIONS	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Total Demand</b>					
occupied room nights	294,682	300,939	303,948	306,988	310,058
total demand captured	22,981	24,480	25,721	25,721	25,721
market occupancy	52.9%	54.1%	54.6%	55.2%	55.7%
market penetration	118.9%	124.1%	129.1%	127.8%	126.5%
<b>Project Occupancy</b>	<b>63.0%</b>	<b>67.1%</b>	<b>70.5%</b>	<b>70.5%</b>	<b>70.5%</b>
RATE PROJECTIONS	Year 1	Year 2	Year 3	Year 4	Year 5
Market Average Daily Rate	\$118.80	\$121.18	\$123.60	\$126.08	\$128.60
% Growth	2.0%	2.0%	2.0%	2.0%	2.0%
Rate Penetration Subject	125.0%	125.0%	125.0%	125.0%	125.0%
<b>Project Average Daily Rate</b>	<b>\$ 148.50</b>	<b>\$ 151.47</b>	<b>\$ 154.50</b>	<b>\$ 157.59</b>	<b>\$ 160.75</b>

Source: PKF Consulting Inc.

#### 4.5.7 Facility Program and Preliminary Capital Cost Estimates

Table 4.5-5 provides the recommended facility program for the proposed 100-room Crossings Hotel.

The proposed hotel would need a total Gross Floor Area (GFA) of approximately 50,300 square feet, an average of 503 sq.ft./room. Approximately 33,000 square feet would incorporate the 100 guest rooms, 800 sq.ft. would be allocated to a meeting room with a capacity of 50 people, 1,500 sq.ft. would include a fitness centre and pool, and 500 sq.ft. would be dedicated to a business centre. The

remaining 14,400 sq.ft. of space at the subject hotel would include a lobby, corridors, support areas and back of house.

TABLE 4.5-5 PROPOSED CROSSINGS HOTEL HOTEL FACILITY PROGRAM				
Guestrooms	Rooms	Sq.Ft./Rm	Sq.Ft.	%
Standard King	45	330	14,900	
King Studio	5	440	2,200	
Double Queen	50	320	16,000	
<b>Total:</b>	<b>100</b>	<b>331</b>	<b>33,100</b>	<b>66%</b>
Meeting Space	Rooms	Seats	Sq.Ft.	
Conference Room	0	0	0	
Meeting Room	1	50	800	
<b>Total:</b>	<b>1</b>	<b>50</b>	<b>800</b>	<b>2%</b>
Recreational/Other Facilities	Rooms	Sq.Ft./Rm	Sq.Ft.	
Business Centre	1	5	500	
Fitness Centre/Pool	1	15	1,500	
<b>Total:</b>			<b>2,000</b>	<b>4%</b>
Public Areas/Back of House/Support/Circulation				
Public Areas/Back of House		40%	14,400	29%
	Rooms	Sq.Ft./Rm	Sq.Ft.	
<b>TOTAL</b>	<b>100</b>	<b>503</b>	<b>50,300</b>	<b>100%</b>

\* We are not Quantity Surveyors and as such these estimates should be used as a guideline for discussion only.

Source: PKF Consulting Inc.

PKF Consulting Inc. has used these estimates as a discussion point for the recommended facility program used in our projections. We are not Quantity Surveyors and as such these estimates should be used as a guideline for discussion only.

**Preliminary initial order-of-magnitude capital costs have been estimated at \$13 Million**, as detailed in Table 4.5-6.

<b>TABLE 4.5-6 PROPOSED BRANDED CROSSINGS HOTEL - LETHBRIDGE ESTIMATE OF CAPITAL COST</b>		
<b>TOTAL PROJECT PROGRAM</b>	<b>Total Cost</b>	<b>% of Total</b>
Land	\$2,000,000	15%
Hotel Construction	\$8,300,000	64%
Hotel FF&E	\$1,411,000	11%
Soft Costs & Contingency	\$1,328,000	10%
<b>Total Capital Budget</b>	<b>\$13,039,000</b>	<b>100%</b>
<i>Source: PKF Consulting, Marshall Valuation Cost Guide</i>		

#### 4.5.8 Preliminary High Level Proforma

Table 4.5-7 provides a preliminary high level proforma for the proposed 100-room branded Crossings Hotel, based on the following assumptions:

- An inflationary factor of 2.0% per annum;
- The hotel would be operated professionally and appropriate levels of ongoing marketing would occur;
- Rooms Revenue is based on the projected occupancy levels and the average daily room rates, as shown in Table 4.5-4;
- Rooms Expenses include wages and salaries, Travel Agent Commissions of 1.5% of rooms revenue, Guest Supplies, Complementary Food expenses (i.e. breakfast), and other rooms related expenses, and have been estimated at 29% of Room Revenues in Year 1;

- Food & Beverage (F&B) Revenues include catering commissions and rental fees for events hosted in the hotel's meeting room. General operating expenses have been estimated at 8% of F&B Revenues.
- Other Operated Department revenues and expenses include: telecommunications, guest laundry, gift shop, high-speed internet service, and in-room movies. Expenses have been estimated at 64% of Revenues in Year 1;
- Rentals and other income has been estimated at \$23,000 in Year 1;
- Undistributed expenses include Administration and General, Marketing, Repairs and Maintenance, and Utility Costs, and have been estimated at 30% of revenues in Year 1;
- The projections take into account a management fee of 3.0% of gross revenues and a capital reserve at 4% of gross revenues. A management fee is included as a prospective purchaser would allow these fees when assessing an acquisition and has been included in the statements on a go forward basis; and
- Other fixed costs including property taxes and insurance have been estimated at \$240,000 in Year 1 increasing to \$260,000.

Based on these assumptions, the proposed hotel is projected to generate an estimated net income of \$964,000 in Year 1 increasing to over \$1.3 Million by Year 5.

<b>TABLE 4.5-7 PROPOSED BRANDED CROSSINGS HOTEL LETHBRIDGE, AB PROJECTED OPERATING RESULTS (In \$000s)</b>										
	December Year 1		December Year 2		December Year 3		December Year 4		December Year 5	
Rooms	100		100		100		100		100	
Available Rooms	36,500		36,500		36,500		36,500		36,500	
Occupied Rooms	23,000		24,500		25,700		25,700		25,700	
Occupancy Rate	63.0%		67.1%		70.5%		70.5%		70.5%	
Average Daily Rate	\$149		\$151		\$155		\$158		\$161	
RevPar	\$94		\$102		\$109		\$111		\$113	
<b>REVENUE</b>										
Rooms	\$3,416	96%	\$3,711	96%	\$3,971	96%	\$4,050	96%	\$4,131	96%
Food and Beverage	\$40	1%	\$42	1%	\$44	1%	\$45	1%	\$46	1%
Other Operated Departments	\$81	2%	\$83	2%	\$86	2%	\$87	2%	\$89	2%
Rentals and Other Income	\$23	1%	\$24	1%	\$24	1%	\$25	1%	\$25	1%
<b>Total Revenue</b>	<b>\$3,559</b>	<b>100%</b>	<b>\$3,860</b>	<b>100%</b>	<b>\$4,125</b>	<b>100%</b>	<b>\$4,207</b>	<b>100%</b>	<b>\$4,291</b>	<b>100%</b>
<b>DEPARTMENTAL EXPENSES</b>										
Rooms	\$972	28%	\$1,031	28%	\$1,082	27%	\$1,104	27%	\$1,126	27%
Food and Beverage	\$3	8%	\$3	8%	\$3	8%	\$4	8%	\$4	8%
Other Operated Departments	\$52	64%	\$53	64%	\$55	64%	\$56	64%	\$57	64%
<b>Total Departmental Expenses</b>	<b>\$1,027</b>	<b>29%</b>	<b>\$1,087</b>	<b>28%</b>	<b>\$1,141</b>	<b>28%</b>	<b>\$1,163</b>	<b>28%</b>	<b>\$1,187</b>	<b>28%</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$2,532</b>	<b>71%</b>	<b>\$2,773</b>	<b>72%</b>	<b>\$2,984</b>	<b>72%</b>	<b>\$3,044</b>	<b>72%</b>	<b>\$3,105</b>	<b>72%</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>										
Administration and General	\$276	8%	\$286	7%	\$294	7%	\$300	7%	\$306	7%
Sales and Marketing <sup>1</sup>	\$452	13%	\$475	12%	\$495	12%	\$505	12%	\$515	12%
Property Operation and Maintenance	\$150	4%	\$154	4%	\$158	4%	\$161	4%	\$164	4%
Utilities	\$200	6%	\$205	5%	\$210	5%	\$215	5%	\$219	5%
<b>Total Undistributed Expenses</b>	<b>\$1,079</b>	<b>30%</b>	<b>\$1,120</b>	<b>29%</b>	<b>\$1,157</b>	<b>28%</b>	<b>\$1,181</b>	<b>28%</b>	<b>\$1,204</b>	<b>28%</b>
<b>GROSS OPERATING PROFIT</b>	<b>\$1,453</b>	<b>41%</b>	<b>\$1,653</b>	<b>43%</b>	<b>\$1,827</b>	<b>44%</b>	<b>\$1,863</b>	<b>44%</b>	<b>\$1,901</b>	<b>44%</b>
Management Fees	\$107	3%	\$116	3%	\$124	3%	\$126	3%	\$129	3%
<b>INCOME BEFORE FIXED CHARGES</b>	<b>\$1,347</b>	<b>38%</b>	<b>\$1,537</b>	<b>40%</b>	<b>\$1,703</b>	<b>41%</b>	<b>\$1,737</b>	<b>41%</b>	<b>\$1,772</b>	<b>41%</b>
<b>FIXED CHARGES</b>										
Property Taxes	\$220	6%	\$224	6%	\$229	6%	\$233	6%	\$238	6%
Insurance	\$20	1%	\$20	1%	\$21	1%	\$21	1%	\$22	1%
<b>Total Fixed Charges</b>	<b>\$240</b>	<b>7%</b>	<b>\$245</b>	<b>6%</b>	<b>\$250</b>	<b>6%</b>	<b>\$255</b>	<b>6%</b>	<b>\$260</b>	<b>6%</b>
<b>NET OPERATING INCOME</b>	<b>\$1,107</b>	<b>31%</b>	<b>\$1,293</b>	<b>33%</b>	<b>\$1,453</b>	<b>35%</b>	<b>\$1,482</b>	<b>35%</b>	<b>\$1,512</b>	<b>35%</b>
Reserve for Asset Replacement	\$142	4%	\$154	4%	\$165	4%	\$168	4%	\$172	4%
<b>ADJUSTED NET OPERATING INCOME</b>	<b>\$964</b>	<b>27%</b>	<b>\$1,138</b>	<b>29%</b>	<b>\$1,288</b>	<b>31%</b>	<b>\$1,314</b>	<b>31%</b>	<b>\$1,340</b>	<b>31%</b>
Source: PKF Consulting Inc.										
<sup>1</sup> Includes Franchise Fees (where applicable)										
Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.										

#### 4.5.9 Supportable Indication of Value

Given the operating projections above, the proposed Crossings Hotel could potentially support a value of approximately \$13.4 Million off its cash flow, assuming a 9% capitalization rate and an 11% discount rate, which is slightly higher than the estimated capital cost of \$13.0 Million.

The preliminary financial analysis reflects approximately \$7.2 Million in debt, and \$5.9 Million in equity, with funds borrowed on a 20 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the proposed Crossings Hotel in West Lethbridge have the potential to generate a 13% return on equity by Year 5.

TABLE 4.5-8 PROPOSED BRANDED CROSSINGS HOTEL - LETHBRIDGE ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW				
	ROOMS		100	
	INFLATION		2.0%	
	DISCOUNT RATE		11.0%	
	TERMINAL CAPITALIZATION RATE		9.0%	
NET PRESENT VALUE ANALYSIS				
Year	Cash Flow	Discount Rate @ 11%	Net Present Value	Implied Yield
1	\$964	0.901	\$869	7.2%
2	\$1,138	0.812	\$924	8.5%
3	\$1,288	0.731	\$942	9.6%
4	\$1,314	0.659	\$866	9.8%
5	\$1,340	0.593	\$795	10.0%
Cashflow Value		\$6,045	Discounted	\$4,396
Residual Value		\$15,192	Discounted	\$9,000
Estimate of Value Per Room				\$13,396 \$134

INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Capital Cost	\$13,039	Term (months/years)	240		20
Debt	\$7,171	Interest Rate			5.0%
Equity	\$5,868	LTV			55%
		Annual Payment			\$568
		Mortgage Constant			0.07919
FINANCING CASHFLOW					
Year	Debt Service (P&I)	After Financing Cash Flow (Before Tax)	Debt Coverage Ratio (DCR)	Return on Equity (ROE)	Return on Investment (ROI)
1	\$568	\$396	1.7	6.8%	7.4%
2	\$568	\$570	2.0	9.7%	8.7%
3	\$568	\$720	2.3	12.3%	9.9%
4	\$568	\$746	2.3	12.7%	10.1%
5	\$568	\$772	2.4	13.2%	10.3%

Source: PKF Consulting Inc.

NOTE: This analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.



## 4.6 Comfort Camping Tent Rentals and Distribution

### 4.6.1 Tourism Investment Opportunity

Comfort camping is for those who enjoy outdoor adventure experiences, but want the amenities of a home. It is a less expensive and more comfortable alternative for new campers who do not want to make the substantial initial investment for camping supplies and gear, or for vacationers who want to avoid the higher financial and ecological costs associated with standard lodging.<sup>24</sup>

Also known as “glamping”, glamour/comfort camping provides guests with comfortable sleeping structures that often include higher quality amenities and services than those found in regular campgrounds, while allowing guests to take advantage of the types of experiences campgrounds offer, such as hiking, cycling, canoeing and wildlife watching. Glamping structures include but are not limited to; teepees, lodges, tents, huts, cabins, barns, cabooses, safari tents or yurts, depending on the region and country they are located in. Although comfort camping is a relatively new trend within North America, it has been a popular concept for decades in international destinations like Africa and Thailand.

There is an opportunity to address the growing market for comfort camping in the Region.

This opportunity could be developed by an existing campground or an entrepreneur who is not connected to a campground. Public and/or private campgrounds could set up comfort camping structures on their

properties, while entrepreneurs could rent comfort structures and products to campgrounds during the camping season, and then remove them for maintenance and upgrading in the winter. Alternately, a profit-sharing arrangement could be initiated where an entrepreneur leases a number of sites within an existing campground for comfort camping and rents them to the public independently.

One way to distinguish a new development from general comfort camping facilities could be for an entrepreneur to create a themed experience such as western-themed covered wagon camp facilities (Figure 4.6-1) or Aboriginal-themed campsites that provide rentable teepees (Figure 4.6-2).

There are numerous locations in south central Alberta where this opportunity could be developed including Lee Creek Campground (Town of Cardston), Little Bow Provincial Park (Village of Champion), Gold Springs Park Campground (Warner County), and on the land surrounding Writing-on-Stone Provincial Park (Warner County). Other regional provincial parks, municipal parks and campgrounds could also be considered for potential comfort camping development.

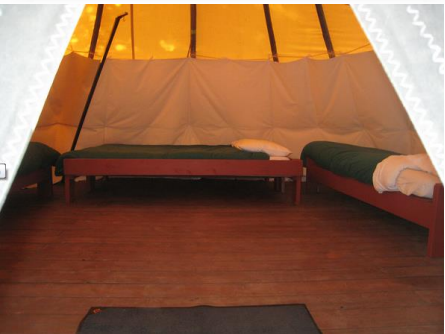
<sup>24</sup> *Albertaventure*, <http://albertaventure.com/2014/09/camping-in-comfort/>

**FIGURE 4.6-1  
COVERED WAGON COMFORT CAMPING**



Source: PKF Consulting Inc. Research

**FIGURE 4.6-2  
TEEPEE COMFORT CAMPING  
SUNDANCE LODGES, KANANASKIS, ALBERTA**



Source: PKF Consulting Inc. Research

#### **4.6.2 Site Locations**

The Lee Creek Campground is located within the town centre of Cardston, Alberta. The Town of Cardston is situated in the foothills of Southern Alberta, approximately 80 kilometres south of Lethbridge and roughly 25 kilometres north of the US State of Montana. The municipal address of the Lee Creek Campground is 695 2nd Street West, Cardston, Alberta. The site is located on a quiet, mostly residential street approximately 400 metres to the west of Main Street. This central campground is conveniently located and is within walking distance to local shopping and attractions, such as Cobblestone Manor and the Remington Carriage Museum. Currently, the Lee Creek Campground consists of 33 full service RV sites (power, water, and sewage), 10 partial service sites (power and water) and 12 un-serviced sites.

Little Bow Provincial Park is 40 km away from the Town of Vulcan, which is home to unique attractions like the Treketera Museum, the Vulcan Tourism and Trek Centre and the annual Vul-Con (Spock Days) Festival. It is also only 19 kilometres east of the village of Champion, which is the largest village within Vulcan County. This park already contains a campground that includes 136 unserviced sites and 86 power sites.

Goldsprings Park Campground is located in Warner County and is 10 kilometres north of the Canada/U.S. border. It is approximately 13 kilometres from the Town of Milk River and 30 kilometres from the Village of Warner, which features the Devil's Coulee Dinosaur Heritage Museum. Goldsprings Campground has 70 traditional campsites (most with power) and provides 2 rental cabins for comfort camping. This campsite has one small cabin with the capacity for 3

and one larger cabin that sleeps up to 4 people. Comfort camping offerings could potentially be expanded at this location.

Writing-on-Stone Provincial Park is in Warner County, located about 40 kilometres east from the Town of Milk River. Writing-on-Stone Provincial Park is a significant natural landscape that preserves key native grasslands and represents a highly sacred location for the Blackfoot people. There has also been a proposed nomination for this park to become a World Heritage Site. If successful, this designation would likely increase visitors numbers to the site, thus increasing demand for accommodations. Comfort camping has already been implemented at Writing-on-Stone, with 3 cottonwood tents. In addition, the campground includes 19 unserviced sites and 45 power sites. There is an opportunity to develop additional comfort camping structures externally, around the perimeter of the park.

#### **4.6.3 Land Tenure and Regulatory Issues**

The land base of Alberta is a mix of private and public land, controlled by municipalities, municipal districts, and the province of Alberta. Land tenure and regulatory issues will depend on the location of the comfort camping structures, particularly in terms of whether they are rented out to an existing campground or if they are developed on a new site. Depending on the location of the comfort camping sites, it is likely that proponents will need to work with the appropriate authorities to gain permits for their operation, possible lease rights for use of the land and electricity and water rights depending on the location's current amenities.

