



Committee of the Whole

penticton.ca

Committee of the Whole
to be held at
City of Penticton, Council Chambers
171 Main Street, Penticton, B.C.

Tuesday, October 18, 2016
Recessed from the Regular Council Meeting at 1:00 p.m.

1. **Call Committee of the Whole to Order**
2. **Adoption of Agenda**
3. **Delegations and Staff Presentations:**
 - 3.1 Proclamation – Rotary Week – October 24-28, 2016 1
 - 3.2 South Okanagan Performing Arts Centre Progress Report
Allan Markin and Gerry Kenyon 2
 - 3.3 Asset Management Investment Plan
Cory Sivell, Urban Systems 3-33
 - 3.4 Feasibility Study and Market Analysis for the PTCC
Jonathan Hack, Sierra Planning and Management 34-67
 - 3.5 Community Engagement Update
JoAnne Kleb, Community Engagement
4. **Adjourn to Regular Meeting of Council**

Proclamation

Rotary Week October 19-23, 2016

WHEREAS Rotary International, founded on February 23, 1905 in Chicago, Illinois, is the world's first and one of the largest non-profit service organizations; and

WHEREAS there are over 90 Rotary Club members in two clubs in Penticton, sponsoring service projects such as Rotary Park, Rotary Marina View Disc Golf Course, Rotary Community Kitchen, Rotary Peace Park, Munson Mountain Gazebo, Public Library Chair and a Half, PRH Psychiatric Garden and many other worthwhile causes and fundraising events; and

WHEREAS the Rotary Motto "Service Above Self" inspires members to provide humanitarian service, encourage high ethical standards and promote goodwill and peace in the world; and

WHEREAS Rotary funds club projects and sponsors volunteers with community expertise to provide medical supplies, health care, clean water, food production, job training, and education to millions in need, particularly in developing countries; and

WHEREAS Rotary in 1985 launched PolioPlus and has contributed over \$1.5 billion and countless volunteer hours to immunize over 2.5 billion children in 122 countries.

WHEREAS polio cases have dropped by 99 percent since 1988 and the world stands on the threshold of eradicating the disease. The World Health Organization and The Bill and Melinda Gates Foundation have joined Rotary to eradicate this disease. World Polio Day is October 24th, the first day of Rotary Week.

NOW THEREFORE I, Andrew Jakubeit, Mayor of the City of Penticton, DO HEREBY PROCLAIM October 24-28, 2016 as Rotary Week in the City of Penticton.

A handwritten signature in black ink, appearing to read "Andrew Jakubeit".

Mayor Andrew Jakubeit



Request to Appear as a Delegation

Preferred Council Meeting Date: October 18, 2016

Second choice(s): November 8, 2016

Subject matter: South Okanagan Performing Arts Centre Progress Report

Name of person(s) making presentation:

Allan Markin (with Gerry Kinyon)

Address: 112-170 STOKES CR
Penticton, BC V2A 9C6

Phone:

Email:

Please provide details of your presentation:

- Brief review of past activities
- Description of project scope and planned characteristics/outcomes/benefits
- Recent initiatives/activities of SOPAC
- Suggested City of Penticton engagement

Please note:

- This form and its content is part of the public record.
- Written copies of your submission must be presented to the Corporate Officer by 9:30 a.m. on the Wednesday before the meeting either by email, fax or in person.
- PowerPoint presentations must be emailed no later than 9:30 a.m. the date of the meeting. We recommend you bring backup PowerPoint files with you on a memory stick.
- Delegations are limited to 5 minutes.