#### 4.6.4 Comfort Camping Existing Supply

Comfort Camping is offered at seven Alberta Provincial Parks including Dinosaur, Lesser Slave Lake, Miquelon Lake, Pigeon Lake, Sir Winston Churchill, Writing-on-Stone and Wyndham-Carseland Provincial Parks. Depending on the park, camping structures vary from canvas wall tents, to lodges, cabins or yurts. The wooden floored canvas walled tent facilities include electricity, cooking supplies (pans, utensils, dishes), a mini fridge, a kitchen table and chairs, one queen bed, one futon, a furnished private deck and a barbecue.

Lesser Slave Lake Provincial Park offers one lodge, called “The Nest” that features 6 bedrooms, electricity, a fully functioning kitchen, 2 full bathrooms and laundry facilities for up to 10 people. Sir Winston Churchill Provincial Park has 5 lake front cabins that sleep up to 8 people per cabin and include cooking supplies, electricity, a fridge and stove, flush toilets and potable water. Pigeon Lake Provincial Park offers visitors 6 Yurts that range in size including small (up to 4 guests), medium (6 guests) and large (8 guests) structures. The Yurts

offered are round tent-like structures that are insulated and mounted on a deck. Pigeon Lake’s Yurts are fully equipped with electricity, a fridge, cooking supplies, a kitchen table and chairs, bunk beds and futons, a gas barbecue and private deck area.

In the Alberta south central market area, comfort camping accommodations are popular at Writing-on-Stone Provincial Park and Wyndham-Carseland Provincial Park. As seen in Table 4.6-1, with a total of 7 tents (sleeping up to 28 people), there is an insufficient supply of comfort camping sites at the Region’s Provincial Parks to accommodate peak demand during the summer months. As such, there is a greater demand for the Region’s campgrounds to offer comfort lodging facilities as an alternative to typical lodging facilities.

TABLE 4.6-1 SOUTHGROW ALBERTA PROVINCIAL PARK COMFORT CAMPING FACILITIES				
Name	Location	Units	Rates	Amenities
Writing-on-Stone Provincial Park	Aden, AB (near Milk River)	3 Cottonwood Tents	\$115/night	Electricity, cookware, mini-fridge, kitchen table/chairs, queen-sized bed, pull-out futon, bedding, private deck
Wyndham-Carseland Provincial Park	Vulcan County, AB	4 Cottonwood Tents	\$120/night	Electricity, mini-fridge, kitchen table/chairs, bed, pull-out futon, private deck with two chairs, gas

Source: PKF Consulting Inc. research

#### 4.6.5 Comfort Camping Market Appeal and Alignment with EQ

Glamping is continuing to grow in popularity and when combined with the opportunity for outdoor and cultural experiences, comfort camping sites could become an appealing tourism destination in the Region. Alberta's camping market largely consists of local Albertans but also includes visitors from Saskatchewan, British Columbia and nearby US states. The typical operating season for campgrounds in Alberta is May through September.

Comfort camping facilities within Alberta likely attract the following markets:

- Visitors who enjoy camping and outdoor experiences but who are unable or unwilling to bring and setup camping gear;
- First-time campers that do not want to make the large initial investment required for traditional camping gear;
- Summer season independent leisure travellers primarily from the U.S., Alberta, other western Canadian provinces, and overseas tourists who are looking for a 'close to nature' experience; and
- Small corporate groups and retreats looking for a unique outdoor cultural experience.

Comfort camping would be appealing to Canadian and American **Cultural Explorers**, **Authentic Experiencers** and **Free Spirits**, as defined under the Explorer Quotient® psychographic segmentation system (EQ). This is consistent with the marketing efforts of Travel Alberta, which has identified Cultural Explorers and Free Spirits as

targets and the Chinook County Tourist Association, which primarily targets Cultural Explorers. The primary market for comfort camping also aligns with the Canadian Tourism Commission's main Canadian global target of visitors from the **Free Spirit**, **Cultural Explorer** and **Authentic Experiencer** segments.

Some comfort camping sites rent out Native American teepees (or tipis) to visitors. Teepees (or tipis) are Native American cone-shaped tents, and often come furnished and fully equipped. These wall tents were used extensively throughout the Canadian West by early trappers, loggers, gold miners, explorers and settlers. They are usually made of treated canvas that is both mildew and flame resistant and that provides a barrier to keep out cold drafts. Sizes can range from eight to 28 feet in diameter, accommodating small and large groups alike. Teepees can feature the comforts associated with glamping or they can be more basic and rustic.

Offering few amenities, Waterton Lakes National Park has five traditional teepees, which guests can rent as an alternative to bringing their own tents. Another popular teepee comfort camping location is Sundance Lodges, in Kananaskis Alberta, which has offered glamping experiences since 1992. Sandance's Sioux canvas teepees are hand-painted with wooden floors and include beds, a small heater and 1 lantern. There are small (2 single beds) and large (one double and two single beds) teepees offered. Supply rentals are also available for visitors who need cookware, camping stoves, bedding and towels. Table 4.6-2 provides a non-exhaustive list of the teepee camping sites that are currently offered throughout Alberta. As shown, there is currently a lack of teepee comfort camping options within the Region.

Teepee camping is largely consistent with both Canadian and US **Cultural Explorers** within the Explorer Quotient® psychographic segmentation system (EQ), which aligns well with the joint marketing targets of Travel Alberta and the Chinook Country Tourist Association. With comfort camping continuing to increase in popularity and the opportunity for visitors to learn about and experience Alberta's

aboriginal culture, teepee campgrounds that offer cultural programming would be appealing to visitors looking for a unique experience.

**TABLE 4.6-2**  
**ALBERTA TEEPEE CAMPING**

Name	Location	# of Teepees	Rates	Amenities
Sundance Lodges	Kananaskis	9 large teepees 3 small teepees 18 trappers tents	\$64.50 - \$89.50/night	Gift shop, basic groceries, camping supplies rental, sports equipment rental, showers, washrooms, coin laundry, internet access, firewood,
Elk Island Retreat	Fort Saskatchewan	4 teepees 2 trappers tents	\$60/night (up to 5 people)	Aboriginal cultural programs and crafts, shower, laundry, washrooms, picnic shelters, barbecues
Head Smashed In Buffalo Jump (no longer in operation)	Fort McLeod	4-6 large teepees	\$325/night (up to 4 ppl)	Air mattress, wood stove, firewood, sleeping bags, guided tours, interpretive centre, gift shop
Chief Crowfoot Tipi Village (closed during 2014 due to flooding)	Siksika	4	\$35/person/night	Tours, gallery, library, performances, fire pits, showers, cafeteria, gift shop, conference centre
Waterton Lakes National Park - Crandell Mountain Campground	Waterton Lakes	5	\$55/night	Fire pits, sleeping mats
Old Entrance	Jasper	4	\$85/night	Cabins, main house, F&B, firewood, internet, lounge chairs, picnic tables, barbecues, pit toilets, outdoor recreation

Source: PKF Consulting Inc. research

#### 4.6.6 Preliminary Capital Cost Estimates

Table 4.6-3 provides a preliminary order of magnitude capital cost for a comfort camping distribution operation with 15 tents. Turnkey setup costs include the tent structure, wood burner and electricity/water installed, furniture, linen, cooking utensils, cutlery, etc, and have been estimated at \$20,000 per tent for a total capital investment of \$300,000.

TABLE 4.6-3 PRELIMINARY ORDER OF MAGNITUDE CAPITAL COSTS COMFORT CAMPING RENTALS & DISTRIBUTION			
	Tents	Estimated Cost	Total
Comfort Camping Tents	15	\$10,000	\$150,000
Bedding, Furniture, Fixtures & Equipment		\$7,500	\$112,500
<b>Subtotal</b>	<b>15</b>		<b>\$262,500</b>
Soft Costs		5.0%	\$13,100
Contingency		5.0%	\$13,100
Pre-opening Marketing		2.5%	\$7,000
<b>TOTAL</b>			<b>\$295,700</b>
<b>Total per Comfort Tent</b>			<b>\$20,000</b>

Source: PKF Consulting

\*PKF Consulting is not qualified as a Quantity Surveyor and all estimates are based on third party sources and should be used as a guideline for discussion only.

#### 4.6.7 Preliminary High Level Proforma

A preliminary five year high level proforma for the proposed Comfort Camping Rentals and Distribution business has been based on the following assumptions:

- The operating season would be 154 days, running from the May long weekend to mid October each year;
- An inflationary factor of 2.0% per annum;
- A seasonal occupancy of 50% and an average daily rate of \$120 in its first year of operation, increasing by inflation thereafter;
- Departmental expenses for the campground largely include wages and salaries, weekly cleaning, repairs and maintenance, and general operating expenses and have been estimated at 25% of gross revenues;
- Undistributed operating expenses which include administration, marketing, and utility costs have been estimated at 25% of gross revenues;
- Campground(s) owners where the rentals would be located, would be paid a lease rate of 15% of rental revenue;
- Other fixed costs include insurance and a capital reserve. Total fixed charges are estimated at 5% of revenues.

Based on these assumptions, the 15 unit Comfort Camping Rentals and Distribution operation is estimated to generate net income of \$42,000 (rounded) in Year 1, increasing to \$45,000 (rounded) by Year 5. The proforma is provided in Table 4.6-4.

**TABLE 4.6-4**  
**PRELIMINARY PROJECTED OPERATING RESULTS (\$000's)**  
**COMFORT CAMPING RENTALS AND DISTRIBUTION**

	Year 1		Year 2		Year 3		Year 4		Year 5	
# of Comfort Camping Tents	15		15		15		15		15	
# of Available Camping Nights per Year	2,310		2,310		2,310		2,310		2,310	
Occupancy %	50%		50%		50%		50%		50%	
# of Occupied Camper Nights per Year	1,155		1,155		1,155		1,155		1,155	
Average Daily RV Rate	\$120		\$122		\$125		\$127		\$130	
REVENUES										
Comfort Camping Revenue	\$139	100%	\$141	100%	\$144	100%	\$147	100%	\$150	100%
Total Revenue	\$139	100%	\$141	100%	\$144	100%	\$147	100%	\$150	100%
EXPENSES										
Total Operating Expenses	\$35	25%	\$35	25%	\$36	25%	\$37	25%	\$38	25%
GROSS PROFIT	\$104	75%	\$106	75%	\$108	75%	\$110	75%	\$113	75%
UNDISTRIBUTED EXPENSES										
Administration and General Expenses	\$28	20%	\$28	20%	\$29	20%	\$29	20%	\$30	20%
Marketing Expenses	\$7	5%	\$7	5%	\$7	5%	\$7	5%	\$8	5%
INCOME BEFORE FIXED CHARGES	\$69	50%	\$71	50%	\$72	50%	\$74	50%	\$75	50%
FIXED CHARGES										
Site Lease	\$21	15%	\$21	15%	\$22	15%	\$22	15%	\$23	15%
Other Fixed Charges	\$7	5%	\$7	5%	\$7	5%	\$7	5%	\$8	5%
INCOME BEFORE OTHER FIXED CHARGES	\$42	30%	\$42	30%	\$43	30%	\$44	30%	\$45	30%

*Note: The analysis is based on preliminary research and has relied on information provided by the project proponent. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.*

*Source: PKF Consulting Inc.*



#### 4.6.8 Supportable Indication of Value

The subject Comfort Camping and Distribution investment opportunity, could potentially support a value of approximately \$300,000 off its cash flow, assuming an 18% capitalization rate and a 20% discount rate, which is in line with its capital investment requirements.

The preliminary financial analysis reflects approximately \$150,000 in debt, and \$150,000 in equity, with funds borrowed on a 10 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the operation has the potential to generate a 18% return on equity by Year 5.

TABLE 4.6-5					
COMFORT CAMPING RENTALS & DISTRIBUTION					
ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW (\$000's)					
INFLATION			2.0%		
DISCOUNT RATE			20.0%		
TERMINAL CAPITALIZATION RATE			18.0%		
NET PRESENT VALUE ANALYSIS					
Year	Cash Flow	Discount Rate @ 20%	Net Present Value	Implied Yield	
1	\$42	0.833	\$35	14.1%	
2	\$42	0.694	\$29	14.3%	
3	\$43	0.579	\$25	14.6%	
4	\$44	0.482	\$21	14.9%	
5	\$45	0.402	\$18	15.2%	
6	\$46	0.335	\$15	15.5%	
7	\$47	0.279	\$13	15.8%	
8	\$48	0.233	\$11	16.2%	
9	\$49	0.194	\$9	16.5%	
10	\$50	0.162	\$8	16.8%	
Cashflow Value	\$455	Discounted	\$186		
Residual Value	\$282	Discounted	\$113		
	Estimate of Value			\$300	
INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Capital Inv.	\$296	Term (months/years)	120	10	
Debt	\$148	Interest Rate		5.0%	
Equity	\$148	LTV		50%	
		Annual Payment		\$19	
		Mortgage Constant		0.12728	
FINANCING CASHFLOW					
Year	Debt Service (P&I)	Financing Cash Flow (Before Tax)	Debt Coverage Ratio (DCR)	Return on Equity (ROE)	Return on Investment (ROI)
1	\$19	\$23	2.2	15.4%	14.1%
2	\$19	\$24	2.3	16.0%	14.3%
3	\$19	\$24	2.3	16.5%	14.6%
4	\$19	\$25	2.3	17.1%	14.9%
5	\$19	\$26	2.4	17.7%	15.2%

Source: PKF Consulting Inc.

Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.

## 4.7 Perrett Park Campground Expansion, Raymond

### 4.7.1 The Tourism Investment Opportunity

There is an opportunity to expand the existing Perrett Park Campground in Raymond, Alberta by adding **30 additional, fully serviced campsites**, along with a new campground office for sundry and rental equipment sales.

Perrett Park is owned by the Town of Raymond. The campground is well-situated on Corner Lake, offering fishing and boating activities along with hiking trails, and is adjacent to the Raymond & District Golf Course, which offers 9 holes and a restaurant. At 20 available sites, with only 7 sites offering either 15 or 30 amp power, the existing campground is in need of improvements. An expansion would include 30 additional pull through sites with 50 amp power in order to accommodate larger RVs, which have become a noticeable trend in the recreation vehicle industry.

The Town would like to see the campground expanded, and has options on land immediately east of the park. The developer of Stonegate Meadows, a residential community currently in Phase II of development, has an obligation to donate a portion of the development proceeds to the Town, either in the form of cash or land.

The Town of Raymond is seeking private sector investment for the expansion of the campground, along with the addition of sundry/grocery facility and rentals of recreation equipment (i.e. kayaks, bicycles, etc.). No proponent has been identified for this

opportunity, but it is expected that the developer would also manage the property through a fixed fee arrangement.

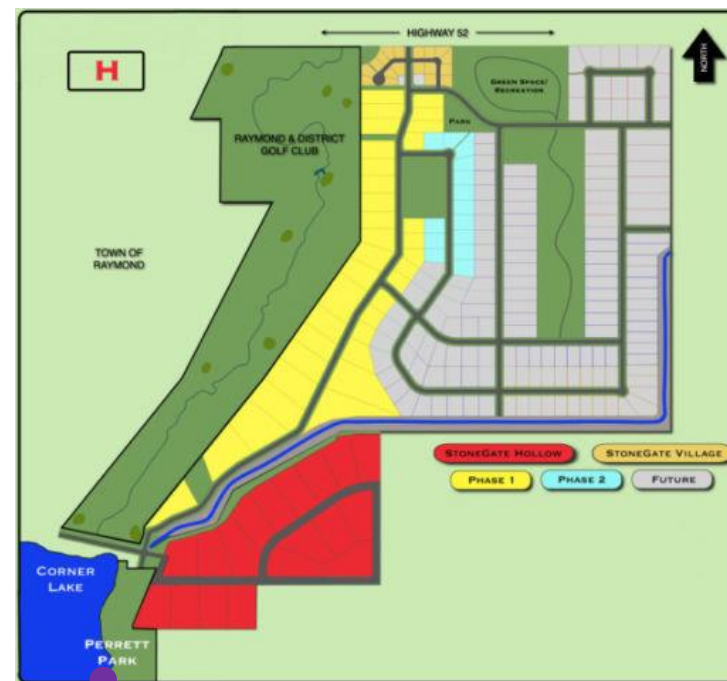
### 4.7.2 Site Location and Existing Operation

The Perrett Park & Campground site is located at East 400 St. S, south of Highway 52, and adjacent to the Raymond & District Golf Course. The Town of Raymond is located just 20 minutes (38 km) south of the City of Lethbridge, in the County of Warner, and approximately one hour north of the Coutts Canada-U.S. International Border (81 km).

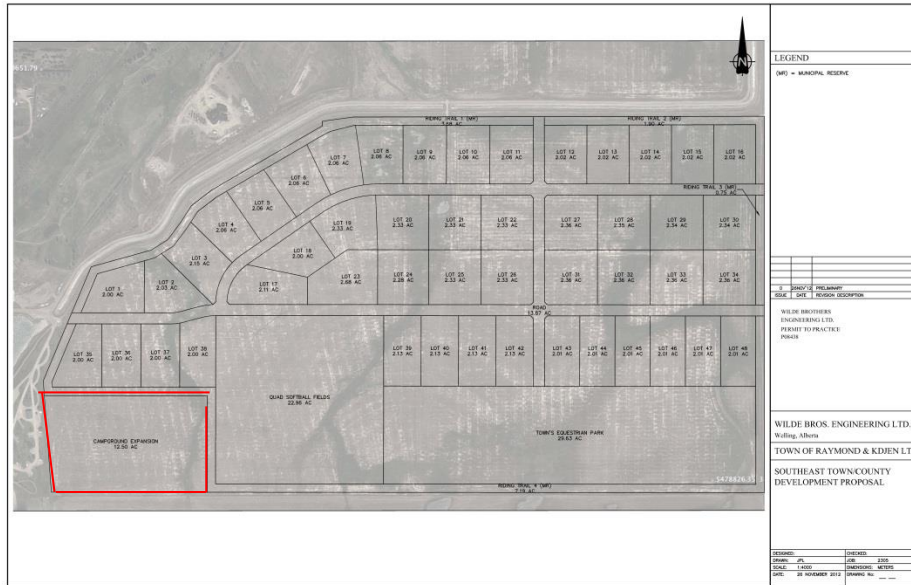
According to the 2014 Municipal Census, the population of the Town of Raymond is 4,081, representing a 22% increase from 2006. The Town was founded by a prominent member of the Church of Jesus Christ of Latter-day Saints, and the Church's influence is deeply rooted in the Town's development and planning. There is significant First Nations impact in the area's history as well. The Town is also known as "Sugar City," due to the establishment of the Knight Sugar Factory in 1903, which was the original economic base for the Town. Today, public sector health care and educational jobs make up 30% of employment in Raymond, which helps to stabilize the local economy. The Town has impressive recreation facilities, including the Raymond Aquatic Centre and Raymond Arena, and Tennis Court Complex. The Victoria Park Regional Sports Fields & Wellness Facilities is currently in the planning stages and is expected to be operational by spring of 2016. Other attractions include the Temple Hill Motorcycle Park, which hosts the Western Canadian Amateur Championships, the Broadway Theatre, and the Raymond Pioneer History Museum. The Town also enjoys proximity to Waterton Lakes and is a stop on the Mormon Trail.

The following map shows the location of the Perrett Park & Campground in relation to the Stonegate Meadows development, followed by a site plan of the Stonegate Hollow. The proposed campground expansion includes 12 acres in the southwest quadrant of the Stonegate Hollow residential development (see blue outline).

It is estimated that the development of an additional 30 serviced sites will require a minimum of **5 acres** of land, with additional land reserved for a campground office with sundry and rentals available. As such, the 12 acres that have been earmarked for the developer to donate back to the Town for a campground expansion is considered very suitable. There has also been discussion of converting the existing Exhibition Grounds adjacent to the Stonegate development into a softball field, and turning the existing Equestrian Park into new exhibition grounds. However, it is unlikely that these changes will take place in the near future, particularly due to the historic significance of the Equestrian Park.



Source: <http://stonegatemeadows.ca>



#### 4.7.3 Land Tenure and Regulatory Issues

The subject site is zoned as POS-1 – Parks & Open space, which allows recreation and public park as permitted uses. However, the land that would be donated to the Town for expansion is currently zoned R-1 – General Residential, and would require rezoning to permit campground development.

#### 4.7.4 Complementary Business Development Opportunities

In addition to the 30 site expansion of the campground, complementary business development opportunities for the site could include the 3 ancillary options listed below:

- **Sundry Shop** – there are currently no food or firewood sales available at Perrett Park. A potential developer could build a small grocery store to include coffee, grocery items and camp supplies for sale, as well as common camp equipment items available for rent. Snack and beverage vending machines could also be implemented.
- **Kayak, Canoe and Bicycle Rentals** – rental recreation equipment is common at campgrounds to enhance both the availability of things to do for guests, as well as the opportunity for the campground to make incremental revenue.
- **WiFi** – most modern campgrounds feature WiFi service, which is a common interest for travellers, and is particularly important to assist in trip planning. Depending on the broadband capacity levels in Raymond, there may be an opportunity to charge for this service.

#### 4.7.5 Camping Market

PKF Consulting has identified that in addition to the subject site, there are 5 other municipal and not-for-profit campgrounds of similar size in the surrounding area, as detailed in Table 4.7-1.

As shown, comparable campground facilities in Raymond and the surrounding area feature approximately 36 sites capable of offering full services (power, water and sewer), and 11 sites with no servicing. The daily rate for full services ranges from \$25 to \$35, as compared to \$10 to \$25 for no services.

TABLE 4.7-1 CAMPGROUND FACILITIES RAYMOND AREA						
Name	Location	Full Services		No Services		Amenities
		# of Sites	Daily Rate	# of Sites	Daily Rate	
Perrett Park & Campground	Raymond	7	\$25	13	\$10	Parkland, fishing, playground, walking trails, washrooms and shower facilities. On Corner Lake, at south end of Raymond Golf Course.
Covered Wagon RV Park	Magrath	45	\$35	14	\$25	Restrooms with flush toilets, showers, laundry, public phone, playground, horseshoe pits, free wagon rides, pets allowed, 1,800 sq.ft. hall for event rental, groceries (limited), 3 rental cabins / 3 B&B rooms.
Ridge Park Campground	Warner	31	\$30	17	\$20	Playground, a boat dock and ramp, two camp kitchens, pit toilets, swimming area.
Lee Creek Campground	Cardston	43	\$28	13	\$23	Bike trails, caretaker, fire pits, horseshoe pits, picnic tables, laundry, showers, internet, reunion centre, playground, store, firewood.
Countryside Campground	Picture Butte	29	\$30	n/a	\$15	Located across from Picture Butte Golf Course, fresh water, WiFi service, picnic tables, restrooms and showers, fire pits, laundry.
Gold Springs Park	Milk River	60	\$30	10	\$25	Rental cabins, showers, playground, firewood, stage, kitchens, volleyball nets, paddle boats, fishing in the reservoir, and canoe access to the Milk River.

Source: PKF Consulting

Table 4.7-2 provides a summary of the market performance of 5 Provincial campgrounds located in South Central Alberta during the 2014 operating season. These campgrounds typically operate from mid May to early October. As shown, the market average occupancy rate at comparable campgrounds located in Provincial Parks is 35%, equating to 34,400 occupied campsite nights for the 2014 operating season.

Other market trends for the campground industry in North America include:

- Significant growth in the past ten years in recreational vehicle ownership (and high ownership levels in Alberta, exceeding all other provinces);

- Recreational vehicles are getting larger and sometimes include slide out rooms, TVs, microwaves, computers and even dishwashers, resulting in the need for 50 amp power or 30 amp at a minimum;

- Recreation vehicles are being used as second homes creating demand for seasonal sites at campgrounds with amenities such as laundry facilities and cable connections;

- Camping with tents has declined as the baby boomer market seeks more comfort; and
- There is a growing trend toward educational, cultural and recreational activities while camping, creating a need for campgrounds to offer these types of experiences or to be located within close proximity to these services and experiences.

TABLE 4.7-2 ALBERTA SOUTH CENTRAL PROVINCIAL CAMPSITES 2014 MARKET PERFORMANCE			
	Sites	Occupied Campsite Nights	Occupancy
Beauvais Lake	87	5,890	37%
Chain Lakes	93	4,298	25%
Little Bow	224	14,343	35%
Park Lake	72	4,919	37%
Writing-on-Stone	64	4,919	42%
<b>TOTAL</b>	<b>540</b>	<b>34,369</b>	<b>35%</b>

Source: Reserve.AlbertaParks.ca

#### 4.7.6 Potential Target Markets

The market for campgrounds in Alberta is primarily comprised of local Albertans but also includes visitors from British Columbia, Saskatchewan and nearby US states. The typical operating season for campgrounds in Alberta is May through September/October.

The expanded Perrett Park Campground will primarily attract the following markets:

- Visiting friends and relatives, particularly during summer festival days;
- Summer independent leisure tourists from the Northwestern U.S., Alberta, other western Canadian provinces, and overseas tourists;

- Residents of Lethbridge interested in weekly or monthly camping experiences; and
- Visitors travelling on the Mormon Trail.

The Perrett Park Campground holds good appeal for both Canadian and US **Cultural Explorers** within the Explorer Quotient® psychographic segmentation system (EQ), which aligns well with Travel Alberta and the Chinook Country Tourist Association's marketing targets. This EQ Type scores high for tenting and RV touring.

#### 4.7.7 Preliminary Capital Cost Estimates

On the basis that the Perrett Park Campground expands by an additional 30 pull through campsites with full hook-ups, the **preliminary order-of-magnitude capital costs have been estimated to be \$272,000** inclusive of base building construction costs for the campsites and sundry/rental office, furniture, fixtures and equipment, soft costs, pre-opening marketing expenses and a contingency. Land costs are not applicable in this instance as it is assumed that the land is being donated by the developer to the Town of Raymond. The preliminary order of magnitude capital costs are outlined in Table 4.7-3.

<b>TABLE 4.7-3 PRELIMINARY ORDER OF MAGNITUDE CAPITAL COSTS PROPOSED EXPANDED PERRETT PARK CAMPGROUND RAYMOND, ALBERTA</b>		
Base RV Site Construction Costs	\$7,500 per site @ 30 sites	\$225,000
Sundry/Rental Office Construction Costs		\$10,000
<b>Subtotal</b>		<b>\$235,000</b>
Land		NA
Soft Costs	5.0%	\$11,800
Contingency	8.0%	\$18,800
Pre-opening Marketing	2.5%	\$5,900
<b>TOTAL</b>		<b>\$271,500</b>
<b>Total per Site</b>		<b>\$13,575</b>

Source: PKF Consulting

\*PKF Consulting is not qualified as a Quantity Surveyor and all estimates are based on third party sources and should be used as a guideline for discussion only.

#### 4.7.8 Preliminary High Level Proforma

A preliminary five year high level proforma for the proposed Perrett Park Campground expansion has been based on the operating experience of comparable campgrounds in Alberta and Western Canada, as well as the following assumptions:

- The operating season would be 154 days, running from the May long weekend to mid October each year (as it is currently). The operating season can change due to weather conditions;
- An inflationary factor of 2.0% per annum;

- The RV sites reflect a stabilized occupancy of 53% by the third year of operation and an average daily rate of \$31 in its first year of operation, increasing by inflation thereafter;
- Sundry and rental recreation equipment revenues have been estimated at \$8 per occupied camp night, equating to \$30,000 in Year 1 revenues;
- In addition to RV sites, other sources of revenue could include laundry facilities and Wifi service; however, no estimations have been prepared for this preliminary analysis;
- Departmental expenses for the campground largely include wages and salaries, repairs and maintenance, tools and equipment, cost of goods sold, and general operating expenses and have been estimated at 15% of gross revenues;
- Undistributed operating expenses which include administration, marketing, and utility costs have been estimated at 20% of gross revenues;
- The campground be leased to a third party operator at a fixed rate of \$50,000 in Year 1 (increasing by inflation thereafter), would be operated professionally, and that appropriate levels of ongoing marketing would occur;
- Other fixed costs include property taxes, insurance and a capital reserve. Total fixed charges are estimated at 5% of revenues.

Based on these assumptions, the expanded Perrett Park Campground is estimated to generate net income of \$42,000 (rounded) in Year 1, increasing to \$53,000 (rounded) by Year 5. The proforma is provided in Table 4.7-4.

TABLE 4.7-4 PRELIMINARY PROJECTED OPERATING RESULTS (\$000's) PROPOSED EXPANDED PERRETT PARK CAMPGROUND RAYMOND, ALBERTA										
	Year 1		Year 2		Year 3		Year 4		Year 5	
# of RV Sites	50		50		50		50		50	
# of Available RV Nights per Year	7,700		7,700		7,700		7,700		7,700	
Occupancy %	48%		50%		53%		53%		53%	
# of Occupied RV Nights per Year	3,696		3,850		4,081		4,081		4,081	
Average Daily RV Rate	\$31		\$32		\$32		\$33		\$34	
REVENUES										
RV Revenue	\$115	79%	\$122	80%	\$132	81%	\$134	81%	\$137	81%
Rental/Sundry Revenue	\$30	21%	\$31	20%	\$31	19%	\$32	19%	\$32	19%
Total Revenue	\$145	100%	\$152	100%	\$163	100%	\$166	100%	\$169	100%
EXPENSES										
Total Operating Expenses	\$22	15%	\$23	15%	\$24	15%	\$25	15%	\$25	15%
GROSS PROFIT	\$123	85%	\$129	85%	\$138	85%	\$141	85%	\$144	85%
UNDISTRIBUTED EXPENSES										
Total Undistributed Expenses	\$29	20%	\$30	20%	\$33	20%	\$33	20%	\$34	20%
INCOME BEFORE FIXED CHARGES	\$94	65%	\$99	65%	\$106	65%	\$108	65%	\$110	65%
FIXED CHARGES										
Mangement Lease	\$45	31%	\$46	30%	\$47	29%	\$48	29%	\$49	29%
Other Fixed Charges	\$7	5%	\$8	5%	\$8	5%	\$8	5%	\$8	5%
INCOME BEFORE OTHER FIXED CHARGES	\$42	29%	\$46	30%	\$51	31%	\$52	31%	\$53	31%
Note: The analysis is based on preliminary research and has relied on information provided by the project proponent. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.										
Source: PKF Consulting Inc.										



#### 4.7.9 Supportable Indication of Value

Given the operating projections above, the expanded Perrett Park Campground could potentially support a value of approximately \$342,000 off its cash flow, assuming an 18% capitalization rate and a 20% discount rate, which is \$70,000 greater than the estimated capital investment.

The preliminary financial analysis reflects approximately \$136,000 in debt, and \$136,000 in equity, with funds borrowed on a 10 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the expanded Perrett Park Campground have the potential to generate a 26% return on equity by Year 5.

TABLE 4.7-5 PROPOSED EXPANDED PERRETT PARK CAMPGROUND ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW (\$000's)					
INFLATION			2.0%		
DISCOUNT RATE			20.0%		
TERMINAL CAPITALIZATION RATE			18.0%		
NET PRESENT VALUE ANALYSIS					
Year	Cash Flow	Discount Rate @ 20%	Net Present Value	Implied Yield	
1	\$42	0.833	\$35	15.4%	
2	\$46	0.694	\$32	16.8%	
3	\$51	0.579	\$29	18.7%	
4	\$52	0.482	\$25	19.1%	
5	\$53	0.402	\$21	19.5%	
6	\$54	0.335	\$18	19.9%	
7	\$55	0.279	\$15	20.3%	
8	\$56	0.233	\$13	20.7%	
9	\$57	0.194	\$11	21.1%	
10	\$58	0.162	\$9	21.5%	
Cashflow Value		\$524	Discounted	\$209	
Residual Value		\$331	Discounted	\$133	
			Estimate of Value		\$342
INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Capital Inv.	\$272	Term (months/years)	120	10	
Debt	\$136	Interest Rate		5.0%	
Equity	\$136	LTV		50%	
		Annual Payment		\$17	
		Mortgage Constant		0.12728	
FINANCING CASHFLOW					
Year	Debt Service	After	Debt Coverage Ratio	Return on	Return on
1	\$17	\$24	2.4	18.0%	15.4%
2	\$17	\$28	2.6	20.8%	16.8%
3	\$17	\$34	2.9	24.8%	18.7%
4	\$17	\$35	3.0	25.5%	19.1%
5	\$17	\$36	3.1	26.3%	19.5%

Source: PKF Consulting Inc.

Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.

## 4.8 Double Tree Inn Sale, Coutts

### 4.8.1 The Tourism Investment Opportunity

There is an opportunity to acquire a **13-unit motel** in Coutts, Alberta at the US Canada Coutts, Alberta/Sweetgrass, Montana International border.

The motel offers 10 rooms in the main building and 3 kitchenettes in an on-site ADCO trailer. Of the 10 rooms in the motel, 4 provide kitchen units, while 6 are rooms only.

**FIGURE 4.8-1  
DOUBLE TREE INN COUTTS**



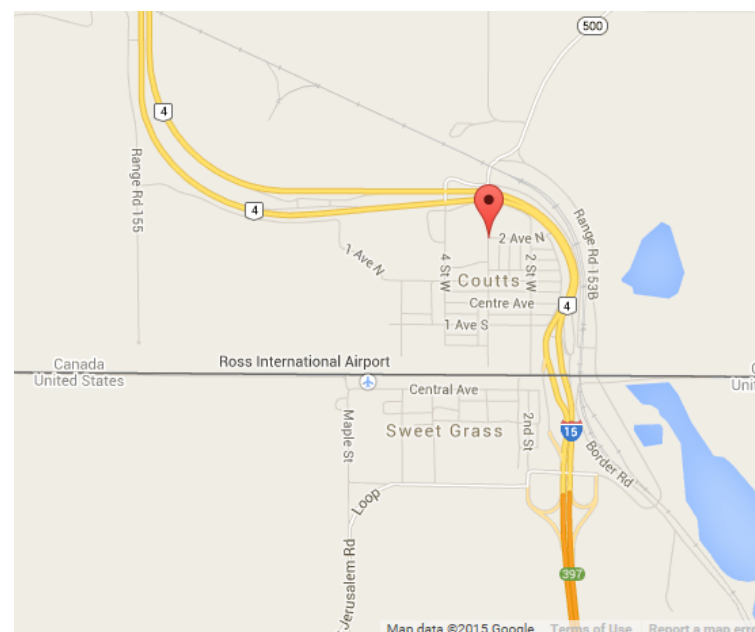
Source: PKF Consulting Research

### 4.8.2 Site Location

The Double Tree Inn motel is located at 102 2 Avenue North in Coutts, Alberta. The motel is located immediately north of the Canada/US International border, which is a 24-hour operation.

The site comprises 5.5 town lots.

**FIGURE 4.8-2  
LOCATION OF DOUBLE TREE INN, COUTTS**



Source: Google Maps, 2015

### 4.8.3 Complementary Business Development Opportunities

The Village of Coutts offers very limited foodservice operations, with only one independent quick service sandwich restaurant available with business day operating hours. There is an opportunity to add a **breakfast room to the motel** for overnight guests. Given that the international border is a 24-hour operation coupled with the limited food establishments in Coutts, there may also be an opportunity to host a **food truck** on the motel site.

### 4.8.4 Competitive Supply and Demand

The competitive Accommodation Market consists of 3 primary properties, including the subject motel offering 46 available rooms as at December 2014, as identified in Table 4.8-1, and graphically depicted in the following map.

TABLE 4.8-1 DOUBLETREE MOTEL COMPETITIVE ACCOMMODATION MARKET	
# on Map / Property Name	Rooms
1. Subject Double Tree Inn, Coutts	13
2. Sandstone Motel, Milk River	20
3. Foremost Inn, Foremost	13
<b>TOTAL ROOMS</b>	<b>46</b>

Source: PKF Consulting

The Sandstone Motel in Milk River is the largest property featuring 20 rooms, including 17 rooms with kitchenettes, along with a full service restaurant and lounge. The motel recently underwent capital improvements, including the replacement of carpets and upgrades to

about 50% of the room inventory. The balance of the room inventory was not upgraded, as it is primarily utilized for oil and gas crew.

It is estimated that the competitive market achieved a 44% occupancy in 2014, at an average daily rate of \$88.