Asset Management Investment Plan

October 18th, 2016



Agenda

- ▶ Background
- ▶ Canada's Infrastructure Challenge
- ▶ Asset Management Investment Plan
- ▶ Asset Management Implementation Strategy

Background

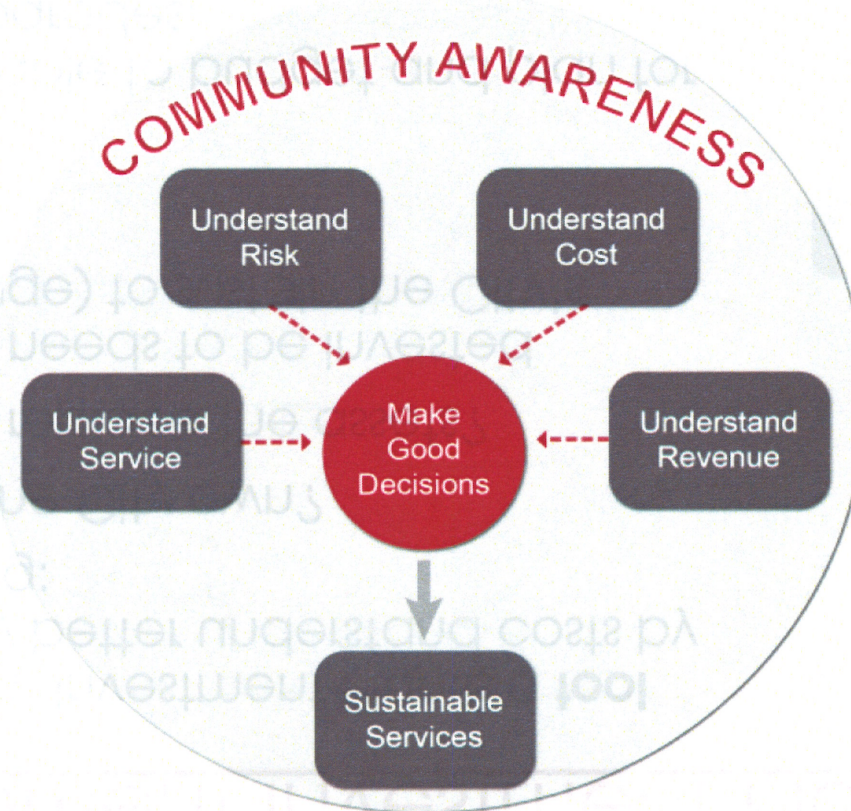
- ▶ City of Penticton owns and operates a large portfolio of infrastructure including water, sewer, storm, road, electrical system, fleet and buildings
- ▶ Citizens rely greatly on the delivery of these services
- ▶ City of Penticton would like to continue to provide high levels of service to its customers now and into the future

Canada's Infrastructure Challenge

- ▶ Majority of Canada's infrastructure was installed in the 1960s
- ▶ Little to no investment has been made in existing infrastructure since it was installed
- ▶ Assets are nearing the end of their life and local governments have not fully planned for their replacement
- ▶ Canada's Infrastructure deficit is estimated to be \$123 billion and growing (FCM)
- ▶ Majority of water and sewer systems across BC are underfunded (BCCWA)

In order to better understand the City of Penticton's infrastructure challenge, the City of Penticton has invested in developing an asset management plan

Components of an Asset Management Plan



Asset Management Investment Plan (AMIP)

The Asset Management Investment Plan is a **tool** which will help the City better understand costs by answering the following:

- 1) What assets does the City own?
- 2) What is the cost to replace the assets?
- 3) How much money needs to be invested annually (on average) to sustain the City's assets

Outcome: City will be able to budget and plan for future infrastructure upgrades.