TABLE 4.8-2 COMPETITIVE MARKET PERFORMANCE	
	2014
<b>Rooms</b>	46
<b>Available Room Nights</b>	16,790
<b>Occupied Room Nights</b>	7,445
<b>Occupancy</b>	<b>44%</b>
<b>Average Daily Rate</b>	<b>\$88</b>

Source: PKF Consulting

### 4.8.5 Target Markets

The Double Tree Inn draws its market from a number of sources, including:

- Oil and gas, and mining crews;
- Truckers with oversized loads, who must wait at the border for clearance and/or pilots;
- Hunters to the area in September, October and November;
- New immigrants to Canada, residing in Alberta, who must report to the border for paperwork;
- Alberta Snowbirds travelling to the U.S. over the October to January period; and returning from March to April; and
- Independent leisure tourists visiting Writing on Stone Provincial Park, given the lack of fixed roof or comfort

accommodation in and around the park. This may be relevant to parties that include US Gentle Explorers, who seek the comforts that fixed roof accommodation may afford.

Economic growth prospects for Coutts, Alberta over the next 3 to 5 year horizon call for the proposed development of cement elevators, by Parrish and Hemibecker Limited (an agri-business firm involved in grain procurement and merchandising, milling, animal nutrient programs, poultry farming and food processing). The construction period will generate work crew demand for accommodation in the area over the short term.

#### 4.8.6 Comparable Alberta Hotel Transactions

At an asking price of \$400,000 for the subject Double Tree Inn, a price of \$31,000 per room would fall in line with similar transactions which have occurred elsewhere in the province. Table 4.8-3 provides a summary of hotel transactions that have taken place in Alberta over the 2010 to 2014 period, that have sold for under \$45,000 per room. Prices have ranged from \$23,000 per room for the Super 8 Red Deer to close to \$46,000 per room for the Siesta Motel in Olds, with an overall average of \$35,000 per room.

TABLE 4.8-3 ALBERTA HOTEL/MOTEL TRANSACTIONS which SOLD FOR UNDER \$45,000 PER ROOM - 2010 to 2014								
Hotel Property	City	Province	Asset Class	Rooms	Sale Month	Sale year	Price	Price per Room
The Pointe Inn	Calgary	Alberta	Limited Service	150	Jun	2010	\$6,750,000	\$45,000
Lloydminster Motor Inn	Lloydminster	Alberta	Limited Service	64	Mar	2011	\$2,100,000	\$32,813
Thriftlodge Lethbridge	Lethbridge	Alberta	Limited Service	91	Oct	2011	\$2,300,000	\$25,275
Travelodge Hotel Macleod Trail	Calgary	Alberta	Limited Service	254	Jun	2012	\$11,000,000	\$43,307
Drumheller Inn & Suites	Drumheller	Alberta	Limited Service	100	Aug	2012	\$3,350,000	\$33,500
Travelodge Red Deer	Red Deer	Alberta	Limited Service	135	Sep	2012	\$2,600,000	\$19,259
Travelodge Brooks	Brooks	Alberta	Limited Service	61	Mar	2013	\$2,800,000	\$45,902
Advantage Hotel	Edmonton	Alberta	Motel	50	Nov	2013	\$2,100,000	\$42,000
Silver Crest Lodge	Grand Prairie	Alberta	Resort	95	Jul	2013	\$3,400,000	\$35,789
Travelodge Medicine Hat	Medicine Hat	Alberta	Limited Service	128	Jun	2013	\$3,570,000	\$27,891
Super 8 Red Deer	Red Deer	Alberta	Limited Service	72	Jan	2013	\$1,650,000	\$22,917
Siesta Motel	Olds	Alberta	Motel	37	Jul	2014	\$1,700,000	\$45,946
<b>Average</b>								<b>\$35,020</b>

*Source: Colliers Canadian Hotel Investment Reports and Newsletters*

#### 4.8.7 Preliminary High Level Proforma

As the operator has not provided historic financial information for the property, Table 4.8-4 provides a preliminary high level proforma for the subject Double Tree Inn, based on the following assumptions:

- An inflationary factor of 2.0% per annum;
- The hotel would be operated professionally and appropriate levels of ongoing marketing would occur;
- The motel would continue to perform at 40% occupancy and an Average Daily Rate of \$84 in 2014, inflated by 2% per annum;
- Rooms Expenses include wages and salaries, Travel Agent Commissions, Guest Supplies, and other rooms related expenses, and have been estimated at 25% of Room Revenues in Year 1;
- Undistributed expenses include Administration and General, Marketing, Repairs and Maintenance, and Utility Costs, and have been estimated at 35% of revenues in Year 1;
- The projections take into account a management fee of 3.0% of gross revenues and a capital reserve at 4% of gross revenues. A management fee is included as a prospective purchaser would allow these fees when assessing an acquisition and has been included in the statements on a go forward basis; and

- Other fixed costs including property taxes and insurance have been estimated at \$9,000 in Year 1 increasing by inflation.

Based on these assumptions, the subject Double Tree Inn is projected to generate an estimated net income of approximately \$40,000 per annum.

<b>TABLE 4.8-4</b> <b>Double Tree Inn</b> <b>Coutts, Alberta</b> <b>PROJECTED NOTIONAL OPERATING PROJECTIONS</b>						
	Adjusted Results					
	2014	2015	2016	2017	2018	2019
<b>Rooms</b>	13	13	13	13	13	13
<b>Available Rooms</b>	4,745	4,745	4,745	4,745	4,745	4,745
<b>Occupied Rooms</b>	1,900	1,900	1,900	1,900	1,900	1,900
<b>Occupancy Rate</b>	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
<b>Average Daily Rate</b>	\$84.00	\$85.68	\$87.39	\$89.14	\$90.92	\$92.74
<b>RevPar</b>	\$33.64	\$34.31	\$34.99	\$35.69	\$36.41	\$37.14
<b>REVENUE</b>						
Rooms	\$160 100.0%	\$163 100.0%	\$166 100.0%	\$169 100.0%	\$173 100.0%	\$176 100.0%
<b>Total Revenue</b>	<b>\$160 100.0%</b>	<b>\$163 100.0%</b>	<b>\$166 100.0%</b>	<b>\$169 100.0%</b>	<b>\$173 100.0%</b>	<b>\$176 100.0%</b>
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	\$40 25.0%	\$41 25.1%	\$42 25.2%	\$43 25.4%	\$44 25.5%	\$45 25.6%
<b>Total Departmental Expenses</b>	<b>\$41 25.6%</b>	<b>\$42 25.8%</b>	<b>\$43 25.9%</b>	<b>\$44 26.0%</b>	<b>\$45 26.1%</b>	<b>\$46 26.3%</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$119 74.4%</b>	<b>\$121 74.2%</b>	<b>\$123 74.1%</b>	<b>\$125 74.0%</b>	<b>\$128 73.9%</b>	<b>\$130 73.7%</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administration and General	\$24 15.0%	\$25 15.1%	\$25 15.1%	\$26 15.2%	\$26 15.3%	\$27 15.4%
Sales and Marketing	\$8 5.0%	\$8 5.0%	\$8 5.1%	\$9 5.1%	\$9 5.1%	\$9 5.1%
Property Operation and Maintenance	\$12 7.5%	\$12 7.5%	\$13 7.6%	\$13 7.6%	\$13 7.6%	\$14 7.7%
Utilities	\$12 7.5%	\$12 7.5%	\$13 7.6%	\$13 7.6%	\$13 7.6%	\$14 7.7%
<b>Total Undistributed Expenses</b>	<b>\$56 35.0%</b>	<b>\$57 35.2%</b>	<b>\$59 35.3%</b>	<b>\$60 35.5%</b>	<b>\$62 35.7%</b>	<b>\$63 35.9%</b>
<b>GROSS OPERATING PROFIT</b>	<b>\$63 39.4%</b>	<b>\$64 39.1%</b>	<b>\$64 38.8%</b>	<b>\$65 38.5%</b>	<b>\$66 38.2%</b>	<b>\$67 37.9%</b>
Management Fee	\$5 3.0%	\$5 3.0%	\$5 3.0%	\$5 3.0%	\$5 3.0%	\$5 3.0%
<b>INCOME BEFORE FIXED CHARGES</b>	<b>\$58 36.4%</b>	<b>\$59 36.1%</b>	<b>\$59 35.8%</b>	<b>\$60 35.5%</b>	<b>\$61 35.2%</b>	<b>\$61 34.9%</b>
<b>FIXED CHARGES</b>						
Property Taxes	\$6 3.5%	\$6 3.5%	\$6 3.5%	\$6 3.6%	\$6 3.6%	\$6 3.6%
Insurance	\$3 2.0%	\$3 2.0%	\$3 2.0%	\$3 2.0%	\$4 2.0%	\$4 2.0%
<b>Total Fixed Charges</b>	<b>\$11 6.8%</b>	<b>\$11 6.8%</b>	<b>\$11 6.8%</b>	<b>\$12 6.9%</b>	<b>\$12 6.9%</b>	<b>\$12 6.9%</b>
<b>NET OPERATING INCOME</b>	<b>\$47 29.6%</b>	<b>\$48 29.3%</b>	<b>\$48 29.0%</b>	<b>\$48 28.6%</b>	<b>\$49 28.3%</b>	<b>\$49 27.9%</b>
Reserve for Asset Replacement	\$6 4.0%	\$7 4.0%	\$7 4.0%	\$7 4.0%	\$7 4.0%	\$7 4.0%
<b>ADJUSTED NET OPERATING INCOME</b>	<b>\$41 25.6%</b>	<b>\$41 25.3%</b>	<b>\$41 25.0%</b>	<b>\$42 24.6%</b>	<b>\$42 24.3%</b>	<b>\$42 23.9%</b>
Source: PKF Consulting Inc.						
Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.						
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#### 4.8.8 Supportable Indication of Value

Given the operating projections above, it is not unreasonable that the subject Double Tree Inn could potentially support a value of approximately \$400,000 off its cash flow, assuming a 10% capitalization rate and a 12% discount rate.

The preliminary financial analysis reflects approximately \$217,000 in debt, and \$183,000 in equity, with funds borrowed on a 10 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the Double Tree Inn have the potential to generate an 8% return on equity by Year 5.

TABLE 4.8-5 Double Tree Inn ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW					
		ROOMS	13		
		INFLATION	2.0%		
		DISCOUNT RATE	12.0%		
		TERMINAL CAPITALIZATION RATE	10.0%		
NET PRESENT VALUE ANALYSIS					
Year	Year	Cash Flow	Discount Rate @ 12%	Net Present Value	Implied Yield
1	2015	\$41	0.893	\$37	10.4%
2	2016	\$41	0.797	\$33	10.5%
3	2017	\$42	0.712	\$30	10.6%
4	2018	\$42	0.636	\$27	10.6%
5	2019	\$42	0.567	\$24	10.7%
Cashflow Value		\$208	Discounted	\$150	
Residual Value		\$430	Discounted	\$244	
		Estimate of Value Per Room			\$394 \$30
INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Acquisition Cost	\$400	Term (months/years)	120		10
Debt	\$217	Interest Rate			5.0%
Equity	\$183	LTV			55%
		Annual Payment			\$28
		Mortgage Constant			0.12728
FINANCING CASHFLOW					
Year	Debt Service (P&I)	After Financing Cash Flow (Before Tax)	Debt Coverage Ratio (DCR)	Return on Equity (ROE)	Return on Investment (ROI)
1	\$28	\$14	1.5	7.4%	10.3%
2	\$28	\$14	1.5	7.6%	10.4%
3	\$28	\$14	1.5	7.7%	10.4%
4	\$28	\$14	1.5	7.8%	10.5%
5	\$28	\$15	1.5	8.0%	10.5%

Source: PKF Consulting Inc.

## 4.9 Vulcan New Build Hotel, Vulcan

### 4.9.1 The Tourism Investment Opportunity

There is an opportunity to develop a **60-unit limited service hotel** in close proximity to Highway 23 in the Town of Vulcan.

The Town has identified a need for a branded hotel to accommodate corporate and leisure visitors, including an estimated 60,000 annual “Trekkies” who visit the Town for the Vulcan Tourism & Trek Station and its two major annual events – Spock Days and Vul Con. The 3 existing hotels and motels in Vulcan are often rented out by mining crews, who occupy the accommodations for extended periods of time, limiting vacancies for leisure and other corporate visitors.

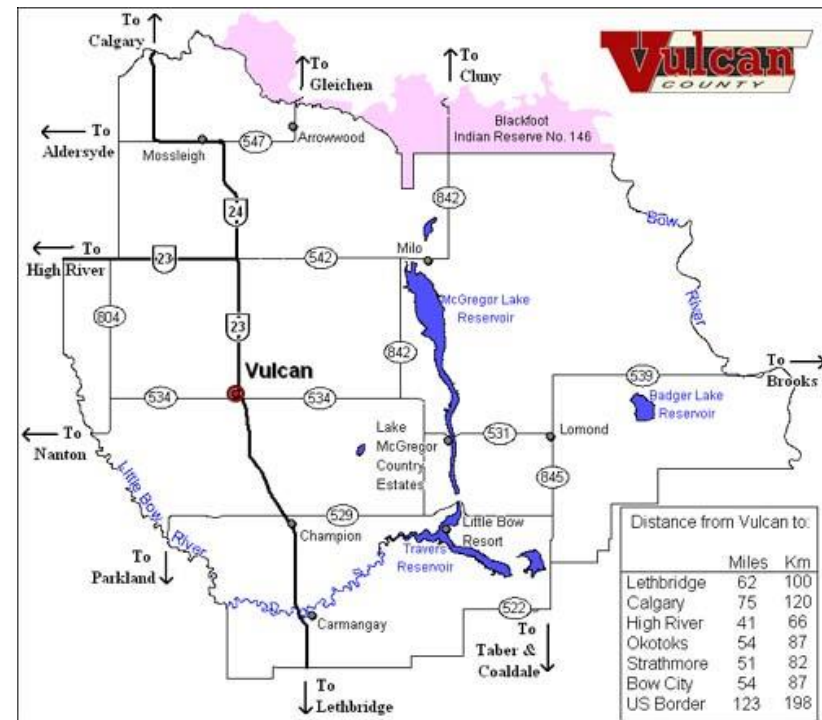
A new hotel in Vulcan will take advantage of an estimated 6,000 cars travelling daily on Hwy 23 between Calgary and Lethbridge, which is also a major route from the US border to Fort McMurray.

There is currently no proponent for this opportunity. In order to secure a branded hotel development in Vulcan in the short-term, and to ensure its viability, the Town could consider providing an incentive, such as an appropriate site at no cost to the developer.

### 4.9.2 Site Location

No specific site has been identified for the proposed Vulcan Hotel; however, development of a 60-room limited service property requires a minimum site of approximately 2 acres.

The site should be located on Hwy 23, with excellent visibility for travellers driving north and south along this route, and no impediments to access/egress from the property.



Source: [www.vulcanbusiness.ca](http://www.vulcanbusiness.ca)

### 4.9.3 Land Tenure and Regulatory Issues

Land tenure and regulatory issues will be dependent on the development site selected. If private land is purchased or leased, the site would require proper zoning and a municipal development permit.



#### 4.9.4 Complementary Business Development Opportunities

In the long term, the Town hopes to develop a **Discovery Centre** of approximately 60,000 square feet that would be located adjacent to the hotel. The Centre would include larger banquet rooms for hosting events, weddings and family reunions. It would include office space to serve as an incubator for technology R&D and serve as a technology learning centre.

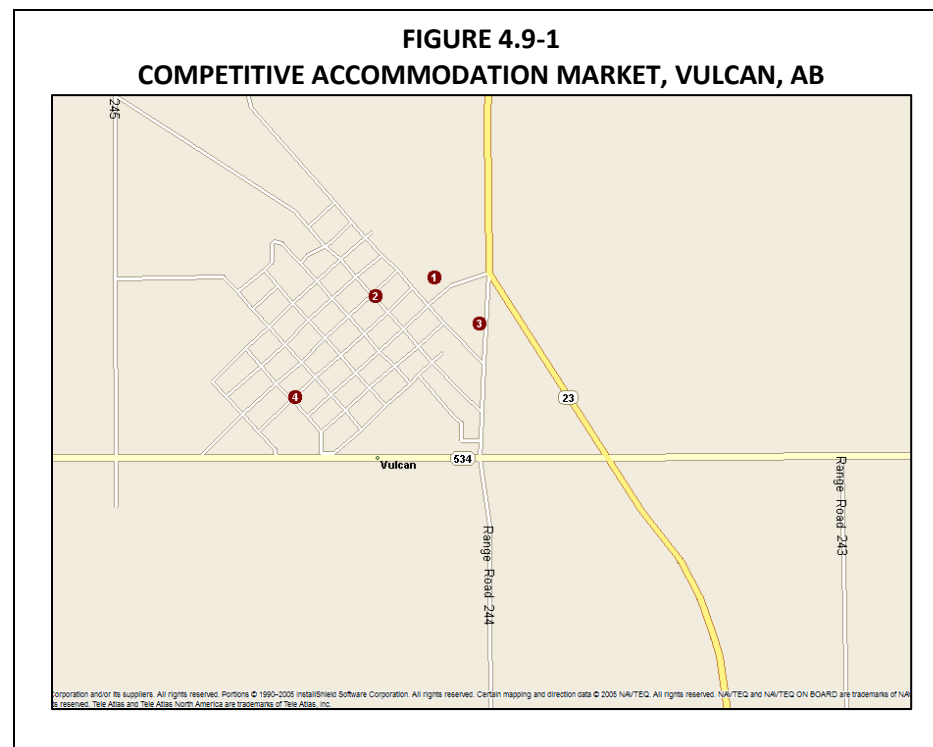
Depending on the size of the site, other complementary private sector business development opportunities for a proposed limited service hotel could include a **leased full service restaurant on-site**.

#### 4.9.5 Competitive Supply and Demand

The competitive Vulcan Accommodation Market consists of 4 primary properties offering 89 available rooms as at December 2014, as identified in Table 4.9-1, and graphically depicted in the following map.

TABLE 4.9-1 VULCAN HOTEL COMPETITIVE ACCOMMODATION MARKET	
# on Map / Property Name	Rooms
1. Vulcan Country Inn	41
2. Vulcan Hotel	20
3. Wheatland Motel	26
4. Tree House Bed & Breakfast	2
<b>TOTAL ROOMS</b>	<b>89</b>

Source: PKF Consulting



The Vulcan Country Inn is the largest property featuring 41 rooms, including 17 rooms with kitchenettes, along with a full service restaurant and lounge. The Vulcan Hotel offers wifi and a themed experience in its 20 rooms, while the 26-room Wheatland Motel offers more long-term stay options. Two rooms are available at the Tree House B&B.

Table 4.9-2 presents a summary of the historic occupancy and average daily rates achieved by the competitive accommodation market from 2012 through 2014.

TABLE 4.9-2 VULCAN HOTEL HISTORIC MARKET PERFORMANCE			
	2012	2013	2014
Rooms	89	89	89
Available Room Nights	32,500	32,500	32,500
Occupied Room Nights	16,500	17,400	17,100
Occupancy	51%	54%	53%
Average Daily Rate	\$76	\$79	\$80

Source: PKF Consulting

As summarized, the competitive market occupancy has historically performed in the low to mid 50% range, while available room nights (accommodation supply) have remained constant. Accommodation demand (occupied room nights) increased by 6% in 2013 before declining by 2% in 2014. The Average Daily Rate in Vulcan (ADR) has fluctuated between \$76 and \$80 over the past 3 years.

#### 4.9.6 Potential Target Markets and Demand Projections

A new hotel in the Town of Vulcan is expected to draw a portion of the existing demand from the local Vulcan Accommodation market. Potential target markets include:

- “Trekkies” – independent and group leisure visitors travelling to Vulcan to attend a Star Trek convention or visit the Trek Station;
- Independent and group leisure tourists interested in golf;
- Sport tournament business;

- Oil and gas, construction and mining crews;
- Independent corporate visitors and professionals travelling on business; and
- Regional Government representatives.

For the leisure market, Vulcan’s events are a strong draw for a specialty niche market of Trekkies, particularly Free Spirits from California and western Canada, but will also be popular with US and Canadian Cultural Explorers during festival times and throughout the summer months. Free Spirits prefer branded hotels, whereas US Cultural Explorers enjoy all types of accommodation, and Canadian CE’s will prefer accommodation reflective of and/or inclusive of local culture – a value that could be accommodated in a new hotel setting through creative programming and packaging.

The estimated market segmentation for the competitive market for 2014 is presented in Table 4.9-3.

TABLE 4.9-3 VULCAN HOTEL HISTORIC MARKET SEGMENTATION – 2014		
	2014	% of Demand
Corporate/Crew	4,200	25%
Leisure	12,100	71%
Government/Other Discount	800	4%
<b>Total</b>	<b>17,100</b>	<b>100%</b>

Source: PKF Consulting

When the proposed 60-room Vulcan Hotel enters the market, it will increase supply by over 67% to a total of 149 rooms. As the newest

and only branded product in the market, a new 60-room hotel stands to significantly enhance the existing Vulcan accommodation market. The hotel is projected to achieve strong positioning in all segments with the exception of the crew-based segment, due to the anticipated price point.

In projecting occupancy performance of the proposed subject property over the projection period, the concept of “fair market share” has been utilized. This concept states that a property will attract rooms demand in the same proportion as its share of rooms supply. The basic assumption is that all things are equal; however, different properties achieve different levels of market penetration based on various competitive factors including location, product and facilities, customer preferences, pricing and marketing strategies. Market penetrations in excess of 100.0% indicate that a hotel possesses competitive advantages relative to the market as whole, while competitive weaknesses are reflected in penetrations of less than 100.0%.

As shown in Table 4.9-4, the proposed Vulcan Hotel is projected to achieve a stabilized occupancy of 62% by its third year of operation, at which point the property will be outperforming the market by an estimated 9 points in occupancy. The new hotel is also projected to achieve strong rate positioning against the Vulcan hotel market, with an ADR of \$122 in the first year of operation, growing each year in line with the market at a rate of 2.0%.

TABLE 4.9-4 PROPOSED VULCAN HOTEL PROJECT PROJECTIONS					
SUPPLY	Year 1	Year 2	Year 3	Year 4	Year 5
PROPOSED VULCAN HOTEL	60	60	60	60	60
Total Supply	149	149	149	149	149
Fair Share of Supply	40.3%	40.3%	40.3%	40.3%	40.3%
DEMAND PROJECTIONS					
	Year 1	Year 2	Year 3	Year 4	Year 5
Total Demand					
occupied room nights	24,400	27,400	28,600	29,100	29,700
total demand captured	11,500	13,000	13,600	13,600	13,600
market occupancy	45%	50%	53%	54%	55%
market penetration	117%	118%	118%	116%	114%
Project Occupancy	53%	59%	62%	62%	62%
RATE PROJECTIONS					
	2018	2019	2020	2021	2022
Market Average Daily Rate	\$87	\$89	\$91	\$93	\$95
% Growth	5%	2%	2%	2%	2%
Rate Penetration Subject	140%	140%	140%	140%	140%
Project Average Daily Rate	\$ 122	\$ 125	\$ 127	\$ 130	\$ 132

Source: PKF Consulting Inc.

#### 4.9.7 Facility Program and Preliminary Capital Cost Estimates

Table 4.9-5 provides the recommended facility program for the proposed 60-room Vulcan Hotel.

**TABLE 4.9-5  
PROPOSED VULCAN HOTEL  
HOTEL FACILITY PROGRAM**

Guestrooms	Rooms	Sq.Ft./Rm	Sq.Ft.	%
Standard King	25	330	8,000	
King Studio	2	440	1,000	
Double Queen	33	320	11,000	
<b>Total:</b>	<b>60</b>	<b>333</b>	<b>20,000</b>	<b>76.0%</b>
Recreational/Other Facilities	Rooms	Sq.Ft./Rm	Sq.Ft.	
Business Centre	1	5	300	
<b>Total:</b>			<b>300</b>	<b>1.1%</b>
Public Areas/Back of House/Support/Circulation				
Public Areas/Back of House		30%	6,000	22.8%
	Rooms	Sq.Ft./Rm	Sq.Ft.	
<b>TOTAL</b>	<b>60</b>	<b>438</b>	<b>26,300</b>	<b>100.0%</b>

*\* We are not Quantity Surveyors and as such these estimates should be used as a guideline for discussion only.  
Source: PKF Consulting Inc.*

The proposed hotel would need a total Gross Floor Area (GFA) of approximately 26,300 square feet, an average of 438 sq.ft./room. Approximately 20,000 square feet would incorporate the 60 guest rooms, while 300 sq.ft. would be dedicated to a business centre. The remaining 6,000 sq.ft. of space at the subject hotel would include a lobby, corridors, support areas and back of house.

PKF Consulting Inc. has used these estimates as a discussion point for the recommended facility program used in our projections. We are not Quantity Surveyors and as such these estimates should be used as a guideline for discussion only.

**Preliminary initial order-of-magnitude capital costs have been estimated at \$4.4 Million exclusive of land costs, as detailed in Table 4.9-6.**

**TABLE 4.9-6  
PROPOSED VULCAN HOTEL  
ESTIMATE OF CAPITAL COST**

TOTAL PROJECT PROGRAM	Total Cost	% of Total
Hotel Construction	\$3,337,000	76%
Hotel FF&E	\$601,000	14%
Soft Costs & Contingency	\$434,000	10%
<b>Total Capital Budget</b>	<b>\$4,372,000</b>	<b>100%</b>
<i>Source: PKF Consulting, Marshall Valuation Cost Guide</i>		

#### 4.9.8 Preliminary High Level Proforma

Table 4.9-7 provides a preliminary high level proforma for the proposed 60-room Vulcan Hotel, based on the following assumptions:

- An inflationary factor of 2.0% per annum;
- The hotel would be operated professionally and appropriate levels of ongoing marketing would occur;
- Rooms Revenue is based on the projected occupancy levels and the average daily room rates, as shown in Table 4.9-4;
- Rooms Expenses include wages and salaries, Travel Agent Commissions of 1.5% of rooms revenue, Guest Supplies, Complementary Food expenses (i.e. breakfast), and other rooms related expenses, and have been estimated at 32% of Room Revenues in Year 1;
- Other Operated Department revenues and expenses include: telecommunications, guest laundry, gift shop, high-speed

internet service, and in-room movies. Expenses have been estimated at 70% of Revenues in Year 1;

- Undistributed expenses include Administration and General, Marketing, Repairs and Maintenance, and Utility Costs, and have been estimated at 36% of revenues in Year 1;
- The projections take into account a management fee of 3.0% of gross revenues and a capital reserve at 4% of gross revenues. A management fee is included as a prospective purchaser would allow these fees when assessing an acquisition and has been included in the statements on a go forward basis; and
- Other fixed costs including property taxes and insurance have been estimated at \$99,000 in Year 1 increasing to \$107,000.

Based on these assumptions, the proposed hotel is projected to generate an estimated net income of \$248,500 in Year 1 increasing to over \$449,300 by Year 5.

**TABLE 4.9-7  
PROPOSED VULCAN HOTEL  
PROJECTED OPERATING RESULTS (\$000s)**

	December Year 1	December Year 2	December Year 3	December Year 4	December Year 5
<b>Rooms</b>	60	60	60	60	60
<b>Available Rooms</b>	21,900	21,900	21,900	21,900	21,900
<b>Occupied Rooms</b>	11,500	13,000	13,600	13,600	13,600
<b>Occupancy Rate</b>	53%	59%	62%	62%	62%
<b>Average Daily Rate</b>	\$122	\$125	\$127	\$130	\$132
<b>RevPar</b>	\$64	\$74	\$79	\$81	\$82
<b>REVENUE</b>					
Rooms	\$1,406 98%	\$1,621 98%	\$1,730 98%	\$1,764 98%	\$1,800 98%
Other Operated Departments	\$29 2%	\$30 2%	\$31 2%	\$32 2%	\$32 2%
<b>Total Revenue</b>	<b>\$1,435 100%</b>	<b>\$1,651 100%</b>	<b>\$1,761 100%</b>	<b>\$1,796 100%</b>	<b>\$1,832 100%</b>
<b>DEPARTMENTAL EXPENSES</b>					
Rooms	\$446 32%	\$490 30%	\$514 30%	\$524 30%	\$535 30%
Other Operated Departments	\$20 70%	\$21 70%	\$22 70%	\$22 70%	\$23 70%
<b>Total Departmental Expenses</b>	<b>\$466 32%</b>	<b>\$511 31%</b>	<b>\$536 30%</b>	<b>\$546 30%</b>	<b>\$557 30%</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$969 68%</b>	<b>\$1,140 69%</b>	<b>\$1,225 70%</b>	<b>\$1,250 70%</b>	<b>\$1,275 70%</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>					
Administration and General	\$178 12%	\$186 11%	\$191 11%	\$195 11%	\$199 11%
Sales and Marketing <sup>1</sup>	\$136 10%	\$149 9%	\$156 9%	\$160 9%	\$163 9%
Property Operation and Maintenance	\$99 7%	\$102 6%	\$105 6%	\$107 6%	\$109 6%
Utilities	\$108 8%	\$112 7%	\$114 6%	\$117 6%	\$119 6%
<b>Total Undistributed Expenses</b>	<b>\$521 36%</b>	<b>\$549 33%</b>	<b>\$567 32%</b>	<b>\$578 32%</b>	<b>\$590 32%</b>
<b>GROSS OPERATING PROFIT</b>	<b>\$448 31%</b>	<b>\$591 36%</b>	<b>\$658 37%</b>	<b>\$671 37%</b>	<b>\$685 37%</b>
Management Fees	\$43 3%	\$50 3%	\$53 3%	\$54 3%	\$55 3%
<b>INCOME BEFORE FIXED CHARGES</b>	<b>\$405 28%</b>	<b>\$541 33%</b>	<b>\$605 34%</b>	<b>\$618 34%</b>	<b>\$630 34%</b>
<b>FIXED CHARGES</b>					
Property Taxes	\$90 6%	\$92 6%	\$94 5%	\$96 5%	\$97 5%
Insurance	\$9 1%	\$9 1%	\$9 1%	\$10 1%	\$10 1%
<b>Total Fixed Charges</b>	<b>\$99 7%</b>	<b>\$101 6%</b>	<b>\$103 6%</b>	<b>\$105 6%</b>	<b>\$107 6%</b>
<b>NET OPERATING INCOME</b>	<b>\$306 21%</b>	<b>\$440 27%</b>	<b>\$502 29%</b>	<b>\$513 29%</b>	<b>\$523 29%</b>
Reserve for Asset Replacement	\$57 4%	\$66 4%	\$70 4%	\$72 4%	\$73 4%
<b>ADJUSTED NET OPERATING INCOME</b>	<b>\$248 17%</b>	<b>\$374 23%</b>	<b>\$432 25%</b>	<b>\$441 25%</b>	<b>\$449 25%</b>

Source: PKF Consulting Inc.

<sup>1</sup> Includes Franchise Fees (where applicable)

Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.

#### 4.9.9 Supportable Indication of Value

Given the operating projections above, the proposed Vulcan Hotel could potentially support a value of approximately \$4.4 Million off its cash flow, assuming a 9% capitalization rate and an 11% discount rate, which is on par with its estimated capital costs (excluding land).

The preliminary financial analysis reflects approximately \$2.4 Million in debt, and \$2.0 Million in equity, with funds borrowed on a 20 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the proposed Vulcan Hotel have the potential to generate a 13% return on equity by Year 5.

TABLE 4.9-8 PROPOSED VULCAN HOTEL ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW (\$000s)					
	ROOMS	60			
	INFLATION	2.0%			
	DISCOUNT RATE	11.0%			
	TERMINAL CAPITALIZATION RATE	9.0%			
NET PRESENT VALUE ANALYSIS					
Year	Cash Flow	Discount Rate @ 11%	Net Present Value	Implied Yield	
1	\$248	0.901	\$224	5.6%	
2	\$374	0.812	\$304	8.5%	
3	\$432	0.731	\$316	9.8%	
4	\$441	0.659	\$290	10.0%	
5	\$449	0.593	\$267	10.2%	
Cashflow Value		\$1,945	Discounted	\$1,401	
Residual Value		\$5,094	Discounted	\$3,023	
Estimate of Value Per Room				\$4,424	\$74
INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Capital Cost	\$4,372	Term (months/years)	240	20	
Debt	\$2,405	Interest Rate		5.0%	
Equity	\$1,967	LTV		55%	
		Annual Payment		\$190	
		Mortgage Constant		0.07919	
FINANCING CASHFLOW					
Year	Debt Service (P&I)	After Financing Cash Flow (Before Tax)	Debt Coverage Ratio (DCR)	Return on Equity (ROE)	Return on Investment (ROI)
1	\$190	\$58	1.3	2.9%	5.7%
2	\$190	\$184	2.0	9.3%	8.6%
3	\$190	\$242	2.3	12.3%	9.9%
4	\$190	\$250	2.3	12.7%	10.1%
5	\$190	\$259	2.4	13.2%	10.3%

Source: PKF Consulting Inc.

NOTE: This analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.

## 4.10 Luxury Guest Ranch

### 4.10.1 The Tourism Investment Opportunity

There is an opportunity to develop a **35-unit Luxury Guest Ranch** in the Region, to be operated on a seasonal basis from May through October. This type of experience would appeal to visitors looking for an authentic education / recreation experience reflecting a “Western” experience – including: cowboys, horses and cattle, mountain trails, and barn dances.

A “luxury guest ranch” is an upscale version of the classic “dude ranch,” wherein guests can get their hands dirty assisting in cattle drives and other ranch activities, but are then pampered with 5-star hospitality, i.e. fine dining and luxurious accommodations. Luxury ranches tend to offer a variety of accommodations and amenities, including luxury tents for a “glamping” experience and spa facilities, and are usually all-inclusive properties, offering activities on a “pay-to-play” basis. Typical recreational activities include:

- Horseback riding
- Cattle drives
- Clay shooting
- Fly fishing
- Mountain biking / hiking
- Wildlife viewing
- Outdoor hot tub / pool
- Archery
- Stagecoach rides
- Fine dining / wine tasting
- Spa

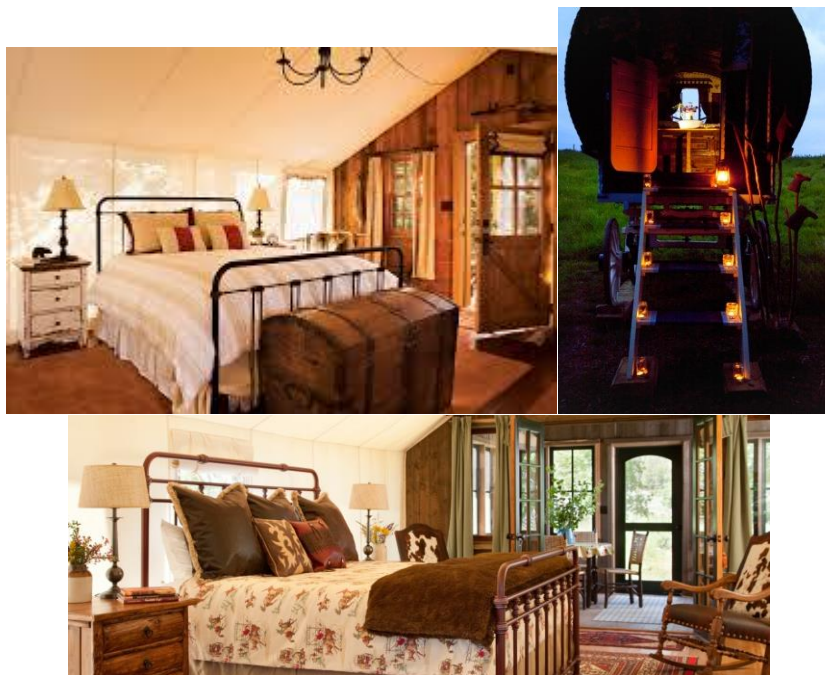
Although few luxury guest ranches are available in Canada, there are many just across the southern border of Alberta in the state of Montana, and further south in Colorado. The vast majority have been developed at active cattle ranches, in close proximity to a mountain range offering variety for riding and cattle drives, and rivers for fishing, with isolation and exclusivity being key locational determinants.

There is currently no proponent for this opportunity, but it could be developed by an existing cattle ranch owner or an entrepreneur who is looking to purchase an active ranch operation, and willing to operate it as a hospitality establishment. Ideally the site will include barns for horses and ample land for both riding and cattle drives, which would be key activities at the subject resort. Cattle could be leased to graze on the land from neighbouring ranches. In the long-term, a proponent may consider extending the operating season year-round, with the addition of winter activities and potentially a spa.

A developer could capitalize on the idea of authentic accommodations by incorporating luxury 2-bedroom cabins with kitchenettes and washrooms, along with upscale covered wagons, as introduced in Section 4.6 (Comfort Camping). Figure 4.10-1 provides an example of covered wagon “glamping” facilities, while Figure 4.10-2 shows some examples of other luxury guest ranch offerings.