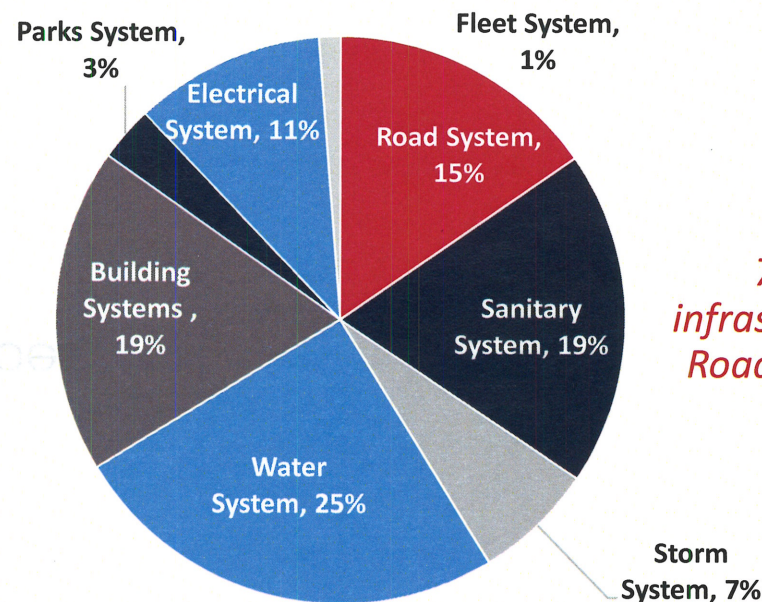
What infrastructure does the City own?

- ▶ 184 km of roads
- ▶ 24 bridge structures
- ▶ 143 km of sidewalks
- ▶ 32 traffic lights
- ▶ 174km of sanitary sewer pipes
- ▶ 237 km of water pipes
- ▶ 88km of storm pipes
- ▶ 67 Parks
- ▶ 12 sports fields
- ▶ 270 vehicles
- ▶ Various building and electrical assets

What is the cost to replace the assets?

- ▶ Total Infrastructure Replacement value is 1.08 billion based on current construction costs.

Asset Category	Replacement Value
Road System	\$166 million
Sanitary System	\$207 million
Storm System	\$74 million
Water System	\$272 million
Building System	\$201 million
Parks	\$34 million
Electrical System	\$117 million
Fleet System	\$13.5 million
Total	\$1.08 billion



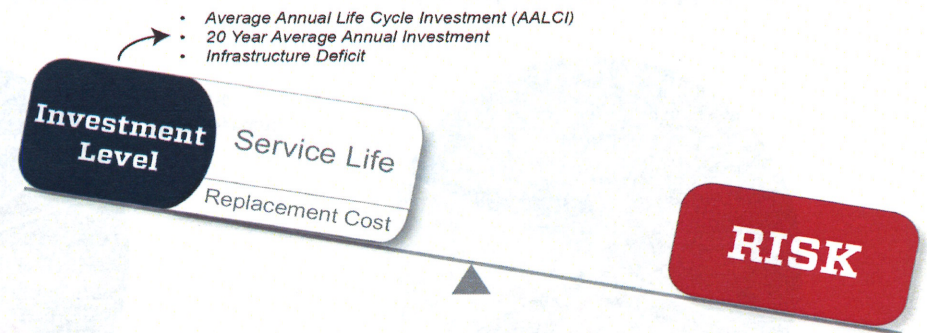
75% of Penticton's infrastructure is made up of Road, Water, Sanitary and Building Assets

What does this mean?

- ▶ **\$70,000** per household (similar to other BC Communities; \$70,000 to \$100,000)

How much should be invested annually?

- ▶ Exact infrastructure replacement is difficult to predict
- ▶ Replacement timing can vary depending on how long assets last
- ▶ Goal is to set a long term funding target to work towards

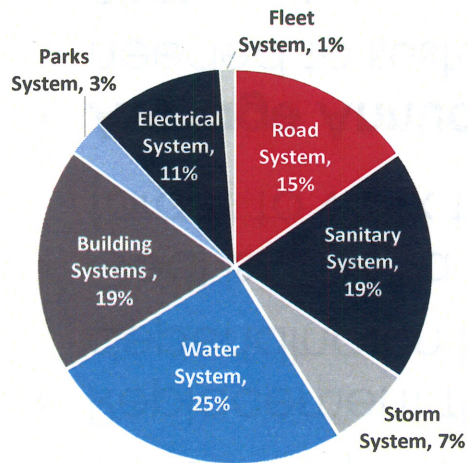


- ▶ **Average Annual Life Cycle Investment (AALCI):** annual investment needed to sustain existing infrastructure over its service life.
- ▶ **20 Year Average Annual Life Cycle Investment (AAI):** annual investment needed to pay for expected infrastructure replacements over the next 20 years including addressing the infrastructure deficit.
- ▶ **Infrastructure Deficit:** is a measure of the amount of infrastructure that has passed its theoretical service life but is still providing service to the community.