**FIGURE 4.10-1  
VARIETY OF GUEST RANCH ACCOMMODATIONS**



Source: PKF Consulting Inc.

**FIGURE 4.10-2  
LUXURY GUEST RANCH ACTIVITIES  
(Ranch at Rock Creek, Montana)**



Source: PKF Consulting Inc.

#### 4.10.2 Site Location

The proposed Luxury Guest Ranch would require a **minimum of 100 acres** of land inclusive of an active cattle ranch, ideally in close proximity to foot hills or rugged landscape that provides some element of isolation for an exclusive luxury experience. Other requirements include rivers for fly-fishing. Southern Alberta has a variety of species of interest to fly-fishing enthusiasts, including: Trout (6 species), Perch, Northern Pike, and Char.

#### 4.10.3 Land Tenure and Regulatory Issues

Presumably the chosen site would be Agriculturally zoned, in order to permit cattle ranching, but would require Commercial zoning to permit accommodations and foodservice. Some additional regulatory restrictions may need to be considered regarding alcohol. For the purposes of this analysis, it has been assumed that measures would be taken to remove this restrictive covenant for a luxury guest ranch.

#### 4.10.4 Complementary Business Development Opportunities

In addition to the subject Luxury Guest Ranch, complementary business development opportunities for the 100+ acre site could include:

- A **full service Spa** to service the 5-star luxury clientele, with a minimum of 4 treatment rooms;

- A **Commercial Greenhouse** to supply an on-site restaurant at the resort as well as other food and beverage operations and resident demand in the vicinity;
- **Retail sales**, including clothing, jewelry, spa products and cowboy boots/hats, reflective of the Guest Ranch branding; and
- **Additional adventure tourism activities, especially during the winter season**, such as dog sledding, cross country skiing, hiking, snowshoeing, should the resort be open on a year-round basis.

#### 4.10.5 Competitive Supply and Market Demand

The subject Luxury Guest Ranch will compete primarily with other luxury resort accommodations in Western Canada, including Banff, Lake Louise, Jasper and Whistler. Average Daily Rates for upscale resort properties in BC and Alberta ranged from \$210 to \$306 in 2014, for a **Market Average Daily Rate of \$264**. The average occupancy rate for resorts in this market is estimated at 62% for 2014. It should be noted that this rate does not include food & beverage or activity rental costs, and these are all located in ski resort destinations, which have a greater draw unto themselves as a destination.

Table 4.10-1 provides a listing of 3 existing seasonal guest ranch options in southern Alberta.

TABLE 4.10-1 GUEST RANCHES SOUTHERN ALBERTA							
Name	Location	Accommodations (# of Units)			Daily Room Rate		Activities
		Main Lodge/B&B	Cabins	Capacity	Low	High	
Sierra West Cabins & Ranch Vacations	Lundbreck	0	6	15	\$125	\$225	Cattle drive, trail rides, gymkhana events, cattle sorting, roping
Lucasia Ranch Vacations	Claresholm	2	2	15	\$258	\$275	Cattle drives, branding days, fall round-up, checking cattle & horses; airport shuttle
Skyline Ranching & Outfitting	Claresholm	3	1	8	\$100	\$250	Cattle roping, trail riding, wildlife viewing, hiking, mountain biking, fly fishing, horseshoe pits

Source: PKF Consulting Inc. research

As shown, the rates for other guest ranches in southern Alberta range from \$100 to \$275 per person per day, exclusive of meals and riding instruction. These properties tend to be quite small, with a capacity of 8 to 15 visitors.

The closest competition within Canada for the proposed Luxury Guest Ranch is Siwash Lake Ranch in 70 Mile House, BC. This luxury dude ranch and remote wilderness resort is on an 80,000-acre site, which is family owned and operated. Accommodations include 4 ranch house suites, 1 barn loft and 6 canvas cabins (Safari-inspired luxury tents - 1,000 sq.ft. each). The property is a 2-1/2 hour drive from Kamloops.

Siwash Lake Ranch offers a riding program, fly fishing, wilderness survival, archer, clay shooting, hiking, mountain biking and kayaking. From a price perspective, unlike the Montana guest ranches, Siwash

Lake Ranch requires a minimum 3 night stay, and offers 3 packages with a variety of activity offerings, with package rates ranging from \$2,985 to \$5,535 per adult in the summer months. Packages include all meals and alcohol, riding instruction, daily grooming and saddling.

**FIGURE 4.10-3  
SIWASH LAKE RANCH**



#### 4.10.6 Potential Target Market Appeal

The subject Luxury Guest Ranch will provide seasonal rooms and activities to attract demand from the following potential target markets:

- Summer season independent leisure travellers / “city slickers” primarily from major cities in the U.S., Alberta, other western Canadian provinces, and overseas (especially UK and Germany);
- Luxury travellers looking for “bucket list” experiences;
- Outdoor recreation enthusiasts primarily from Alberta and B.C who can take advantage of other activities in the surrounding Region;
- Domestic and International tour groups to the Region and those visiting both the Waterton Lakes and Glacier Parks; and

- Small meeting and conference groups with delegates largely from Calgary and other Canadian markets.

The proposed Luxury Guest Ranch would appeal primarily to “city slickers” looking for an authentic Western hospitality experience, with 80% representing small family groups (3-4 people).

A guest ranch experience would hold substantive appeal to longer-haul markets from North America and China. In fact, for Cultural Explorers and Free Spirits from Canada, China, Mexico and the US, this type of experience would be a major trip motivator. This experience would also hold high appeal for French and German Free Spirits while on a trip to Canada. These markets all have good access to the region via the Calgary International Airport for fly/drive experiences, affording them the opportunity to visit some of southern Alberta’s many other cultural/historical attractions with complementary themes, such as local rodeos, small towns and aboriginal tourism attractions.

On a global basis, Cultural Explorers constitute 12% of travellers and Free Spirits constitute 13% of travellers. This type of client is higher-yield; both types tend to take longer trips and average around \$5,000 per party per trip<sup>25</sup>. Cultural Explorers have a higher than average interest in visiting Western Canada in the future.

<sup>25</sup> Calculated based on projected next-trip spending by long-haul travellers from core markets (Australia, Germany, France and the UK) who are passport owners.

#### 4.10.7 Facility Program and Preliminary Capital Cost Estimates

The following table presents a preliminary facility program for the proposed Luxury Guest Ranch. The property would include one main lodge building of 17,600 square feet, inclusive of 20 guest rooms, a 75-seat restaurant, 1,500 square feet of event space, 500 sq.ft. business centre and 500 sq.ft. office / recreation centre to coordinate adventure recreation activities for guests. Ten private log cabins would also be available, each with two guest rooms, their own washroom facilities and kitchenettes. Similar to the luxury canvas tents at Siwash Lake Ranch, the proposed property would also offer 5 covered wagons, each with a king bed and running water, with washrooms and showers in a separate building adjacent to the wagons. The main lodge and accommodation units would require 21,500 sq.ft. of building space. It is assumed that a barn to house the horses and cattle would already be available at the subject site.

TABLE 4.10-2 PROPOSED LUXURY GUEST RANCH FACILITY PROGRAM				
<b>MAIN LODGE</b>				
<b>Main Lodge Accommodations</b>	<b>Rooms</b>	<b>Sq.Ft.</b>	<b>Total</b>	<b>%</b>
Lodge Suites	20	450	9,000	
<b>Total:</b>	<b>20</b>	<b>450</b>	<b>9,000</b>	<b>51%</b>
<b>Meeting Space</b>	<b>Rooms</b>	<b>Seats</b>	<b>Sq.Ft.</b>	
Meeting/Event Room	1	75	1,100	
<b>Total:</b>	<b>1</b>	<b>75</b>	<b>1,100</b>	<b>6%</b>
<b>Food and Beverage</b>	<b>Seats</b>	<b>Sq.Ft./Rm</b>	<b>Sq.Ft.</b>	
Restaurant/Lounge	75	75	1,500	
<b>Total:</b>			<b>1,500</b>	<b>9%</b>
<b>Recreational/Other Facilities</b>	<b>Rooms</b>	<b>Sq.Ft./Rm</b>	<b>Sq.Ft.</b>	
Business Centre	1	25	500	
Activity Centre (Rental Equipment)	1	25	500	
<b>Total:</b>			<b>1,000</b>	<b>6%</b>
<b>Public Areas/Back of House/Support/Circulation</b>				
Public Areas/Back of House		40%	5,000	28%
	<b>Rooms</b>	<b>Sq.Ft./Rm</b>	<b>Sq.Ft.</b>	
<b>TOTAL MAIN LODGE</b>	<b>20</b>	<b>880</b>	<b>17,600</b>	<b>100%</b>
<b>Other Accommodations</b>	<b>Units</b>	<b>Sq.Ft./Unit</b>	<b>Sq.Ft.</b>	
Log Cabins (2 rooms/unit)	10	1,000	10,000	
Covered Wagons	5	500	2,500	
<b>Total Other Accommodation Units:</b>	<b>15</b>	<b>833</b>	<b>12,500</b>	
<b>Total Available Units</b>	<b>35</b>	<b>614</b>	<b>21,500</b>	

*\* We are not Quantity Surveyors and as such these estimates should be used as a guideline for discussion only.*

*Source: PKF Consulting Inc.*

**Preliminary order-of-magnitude capital costs for the 35-unit Luxury Guest Ranch have been estimated at \$4.8 Million**, inclusive of base building construction costs, furniture, fixtures and equipment, soft costs and infrastructure costs, but **exclusive of land**.

TABLE 4.10-3 PROPOSED LUXURY GUEST RANCH ESTIMATE OF CAPITAL COST			
TOTAL PROJECT PROGRAM		Total Cost	% of Total
Main Lodge Construction		\$2,904,000	60%
Log Cabins	10 @ \$60,000	\$600,000	12%
Covered Wagons	5 @ \$10,000	\$50,000	1%
Additional Washrooms/Shower Building		\$15,000	0%
<b>Subtotal</b>		<b>\$3,569,000</b>	<b>74%</b>
FF&E	Inc. Activity Centre	\$713,800	20%
Soft Costs		\$178,500	5%
Contingency		\$285,500	8%
Pre-opening Marketing		\$89,200	3%
<b>Total Capital Budget</b>		<b>\$4,836,000</b>	<b>100%</b>

\* We are not Quantity Surveyors and as such these estimates should be used as a guideline for discussion only.

Source: PKF Consulting Inc.

#### 4.10.8 Preliminary High Level Proforma (Income Statement)

A preliminary five year high level proforma for the proposed all-inclusive, 35-unit Luxury Guest Ranch in south central Alberta has been based on the operating experience of comparable resorts in Western Canada and Montana and the following assumptions:

- The operating season for the guest ranch would be 153 days, running from the May long weekend to mid October each year;
- The property would be operated professionally, and appropriate levels of pre-opening and ongoing marketing would occur;
- An inflationary factor of 2.0% per annum;

- The ranch will be licensed to serve alcoholic beverages;
- The property will offer a variety of package options reflecting differing levels of activity interests at a flat rate with a 3-night minimum, regardless of accommodation type;
- All packages will include a minimum of the following: 3 meals/day, horseback riding instruction, fly-fishing equipment, clay shooting equipment, and guided ride for 1 hour/day, varied nightly events (i.e. barn dance, rodeo, chef's night, etc.)
- The property reflects a stabilized occupancy of 53% by the third year of operation and an Average Package Rate of \$700 in Year 1, increasing by inflation thereafter;
- Departmental expenses for the resort largely reflect wages and salaries, laundry, linen and guest supplies, recreational equipment, cost of goods sold, and general operating expenses and have been estimated at 35% of gross revenues;
- Undistributed expenses include Administration and General, Marketing, Repairs and Maintenance, and Utility Costs, and have been estimated at 27% of revenues in Year 1;
- The projections take into account a Management Fee of 3.0% of gross revenues and a Capital Reserve at 4% of gross revenues. A management fee is included as a prospective purchaser would allow these fees when assessing an acquisition and has been included in the statements on a go forward basis; and

- Other fixed costs, including property taxes, insurance and cattle lease have been estimated at \$97,000 in Year 1 increasing to \$113,000.

Based on these assumptions, the proposed Luxury Guest Ranch is projected to generate an estimated net income of \$470,000 in Year 1 increasing to over \$564,000 by Year 5.



**TABLE 4.10-4**  
**PROPOSED LUXURY GUEST RANCH**  
**SOUTHGROW REGION**  
**PROJECTED OPERATING RESULTS (In \$000s)**

	December Year 1		December Year 2		December Year 3		December Year 4		December Year 5	
<b>UNITS</b>	35		35		35		35		35	
Available Rooms	5,355		5,355		5,355		5,355		5,355	
Occupied Rooms	2,570		2,678		2,838		2,838		2,838	
Occupancy Rate	48.0%		50.0%		53.0%		53.0%		53.0%	
Average Daily Rate	\$700		\$714		\$728		\$743		\$758	
RevPar	\$336		\$357		\$386		\$394		\$402	
<b>REVENUE</b>										
Total Revenue	\$1,799	100%	\$1,912	100%	\$2,067	100%	\$2,108	100%	\$2,150	100%
<b>DEPARTMENTAL EXPENSES</b>										
Rooms	\$441	35%	\$468	35%	\$506	35%	\$517	35%	\$527	35%
Food and Beverage	\$108	30%	\$115	30%	\$124	30%	\$126	30%	\$129	30%
Other Operated Departments & Rentals	\$81	45%	\$86	45%	\$93	45%	\$95	45%	\$97	45%
Total Departmental Expenses	\$630	35%	\$669	35%	\$723	35%	\$738	35%	\$753	35%
<b>TOTAL DEPARTMENTAL INCOME</b>	\$1,170	65%	\$1,243	65%	\$1,344	65%	\$1,370	65%	\$1,398	65%
<b>UNDISTRIBUTED OPERATING EXPENSES</b>										
Administration and General	\$180	10%	\$191	10%	\$207	10%	\$211	10%	\$215	10%
Sales and Marketing	\$126	7%	\$134	7%	\$145	7%	\$148	7%	\$151	7%
Property Operation and Maintenance	\$90	5%	\$96	5%	\$103	5%	\$105	5%	\$108	5%
Utilities	\$81	5%	\$86	5%	\$93	5%	\$95	5%	\$97	5%
Total Undistributed Expenses	\$477	27%	\$507	27%	\$548	27%	\$559	27%	\$570	27%
<b>GROSS OPERATING PROFIT</b>	\$693	39%	\$736	39%	\$796	39%	\$812	39%	\$828	39%
Management Fees	\$54	3%	\$57	3%	\$62	3%	\$63	3%	\$65	3%
<b>INCOME BEFORE FIXED CHARGES</b>	\$639	36%	\$679	36%	\$734	36%	\$748	36%	\$763	36%
<b>FIXED CHARGES</b>										
Rent (Cattle)	\$25	1%	\$26	1%	\$26	1%	\$27	1%	\$27	1%
Property Taxes	\$54	3%	\$57	3%	\$62	3%	\$63	3%	\$65	3%
Insurance	\$18	1%	\$19	1%	\$21	1%	\$21	1%	\$22	1%
Total Fixed Charges	\$97	5%	\$102	5%	\$109	5%	\$111	5%	\$113	5%
<b>NET OPERATING INCOME</b>	\$542	30%	\$577	30%	\$625	30%	\$638	30%	\$650	30%
Reserve for Asset Replacement	\$72	4%	\$76	4%	\$83	4%	\$84	4%	\$86	4%
<b>ADJUSTED NET OPERATING INCOME</b>	\$470	26%	\$500	26%	\$542	26%	\$553	26%	\$564	26%

Source: PKF Consulting Inc.

Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.



#### 4.10.9 Supportable Indication of Value

Given the operating projections above, the proposed Luxury Guest Ranch could potentially support a value of approximately \$4.8 Million off its cash flow, assuming a 14% capitalization rate and a 16% discount rate, which is on par with the estimated capital cost.

The preliminary financial analysis reflects approximately \$2.4 Million in debt, and \$2.4 Million in equity, with funds borrowed on a 20 year amortization at a 5.0% interest rate.

Based on these preliminary projections, after debt service, cashflows for the proposed Luxury Guest Ranch have the potential to generate a 15% return on equity by Year 5.

TABLE 4.10-5 PROPOSED LUXURY GUEST RANCH ESTIMATE OF VALUE CALCULATION - DISCOUNTED CASH FLOW					
	INFLATION				2.0%
	DISCOUNT RATE				16.0%
	TERMINAL CAPITALIZATION RATE				14.0%
	# Units				35
NET PRESENT VALUE ANALYSIS					
Year	Cash Flow	Discount Rate @ 16%	Net Present Value	Implied Yield	
1	\$470	0.862	\$405	9.7%	
2	\$500	0.743	\$372	10.3%	
3	\$542	0.641	\$347	11.2%	
4	\$553	0.552	\$306	11.4%	
5	\$564	0.476	\$269	11.7%	
6	\$576	0.410	\$236	11.9%	
7	\$587	0.354	\$208	12.1%	
8	\$599	0.305	\$183	12.4%	
9	\$611	0.263	\$161	12.6%	
10	\$623	0.227	\$141	12.9%	
<b>Cashflow Value</b>		<b>\$5,625</b>	<b>Discounted</b>	<b>\$2,627</b>	
<b>Residual Value</b>		<b>\$4,539</b>	<b>Discounted</b>	<b>\$2,161</b>	
				Per Unit	\$137,000
				<b>Estimate of Value</b>	<b>\$4,788</b>
INVESTMENT ANALYSIS					
INVESTMENT PARAMETERS			FINANCING COSTS		
Total Capital Inv.	<b>\$4,836</b>	Term (months/years)	240	20	
Debt	\$2,394	Interest Rate		5.0%	
Equity	\$2,442	LTV		50%	
		Annual Payment		\$190	
		Mortgage Constant		0.07919	
FINANCING CASHFLOW					
Year	Debt Service (P&I)	After Financing Cash Flow (Before Tax)	Debt Coverage Ratio (DCR)	Return on Equity (ROE)	Return on Investment (ROI)
1	\$190	\$280	2.5	11.5%	9.7%
2	\$190	\$311	2.6	12.7%	10.3%
3	\$190	\$353	2.9	14.4%	11.2%
4	\$190	\$364	2.9	14.9%	11.4%
5	\$190	\$375	3.0	15.3%	11.7%

Source: PKF Consulting Inc.

Note: The analysis is based on preliminary research only. It is expected that any potential investor would undertake their own due diligence in advance of participating in this project.

## 5.0 MEDIUM TO LONGER TERM OPPORTUNITIES

### 5.1 Introduction

Meetings with community representatives, responses from the online survey and discussions at the tourism opportunities workshop contributed to the identification of additional opportunities for the Region that are potentially worth pursuing in the medium to long-term.

### 5.2 Lee Creek Campground

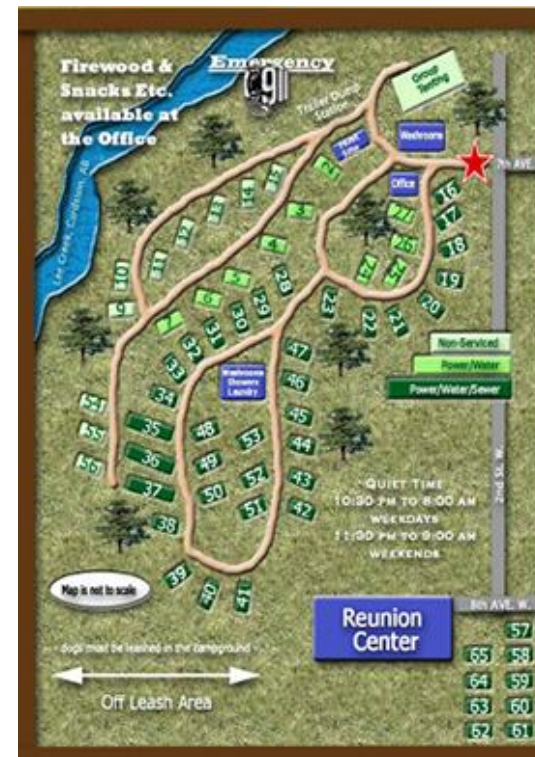
There is an opportunity to expand the Lee Creek Campground in Cardston, Alberta. The proposed expansion would require approximately 20 additional campsites with 50 amp power or a group camping area.

The Town of Cardston owns Lee Creek Campground and it is managed by a third party contractor. Currently, the campground provides 33 full-service RV sites, 10 partially serviced sites and several non-serviced sites. There is also a Reunion Centre, which is a large indoor gathering area featuring a stage, washrooms, showers, a kitchen, an outdoor playground, horseshoe pits and adjacent camp sites. Additionally, the campground offers laundry facilities, some retail sales, washrooms, shower facilities and wireless Internet.

Although the Town built a small addition to the campground a couple of years ago, growing demands by modern RVs has resulted in full occupancy during the peak camping period between July and August. RV and trailer travelers from Idaho, Montana and Arizona often look for seasonal sites in Southern Alberta so that they can reconnect with friends and relatives. Both the Town and campground operators

agree that there is an opportunity to expand the campground to meet growing regional demand during peak months. The Town of Cardston is seeking private sector investment for the proposed campground expansion.

**FIGURE 5.2-1  
LEE CREEK CAMPGROUND**



Source: leecreekcampground.com, 2013

### 5.3 Apohsoowatsis Tipi Village

Within the Town of Cardston, there is an opportunity for private sector investment in the Apohsoowatsis Tipi Village. With assistance from the Town of Cardston, The Apohsoowatsis, which is comprised of Blood Reserve members, plans to develop a Tipi Village in Cardston. The Town will provide the land for this development, while the Apohsoowatsis Day Chief will provide everything else needed. This attraction will primarily focus on sharing Blackfoot language and culture with visitors to the Cardston area. Upon development of this Village, visitors would have the opportunity to stay overnight in traditional tipis and the experience would include static displays, cultural programming (storytelling, dancing, singing, drumming) and educational signage.

There are two sites that are being considered for the development of this proposed Tipi Village – one 2 acre site located on Main Street and the other within the Lee Creek Campground. The Main Street location has been met with opposition from local residents. An alternative to this site is the Lee Creek Campground, which already provides supporting services like electricity and toilets.

The Apohsoowatsis Day Chief is looking to obtain private sector investment in Tipi ownership, along with a management company to assist in the development of this opportunity.

### 5.4 Urban Family Farm Training Centre

The Creed Family owns an old homestead on 2.5 acres of land, which they are planning to convert into the Urban Family Farm Training Centre. The property is located in Cardston County close to the Lee Creek Campground, Waterton Lake National Park and the Remington

Carriage Museum. The opportunity exists for a partnership investment in the development of this Centre. With higher levels of financing, the Training Centre could offer an enhanced infrastructure to support high quality tourism experiences including; additional fencing, waterfalls, water paths, berry bushes and greenhouses.

The Lee Creek Campground would be a ready source of market for this attraction, particularly for Cultural Explorers who are avid campers. In addition, a partnership arrangement with the Remington Carriage Museum could result in an enhancement of the Museum's current carriage ride program to include a stop at the Centre where participants might have hands-on experiences in traditional crafts, such as bread, soap and cheese making, and interacting with domesticated animals. The Centre will also provide visitors to Waterton Lakes National Park, located only 30 minutes away, with another activity option, either as part of travel to or from the Park, or as a day activity.

**FIGURE 5.4-1  
REMINGTON CARRIAGE MUSEUM –  
CARRIAGE RIDES**



*Source: PKF Consulting Research*

## 5.5 Coaldale Motor Inn

Currently for sale, the Coaldale Motor Inn was built in 1975 and was renovated in 2014. It features 17 fully furnished rooms, along with an 80 seat restaurant, 80 seat tavern and 40 seat lounge. It is located at the east entrance to the Town of Coaldale, directly off Highway 3, which is a major through route from the Trans-Canada Highway at Medicine Hat to Crowsnest Pass.

This property's highest demand is during the summer season and most traffic arrives by car or RV. Currently, visitors to the area seeking hotel accommodations primarily stay in Lethbridge, due to close proximity and available hotel supply. Investment in this opportunity could help Coaldale to regain some demand for weddings, rather than losing it all to Lethbridge's competitive supply of venues.

For economic reasons the motel has been closed, but could be re-opened. There is also the potential to convert the existing bar into a liquor store. The price for the Coaldale Motor Inn is listed at \$1.3 million and includes a total property of 1.2 acres.

## 5.6 New Build Hotel in Coaldale

In the Town of Coaldale, there is an opportunity for the development of a new motel or hotel by a private sector investor. Due to Coaldale's lack of available accommodations, visitors to the Town normally stay in Lethbridge, since it is close by and provides a large supply of hotels and motels.

In 2019 there will be an RCMP relocation from Lethbridge to Coaldale, which may increase market demand due to officer training

programs that require participants to stay in the area for 2-3 days. In addition, this development could capture demand from visitors seeking accommodations locally (ex. travellers visiting friends and relatives), rather than commuting to Lethbridge.

**FIGURE 5.5-1  
COALDALE MOTOR INN**



Source: PKF Consulting Research

## 5.7 Coaldale Campground / RV Park

Coaldale has a community campground with sites that are quite rustic and do not include hook-ups. The opportunity exists to expand, upgrade and modernize the sites at this campground so that they are appealing to RV traffic.

The Town of Coaldale is located in close proximity to numerous attractions in the Region, along with the City of Lethbridge, which draw an increasing number of visitors to the area each year. There is only one RV Park in Lethbridge, which strengthens the potential for this site to become a prime overnight RV stop for travelers on their way to popular destinations in Medicine Hat, Crowsnest Pass, B.C. or Saskatchewan.

### 5.8 Family-Style Restaurant

Currently, the Town of Coaldale has three (3) fast food restaurants, however it is lacking in family-style and home-style type restaurants. Fine dining is not available in the community.

The Town of Coaldale has a population of approximately 7,500 residents. Although Coaldale is located a short distance from Lethbridge, there is an opportunity for the development of additional local food services to cater to residential and visitor demand.

### 5.9 Coutts Travel Service Centre

There is an opportunity to develop a Travel Service Centre to serve Coutts border crossing travelers and local residents. The Town of Coutts only has one restaurant and bar, so another restaurant would be welcomed by residents and transient traffic. In addition, plans call for the development of a grain elevator across the highway, which is expected to bring more business to the area.

The Coutts/Sweetgrass Montana border crossing drives a large amount of annual visitation to the Region. In 2014 there were

approximately 403,000 vehicle crossings, comprised of 60% cars and 40% trucks.

The proposed site for this development is in the former Duty Free building, which is 3,780 square feet with 2 floors. The bottom floor has been recently added and has never been used. Located close to the border crossing, this building is currently for sale and is already licensed for retail.

**FIGURE 5.9-1**  
**COUTTS/SWEETGRASS BORDER CROSSING**



Source: PKF Consulting Research



### 5.10 Lethbridge Campground / RV Park

The City of Lethbridge may have the potential for a new campground due to the potential closing of the Henderson Lake Campground as redevelopment plans for the Lethbridge Exhibition Park proceed. The Henderson Lake Campground land is owned by the City and could be leased to a private campground operator.

The primary competitors for a new campground would be Bridgeview RV Resort and Park Lake Provincial Park campgrounds, which are located 15 minutes away from the proposed site. Existing Lethbridge campgrounds are fully occupied throughout most of the high season, which implies that there is a need for additional sites.

**FIGURE 5.10-1  
HENDERSON LAKE CAMPGROUND**



Source: PKF Consulting Research

### 5.11 Galt #8 Historic Site

The Galt # 8 Mine holds historic significance for the area and is located adjacent to Lethbridge's world-famous high-level trestle bridge on the west side of Lethbridge. Efforts are underway to develop the former mine into a heritage site, similar to the Atlas Mine site outside of Drumheller.

The site is currently owned by Nord Precast Concrete International and the development of the heritage site is being led by the Galt # 8 Mine Historic Site Society.

A large collection of buildings and artifacts remain at the site. One of the buildings could be developed as a restaurant and leased to a restaurant operator. It could be rented out for meetings, weddings, and other types of events. A proposal prepared by the founder of the company that currently occupies the site included a waterslide & pool, a ski lift, mini golf, a youth hostel and other unique attractions.

The site would be attractive to Cultural Explorers, Free Spirits and rail/mining buffs.

**FIGURE 5.11-1  
GALT #8 MINE WAREHOUSE**



Source: PKF Consulting Research

### **5.12 Magrath Bed & Breakfast**

Currently, the Town of Magrath lacks accommodations, apart from an RV Park with several cabins. The availability of Bed & Breakfast operations would increase the Town's capacity for accommodating overnight visitors, particularly Cultural Explorers who would relish an opportunity for closer contact with the local population.

Based on the experience of bed & breakfast operations in neighbouring communities, which are also part of The Mormon Trail, this is a viable investment opportunity. The Magrath area's beauty, hunting, project activity and energy exploration will support such an initiative during shoulder seasons and the winter months.

Higher demand will most likely be experienced at bed and breakfast facilities that go beyond offering basic B&B amenities and offer quality food experiences such as homemade breakfasts and bagged lunch services. In regards to potential sites, there are several large homes in Magrath that would be ideal for this type of business.

### **5.13 Willow Gardens Travel Service Centre**

There is an opportunity to develop a Travel Service Centre on a 4.5 acre parcel of land located at the edge of Magrath. The Travel Service Centre could provide residents and travellers with a gas station and convenience store.

The potential site for this Service Centre is at the intersection of two busy highways; Hwy 5 connecting Waterton Lakes NP to Lethbridge, and Hwy 62 which runs between Del Bonita Canada/US border crossing and Magrath. The property is part of 100 acres that is phased in development to include residences (single family and condos),

targeted towards those who work in Lethbridge and are looking for affordable housing options.

### **5.14 School-based Restaurant and Foodservice**

The Westwind School Division is coordinating an \$18 million upgrade on the Magrath Elementary and High Schools. The Town and School Division are considering the establishment of a food services/restaurant opportunity within the Commons Area of this modernized school complex, with a view to making the facility available to the entire community. This opportunity could be captured by a private investor interested in leasing and managing the restaurant.

These schools have a commercial kitchen and associated programs, as well as a lunch program organized with clients of the Southern Alberta Society for the Handicapped. Planning for the upgrades of both schools is currently underway and construction is expected to start in 2016.

### **5.15 Mormon Trail Tours**

The Church of Jesus Christ of Latter-day Saints (Mormons) has a rich cultural history that began with the forging of the Alberta Mormon trail in 1887 by a group of immigrants from Utah. Over the next 20 years, more Mormons followed, bringing families and belongings north over the trail to start a new life in Southern Alberta.

There is an opportunity for the development of year-round Mormon Trail Tours. These tours would offer visitors a cultural tourism adventure, through enabling them to reenact the historic Mormon trek of past generations. In addition to the unique history and

beautiful landscape in the area, the tour could also have an agricultural component, given the diversity of Magrath's agriculture and irrigation activities and infrastructure. The tour could commence in Stirling, which is an access point from the CANAMEX trade corridor along Hwy 4, and proceed through the communities of Raymond, Magrath and Cardston, spanning as far as Waterton Lakes National Park.

### 5.16 Horseback Riding and Trail Tours

Magrath has an active Agricultural Society with associated indoor equestrian facilities and an excellent horse trail opportunity. Working with the Magrath and District Agricultural Society, an entrepreneur could develop a trail ride activity along the Pothole River Valley and potentially the outskirts of Magrath Golf Club, which lies adjacent to the Agricultural Society facilities. Using Magrath as a hub, the potential also exists to extend the trail system on a regional basis along the tributaries and main branches of Pothole Creek, extending on towards Raymond and Cardston.

### 5.17 Southern Alberta Shuttle Service

Several communities, including Magrath, Raymond and Vulcan, indicated the need for an inter-regional shuttle service. This may be an opportunity for a transportation provider (private or public) to establish a service that covers individual communities within the Region or that spans across the entire Region.

Representatives from Magrath and Raymond indicated that demand exists for a shuttle service from students attending Lethbridge College, the University of Lethbridge, and other institutions in the City of Lethbridge. It could also potentially accommodate other residents

(particularly seniors) interested in accessing shopping, health services and other opportunities in the City.

**FIGURE 5.16-1**  
**POTHOLE CREEK, MAGRATH**



*Source: PKF Consulting Research*

Vulcan currently hosts walking tours out of the Vulcan Trek Station and is planning to add themed bus tours, particularly in conjunction with events. It seeks to link activities and events with bus service, either through private sector operation or through the donation of a bus to provide touring services to event attendees.

Across the Region, shuttle services could cater to the existing demand among seniors, students and visitors for increased accessibility between major towns and Lethbridge, as well as to and from key regional attractions.



Circle tours could also be offered, which would bring visitors to top attractions in the Region for designated periods of time, before returning to the city of the tour's origin. Shuttle services could potentially work with regional museums and tourism/cultural groups to support and organize themed tour offerings.

### 5.18 Magrath Golf Course and Resort

Established in 1925, the Magrath Golf Club is one of the oldest clubs in Alberta. This champion-style golf course is surrounded by abundant tree coverage and features 18 holes, a practice facility and fully licensed clubhouse. The Golf Club is currently owned by the Town of Magrath, who is willing to sell it. In addition, there is a potential opportunity for the development of a hotel on 130 acres of land that is located adjacent to the Golf Club. Although the land adjacent to the Golf Club is already owned, there is the potential for private sector investment in partnering with the existing owner to develop a hotel and/or purchasing the Magrath Golf Club to create a combined hotel/golf club resort in Magrath.

### 5.19 Writing-on-Stone Provincial Park Horseback Riding, Trail Rides and Shuttle Service

Writing-on-Stone Provincial Park is a significant natural landscape that preserves native grasslands in Southern Alberta. Located in Warner County, this Provincial Park is a major destination for visitors and serves as one of the top tourism drivers for the Region.

Writing-on-Stone is open to outsourcing opportunities to private sector investors who are interested in developing additional recreational/adventure services for visitors at the Provincial Park.

Potential new services could include horseback riding, shuttles for Milk River tubists/canoeists from campsites to the point of origin, and Milk River ferry services to support the Park's guided hikes.

**FIGURE 5.18-1  
MAGRATH GOLF CLUB**



*Source: PKF Consulting Research*

**FIGURE 5.19-1  
MILK RIVER AND WRITING-ON-STONE PROVINCIAL PARK**



Source: PKF Consulting Research

## 5.20 Restaurant at Riverside Golf Course and Campground

Located in Milk River, the Riverside Golf Course has operated since the 1980s. This golf course features 9-holes, a pro shop and a 100-seat restaurant, as well as a campground and bowling alley. The Riverside Campground provides visitors with 44 sites; including 16 with full service amenities and 6 with partial service.

Riverside Golf Course is owned by the Town of Milk River and operated by the Riverside Golf Society, who is looking for a third party to lease and run the restaurant. This fully licensed restaurant is located in the Club House and also includes a bar. In addition, this restaurant is located in an ideal location to attract seasonal demand from golfers, campers and other visitors.

**FIGURE 5.20-1  
MILK RIVER GOLF CLUB AND CAMPGROUND**



Source: PKF Consulting Research

## 5.21 Writing-on-Stone Bed & Breakfast

Annually, Writing-on-Stone Provincial Park draws in thousands of visitors to the Region. Apart from space-limited campgrounds that are offered within the Park, the closest accommodations for visitors

to Writing-on-Stone are located in Milk River, which is located approximately 43 kilometres (a 40 minute drive) to the west of the Park. As it is not expected that the Park will offer any type of additional accommodation options within its current boundaries, a potential opportunity exists for a bed and breakfast development located outside of the Park's periphery, probably on neighbouring ranchland, which would appeal to visitors who prefer fixed-roof accommodation closer to the Park.

## **5.22 Milo Golf Course**

Located south of Milo on the north-east tip of Lake McGregor, an 80-acre parcel of land is owned by a local family that is willing to donate it to support the development of a golf resort. To receive the donation of land, the potential golf resort must meet the following requirements: the land must be annexed by the Village to secure tax revenue for the community; the golf course must be professionally designed; and the golf course must be community owned (e.g. Village of Milo or local agricultural society).

The proposed three phase resort would include a 9-hole golf course along with a club house, driving range and putting greens, and a recreational residential sub-division. It is anticipated that the resort could also feature future development of a four season lodge.