What is the best investment level for Penticton?

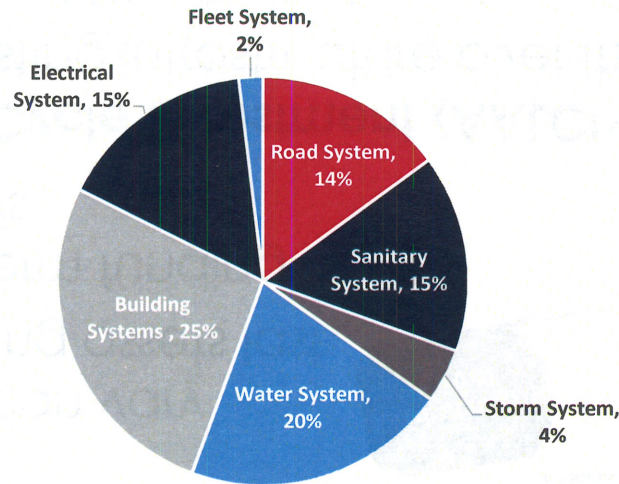
Investment Level Indicators

Value Distribution



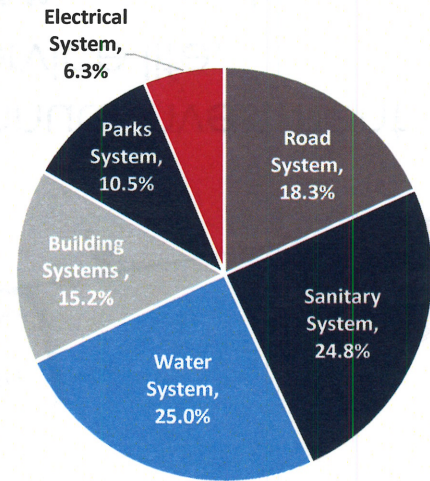
- ▶ 75% of the asset value is made up of your Buildings, Water, Sanitary and Road assets

AALCI



- ▶ Building and Water assets make up majority of AALCI

Deficit Distribution



- ▶ Sanitary and Water assets have the largest deficit

What is the best investment level for Penticton?

Investment Level Indicators:

- ▶ Average Annual Life Cycle Investment (AALCI)
- ▶ 20 Year Average Annual Investment (20 Year AAI)
- ▶ Infrastructure Deficit

Service Life Scenario 1: Industry Standard Service Lives (adjusted based on local knowledge)

Service Life Scenario 2: Service Lives increased by 25%

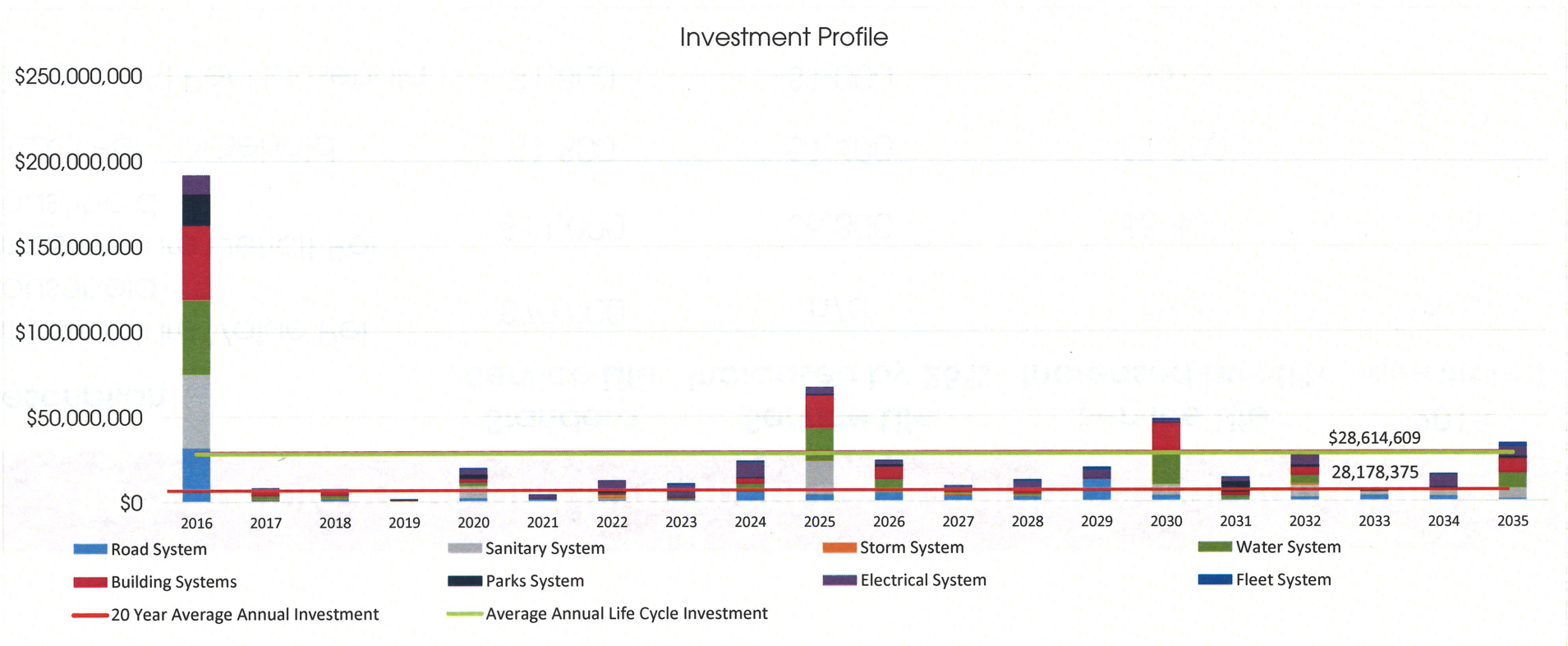
Service Life Scenario 3: Service Lives increased by 50%

Outcome: Set a long term funding target

What is the best investment level for Penticton?

Asset Category	Replacement Value	Average Annual Life Cycle Investment (AALCI)	20 Year Average Annual Investment (AAI)	Infrastructure Deficit (Backlog)
Road System	\$166 million	\$2.6 million – \$3.9 million	\$1.2 million - \$4.6 million	\$6.4 million - \$31.7 million
Sanitary System	\$207 million	\$2.7 million - \$4.1 million	\$1.7 million - \$4.9 million	\$431,000 – \$43 million
Storm System	\$74 million	\$753,000 - \$1.1 million	\$0 - \$245,000	\$0
Water System	\$272 million	\$3.7 million – \$5.5 million	\$2.0 million - \$5.9 million	\$13 million – \$43.7 million
Building System	\$201 million	\$4.7 million – \$7.1 million	\$1.6 million - \$6.2 million	\$22.9 million – \$26.5 million
Parks	\$34 million	\$1.0 million - \$1.5 million	\$1.1 million - \$1.8 million	\$5.5 million - \$18.3 million
Electrical System	\$118 million	\$2.8 million - \$4.1 million	\$1.6 million – \$4.1 million	\$2.6 million - \$10.9 million
Fleet	\$14 billion	\$336,000 - \$511,000	\$70,000 - \$521,000	\$0
Total	\$1.08 billion	\$19 million – \$28 million	\$9 million – \$28 million	\$51 million – \$174 million

What is the best investment level for Penticton?