## **5.23 New Raymond Hotel**

The Town of Raymond is close enough to Lethbridge for access to attractions, but far enough away that local accommodations in Raymond are sought out by visitors to the area. There are currently three (3) Bed & Breakfasts in the community; however these do not supply the town with sufficient accommodations for visitors looking

for hotel/motel accommodations or for higher volumes of travellers requiring accommodations during large events such as the annual Raymond Heritage Days and Stampede or sports tournaments, like the Annual Sugar Bowl Basketball Tournament. As a result, there is an opportunity for the development of a Raymond hotel to fill the need for additional accommodations. Through increasing local accommodations, Raymond would increase its ability to attract new and repeat overnight visitors for high profile events and attractions.

## **5.24 Restaurant in Raymond**

Located only 20 minutes away from Lethbridge and as a thriving town in its own right, Raymond's population is growing rapidly. Currently, the population has reached approximately 4,000 residents, with school enrolment growing steadily and a population mix including a higher than average number of professionals.

With the population continuing to grow and limited existing food services in the Town, there is an opportunity for the development of a new restaurant in Raymond. Although there is a lack of food services offered in the town, the establishments that do currently exist are doing well. The proposed new restaurant could offer guests high quality food and services or a home-style dining experience, which could entice visitors and residents to eat locally in Raymond, rather than travelling to Lethbridge.

## **5.25 Raymond Golf Course**

From April to mid-October, the Raymond Golf Course operates a challenging and scenic nine-hole course, a driving range, pro shop and restaurant. The course has been well maintained and is currently in great condition. Over the years, membership has grown and it is

expected to continue increase since it is situated near residential areas and newly planned housing developments to the east.

An opportunity exists for a qualified individual or group of partners to purchase the Raymond Golf Course. There is also the potential to purchase land to the west of the course for purposes of expansion or reconfiguration of the club house to better serve the growth in surrounding residential areas.

## 5.26 Taber Restaurant

In 2012, the Town of Taber's population had reached almost 8,000 residents. Although Taber has several fast food restaurants it lacks a selection of fine dining and home-style restaurants to accommodate existing demand from a growing population. Lethbridge is located roughly 54 kilometres, or a 40 minute drive, from Taber and offers visitors a wide variety of dining experiences. Rather than losing local residential and visitor business from those willing to commute to Lethbridge, there is an opportunity for a private investor to develop a fine-dining or home-style restaurant in Taber.

**FIGURE 5.25-1  
RAYMOND GOLF COURSE**



*Source: PKF Consulting Research*



## 5.27 Vauxhall Sports Camp

The Vauxhall Baseball Academy was updated in recent years and provides locker rooms, training and weight rooms, a player's lounge, courts and a full commercial kitchen, in addition to well-appointed dormitory room housing that includes a total of 22 beds.

**FIGURE 5.27-1  
VAUXHALL BASEBALL ACADEMY FACILITIES**



Source: Vauxhall Academy of Baseball, 2010

The Academy runs at full capacity for 10 months of the year, with the exception of July and August. There is an opportunity to lease this facility over the summer months (July and August). The facility is open for private or public sector leasing, and the proponent could potentially create a sports camp over the summer leasing period.

## 5.28 Vulcan Discovery Centre

The Town of Vulcan is home to almost 2,000 residents and has large numbers of visitors who are drawn to attractions like the Vulcan Tourism and Trek Centre, Trekcetera Museum and the Vulcan & District Historical Museum and Archives.

The Discovery Centre is envisioned as a multi-purpose facility, encompassing about 60,000 square feet. With state of the art technology (taking advantage of a recent extension of fibre optic cable to the town), it would serve as an incubator and learning centre for technology, health, education, agriculture and the environment. Approximately 40 thousand square feet of the centre would be reserved for conferences and would include exhibit space and meeting rooms. Ideally, the facility would include a full service hotel and IMAX theatre. It would link with other visitor-centred opportunities offered by the town, including festivals and events and the Trek Station. This will also link thematically to the Solar Farm that is planned for the town.

There is an opportunity for a private or public-private partnership to develop the Vulcan Discovery Centre Conference Centre. The Town of Vulcan may consider donating land to the proponents who develop this endeavor.

**FIGURE 5.28-1**  
**TOP VULCAN ATTRACTIONS**  
**TOURISM AND TREK CENTRE, STARSHIP ENTERPRISE AND TREKCETERA MUSEUM**



Source: PKF Consulting Research

## 5.29 Warner Hotel

The village of Warner hosts a midget level hockey school for girls, which houses, educates and trains 19 students who attend from around the globe. The school opened in 2003 and has since been recognized as one of the top Canadian hockey schools for young women.

Currently there are limited appropriate commercial accommodation options in Warner to allow visiting friends and relatives to stay close to the students. All suggested accommodations on the school's website are located in Lethbridge, which is located about 70 kilometres away (a 50 minute drive). As such, with students coming from around the world, there is an opportunity for a new- build hotel development in the Town of Warner. With the addition of appropriate accommodations, Warner may also be able to host small hockey tournaments at the Warner Civic Centre arena.

**FIGURE 5.29-1**  
**WARNER HOCKEY SCHOOL**



Source: <http://warnerhockeyschool.com/?p=18&op=21>

### 5.30 Zip Lining and Zorbing

Within the Region a developer could potentially create zip lining and/or zorbing opportunities for visitors. Currently, there are no zip lines in southern Alberta, despite the area's topography that features beautiful river valleys, coulees and natural outdoor scenery.<sup>26</sup> The closest zip-lines to the Region are offered in Canmore and Banff.

A related attraction that is growing in popularity is zorbing, which is the sport of rolling on a gentle downhill slope inside an orb, generally made of transparent plastic, which would be an ideal activity to introduce on some of the region's gently rolling landscapes. The coulee landscape of Southern Alberta would offer a unique setting for this type of experience.

An investment of this type could help the Region to increase demand among potential visitors looking for outdoor adventure and recreation.

**FIGURE 5.30-1  
ZIPLINING IN BANFF, ALBERTA**



Source: PKF Consulting Research

**FIGURE 5.31-2  
ZORBING**



Source: PKF Consulting Research

<sup>26</sup> [http://www.ziplinerider.com/Alberta\\_Ziplines.html](http://www.ziplinerider.com/Alberta_Ziplines.html)

## **6.0 TOURISM INVESTMENT STRATEGY**

### **6.1 Tourism Opportunities Investment Strategy**

The primary objectives of the Tourism Opportunities Investment Strategy for the SouthGrow Alberta Region are:

1. To communicate with study partners and industry stakeholders regarding study results:
  - To introduce the results of the 3-phase Tourism Investment Opportunity Assessment for Region; and
  - To describe each of the tourism investment opportunities.
2. To generate investor interest in the investment opportunities by:
  - Preparing Individual Investment Packages for the tourism investment opportunities that offer the highest potential for market and economic support in the short term; and
  - Utilizing various government support programs to attract potential investors.
3. Research and access capital investment programs which maybe applicable to the tourism investment opportunities identified.

## **6.2 Key Strategy Recommendations**

### **6.2.1 Communicate with Study Partners and Industry Stakeholders Regarding Study Results**

As it relates to the subject study process, the Alberta SouthGrow Regional Initiative communicated with municipal government and other tourism industry stakeholders during Phase I of the subject engagement, when the Project Team hosted an Opportunity Workshop on March 3, 2015 at the Lethbridge Lodge Hotel and Conference Centre.

Although not part of the subject study mandate, it is recommended that consideration could be given to arranging another Stakeholder Workshop with representatives of the Steering Committee, municipal partners and industry stakeholders to communicate the results of all three phases of the study and describe each of the top ranked short- and mid-to long-term development opportunities. This session could be co-ordinated by the client and Steering Committee.

Prior to undertaking this step, the Steering Committee should consult with any project proponents identified as part of the investment opportunities list, in order to gauge their interest and approval in providing a public forum to present their specific initiatives.

### **6.2.2 Generate Private Sector Tourism Investment Interest**

Table 6-1 summarizes the Tourism Investment Opportunities identified for the Region, including the level of investment required, equity requirements, and the estimated return on equity generated by Year 5 of each operation, where applicable.



**Table 6-1**  
**Top 10 Major Tourism Investment Opportunities**  
**South Central, Alberta**

#	Tourism Investment Opportunity	Location	Concept	Investment Potential	Equity Required	Year 5 ROE
1	Rail Tour Excursion - Aspen Crossing	Mossleigh	Themed passenger train excursions of 1.25 to 4 hours, along 14 miles of track	\$1.3 Million to purchase additional rail cars, restore equipment and construct a maintenance shed.	50% = \$665,000 Excluding land	37%
2	Fort Heritage and Frontier RV Park	Mountain View	Development of 56-site RV Park, with 30 to 40 pioneer cabins, and a Fort structure with an Old Rock Church, retail and restaurant.	\$2.6 Million over a 5 year phased development period.	55% = \$1.4 Million Excluding land	25%
3	Roosters Country Market Agri-Tourism Business	Magrath	Expanded green grocery store operation to include an aquaponics facility, 60-seat restaurant, and 28-bed hostel.	\$540,000 in building improvements, furniture, fixtures and equipment.	50% = \$270,000 N/A	23%
4	Bridge County Raceway	Lethbridge County	Acquisition of established race facility, with 3/8 to 1/2 mile oval clay track, and 1,500 seat grandstand on 29.3 acre site	\$1.2 Million purchase price	50% = \$600,000 Including land	23%
5	Branded Hotel at Crossings Development	Lethbridge	Development of a 100-room branded select service hotel	\$13 Million	45% = \$5.9 Million Including land	13%
6	Comfort Camping Tent Rentals and Distribution	SouthGrow Region	Comfort Camping Distribution operation with 15 tents	\$300,000	50% = \$150,000 N/A	18%
7	Perret Park Campground Expansion	Raymond	Expansion and operation of existing Perret Park to include 30 additional RV sites, campground administration building and rental equipment.	\$272,000	50% = \$136,000 N/A	26%
8	Double Tree Inn Acquisition	Coutts	Acquisition of 13-unit motel	\$400,000	45% = \$183,000 Including land	8%
9	New Build Hotel	Vulcan	Development of a 60-room limited service hotel	\$4.4 Million	45% = \$2 Million Excluding land	13%
10	Luxury Guest Ranch	No Site Identified	Development of a 35-unit Luxury Guest Ranch	\$4.8 Million	50% = \$2.4 Million Excluding land	15%

Source: PKF Consulting Inc.

As part of the subject study process, individual investment packages will be prepared for the tourism investment opportunities that offer the highest potential for market and economic support in the short term. These packages will be utilized by Alberta Culture and Tourism to create a high level, glossy investment attraction lure piece for distribution at the annual Tourism Investment Forum and to interested parties.

With the agreed-upon individual investment packages in hand, Alberta Culture and Tourism and Alberta SouthGrow Initiative should utilize their internal support programs to further attract potential investors, as follows:

#### **Alberta Culture and Tourism**

The Tourism Business Development and Investment Attraction Branch of Alberta Culture and Tourism is the lead agency responsible for tourism investment in the province. The Branch plays an active role in delivering on Alberta's Tourism Framework, *A Pathway to Growth 2013-2020*, which was released in October 2013. The Branch offers a range of business-related services to entrepreneurs and small businesses who are interested in starting and operating, or expanding, a tourism business including:

- Provision of business development advisory services;
- Provision of financial path finding services for for-profit/commercial endeavours and community-based/non-profit organizations;

- Identification and assessment of tourism development opportunities and business plans (ie. the subject study);
- Facilitating new capital and business investment to Alberta in partnership with communities, economic development organizations, government and tourism stakeholders;
- Provision of various business advisory tools and resources;
- Access to market research and consumer trends and the performance of Alberta's tourism sector to assist client's in developing a business case for potential tourism investment opportunities;
- Generate investor interest by showcasing land-based tourism development opportunities that highlight ready-to-invest tourism development opportunities on the tourism investment section of the department's website;
- Create awareness of government and industry supports available to entrepreneurs;
- Participation in key tourism investment conferences and events, and organization of tourism investment attraction missions to Alberta;
- Provision of links to the Federal Government's Business Immigration Program;
- Provision of information and assistance with regards to Crown land leasing opportunities, through the Alberta Tourism & Recreational Leasing process; and

- Works with other Alberta government departments in an advocacy role to represent the interests of tourism sector in key policy areas such as improved air access.

To assist individual communities within the SouthGrow Region in promoting tourism investment opportunities, it is recommended that Alberta Culture and Tourism consider the development of a Tourism Investment Promotion Toolkit for use by communities at investor forums or other events, containing such elements as:

- A “how to” booklet, providing tips, ideas and the “why” of encouraging private sector tourism investment in their communities.
- A promotional video, showcasing the SouthGrow region’s tourism attributes, rich in history, cultural and aboriginal heritage, set in a beautiful landscape, listing opportunities for investment and each opportunity’s potential return on investment;
- Community-specific videos to promote local investment opportunities; and
- Short brochures outlining each investment opportunity and where investors can go to access more information

In addition to the toolkit, Alberta Culture and Tourism representatives could work with the SouthGrow Regional Initiative to develop a packaged “Investment Stimulation Workshop”, aimed at working with various communities to help them understand investor needs and undertake proactive investment attraction strategies that attract more tourism investment.

### **SouthGrow Regional Initiative**

The SouthGrow Regional Alliance identifies tourism as one of 7 industries for investment, including: agriculture, alternative energy, architecture, engineering and construction; building products, metal fabrication and manufacturing.

The SouthGrow website provides a link to the tourism industry, which provides a broad overview of the volume and value of Canada’s and Alberta’s tourism sector, including the share to the SouthGrow region. While the site also highlights the cost of doing business in the Region, including average wages for tourism-related positions; locational and socio-demographic advantages key tourism attractions and a listing of tourism opportunities; it is not being actively utilized in any deliberate or dynamic way at this time to attract tourism investment.

Consideration could be given to promoting the Region as an ideal place to invest in tourism by developing marketing outreach initiatives, such as an investment e-newsletter to promote the subject tourism investment opportunities. This could be done in partnership with Alberta’s Tourism Business Development and Investment Attraction Branch and Economic Development Offices in area municipalities.

SouthGrow may also wish to consider staging local events to position the tourism development opportunities with local entrepreneurs and investors.

Another potential initiative would be to increase tourism awareness among local property owners who are not aware of the potential for return on investment from tourism investment. Although several

opportunities for tourism investment exist within the region, many owners/operators of potential tourism sites are not fully aware of the potential that exists for incorporating tourism into their operations. For example, the lands surrounding Writing-on-Stone Provincial Park would be well-suited for fixed roof accommodation, camping or specialty camping sites with cultural themes, such as teepee or comfort camping to serve visitors to the park, where there is limited campground space and no fixed accommodation. Other parts of the Region are ideal for the development of eco- or guest ranches, or activities such as zip-lining or zorbing. Increased awareness of the potential may inspire local ranchers or other types of landowners to seize the chance to increase the profit return from their land by either developing the opportunity themselves or by enabling others through a leasing or sales arrangement.

This could be facilitated through the development of promotional/educational copy/materials to be distributed by SouthGrow Regional Initiative, Alberta Culture and Tourism and/or SouthGrow's partner communities at events that attract property owners, such as farming or real-estate related events, or distributed through social media. Participants may be inspired by success stories of tourism development, such as that of Aspen Crossing where a successful tourism destination, created virtually out of nowhere, celebrates the region's history and agriculture. These promotional materials should stress the economic value of tourism operations and the potential for return on investment for property owners who either sell to entrepreneurs or choose invest in tourism opportunities themselves.

### **6.2.3 Research and Access Capital Investment Programs**

As part of an overall tourism destination development and investment strategy for the Region, consideration should be given to exploring the potential for various local private sector and infrastructure investment models for the area, including but not necessarily limited to:

#### **Establish an Opportunity Development Cooperative**

Establishing an Opportunity Development Cooperative (ODC) is a means of providing access to capital for potential investment in local tourism development opportunities. An ODC collects a pool of capital from local investors and invests it in business ventures in their own community, whereby local investors can participate in business growth and their own community revitalization. This vehicle has been particularly successful in providing the bridge between an existing business owner who is planning to retire, businesses looking to expand and young entrepreneurs who want to get started but may not have access to the capital required. The program is based on a variety of successful community investment programs across Canada, in particular Nova Scotia's Community Economic Development Investment Fund (CEDIF).

Recently, the ODC model has been applied in several Albertan communities, through the Unleashing Local Capital initiative, a \$1.2 million project funded through the Rural Alberta Development Fund and coordinated by the Alberta Community Cooperative Association. The project supports rural communities in establishing a local ODC that people can invest in through purchasing RRSP eligible shares. Strategic partners include the Alberta Business Family Institute,

Athabasca University, Community Futures Network of Alberta, Centre de Développement Économique and Alberta Rural Development Network. In 2011/12, the communities of Crowsnest Pass and Sangudo were selected as pilots for this business incubator initiative and received \$60,000 in support to develop their projects, with the selection of a second round of pilot communities in 2013. This program provides the selected communities with resources to:

- Form a local investment committee (Leadership Team) and incorporate an Opportunity Development Cooperative (ODC);
- Raise capital by offering shares for local investment (cash, new RRSP, or transfer existing RRSP);
- Make sound and prudent investment decisions in the local community; and
- Provide financing through the ODC to a local business or new investment project.

As a result of this program, the Crowsnest Opportunity Development Cooperative (CODC) was launched in February 2013, with approximately 200 people attending the information sessions. One of the first investment projects for the co-op investment fund was an empty building in downtown Blairmore, which will be renovated for commercial and residential purposes. Approximately 20 investors are expected to invest \$12,000 each in the renovation program and are expected to receive an annual 5% return on their investment. Other investment opportunities currently under consideration include seniors housing complex and a chair lift/resort development for the ski hill.

### **Community Futures**

Community Futures is a federal government initiative, in partnership with Western Economic Diversification Canada, which assists rural communities to develop and implement community-based economic development strategies. As a non-profit organization, Community Futures controls and manages investment funds from which they make fully repayable loans (up to a maximum of \$150,000) to community members who are interested in starting or expanding their own business. There are 27 Community Futures offices in Alberta, including two in the SouthGrow Region – Lethbridge and Taber. It is recommended that Community Futures funding programs be reviewed as a potential financial source for the subject tourism development opportunities.

### **6.3 Summary**

SouthGrow Alberta is a region rich in tourism potential which largely remains untapped compared to other areas in the province. Through the implementation of an effective Tourism Opportunities Investment Strategy, investment in land based tourism opportunities in the SouthGrow Alberta Region will serve to strengthen and diversify communities and economies, increase the tax base, enhance employment and advance the Region's attractiveness for prospective investors and employees while enhancing the quality of life for residents.