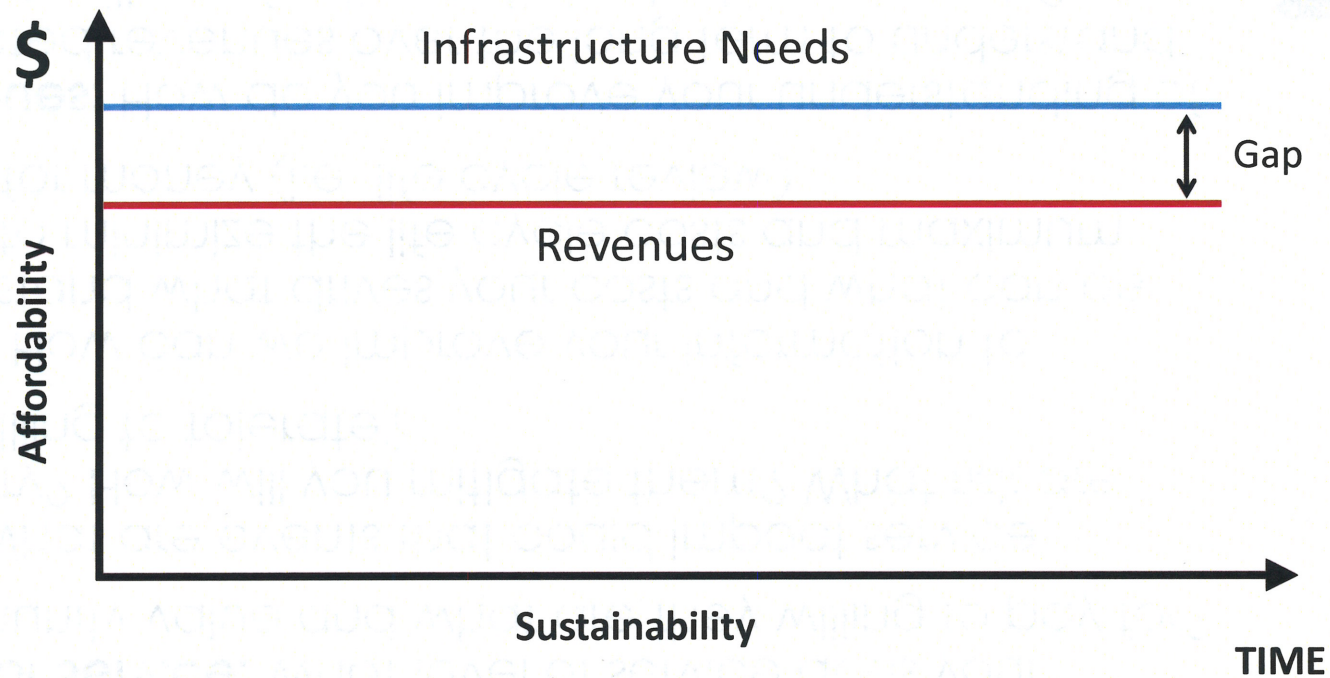


Identifying the Infrastructure Funding Gap

Infrastructure Value and Investment Level Indicators Per Household

Description	Standard Service Life	Service Life Increased by 25%	Service Life Increased by 50%	2015 Investment
Infrastructure Value Per Household	\$70,000	n/a	n/a	n/a
Infrastructure Deficit Per Household	\$11,000	\$6,300	\$3,300	n/a
AALCI Per Household	\$1,800	\$1,400	\$1,200	\$862
20 Year AAI Per Household	\$1,800	\$1,000	\$613	

Bridging the infrastructure funding gap



Bridging the infrastructure funding gap

- ▶ **Level of Service:** What level of service does your community value and what are they willing to pay for?
- ▶ **Risk:** What are events that could impact service delivery? How will you mitigate them? What risk are you willing to tolerate?
- ▶ **Costs:** How can we improve your information to understand what drives your costs and what can be done to minimize the life cycle costs and maximum value for money (i.e. life cycle review)
- ▶ **Revenues:** How do you improve your understanding of expected revenues over the long term to understand how we will pay for the anticipated investments?



Bridging the infrastructure funding gap

Examples:

▶ Level of Service

	Financial Indicators		
Average Road Width (m)	Infrastructure Renewal Deficit	20 Year AAI	Average Annual Investment
Current Service Level: 9.5	\$32,010,877	\$2,510,009	\$2,184,847
Reduced Service Level :7	\$26,134,930	\$1,737,798	\$1,459,057
Difference	\$5,875,947	\$1,737,798	\$1,459,057
% Reduction	19%	31%	33%

- ▶ **Cost:** Penticton could perform condition assessments on infrastructure to better understand service life
- ▶ **Risk:** Decrease investment in less critical assets and increase investment in critical assets
- ▶ **Revenue:** Review rates to determine if they are covering the full cost of providing service (i.e. develop dedicated stormwater fund)



What is the City currently doing to bridge the infrastructure funding gap?

2016:

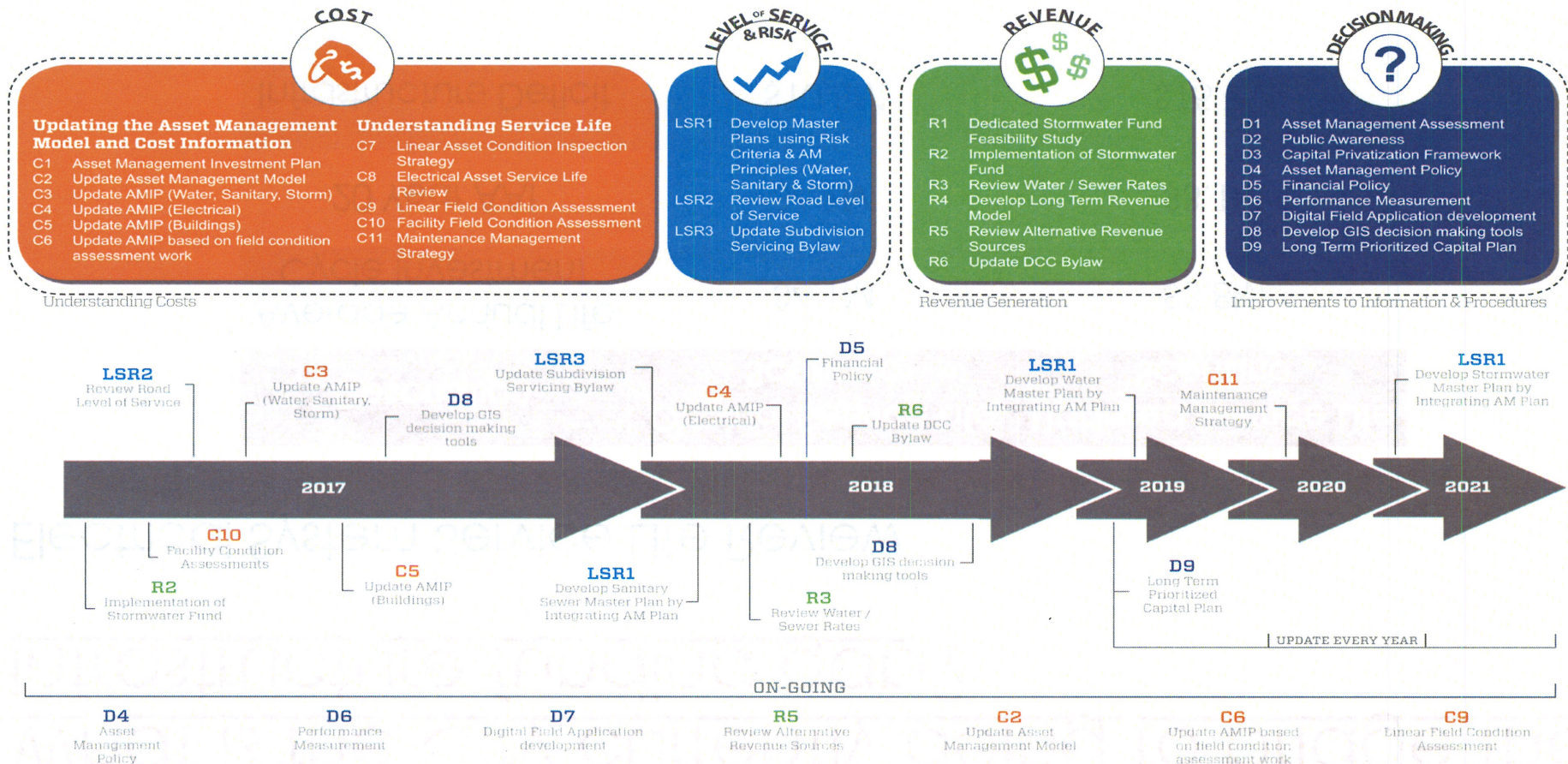
- ▶ Dedicated stormwater fund feasibility study
- ▶ Linear pipe condition plan
- ▶ Long term financial model (“the big nut”)
- ▶ Developing GIS system
- ▶ Electrical system service life review

What is the City currently doing to bridge the infrastructure funding gap?

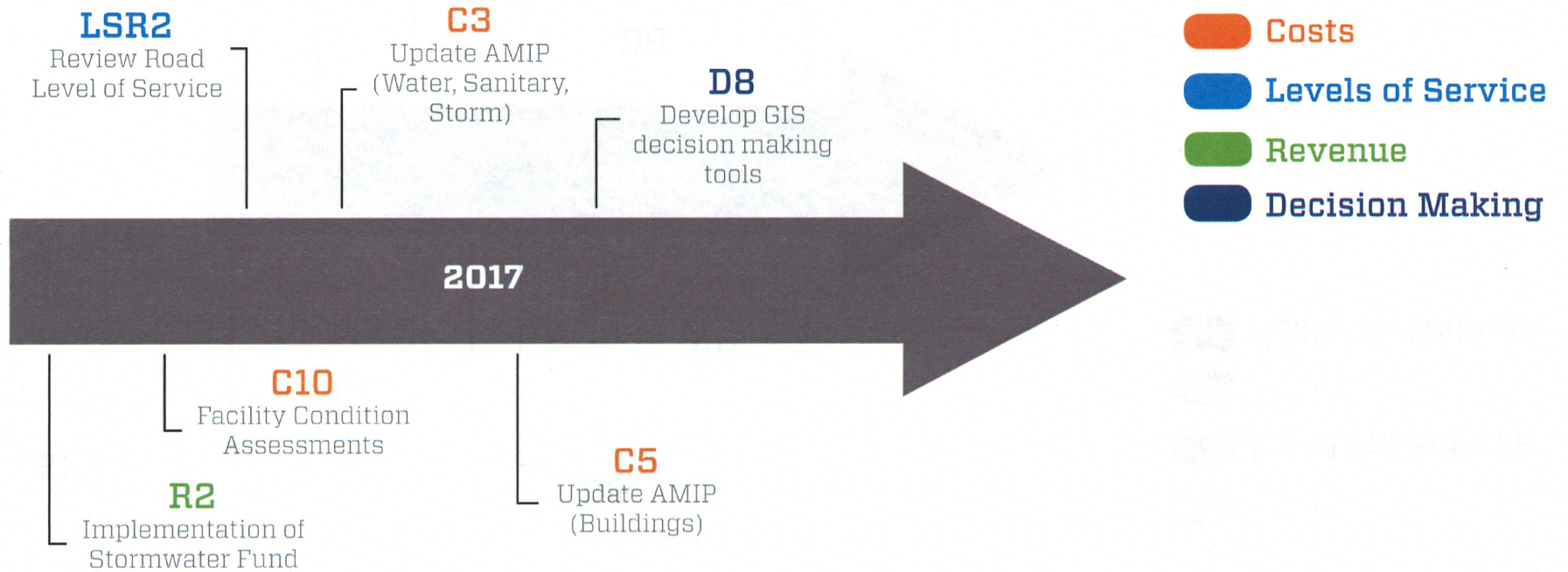
Electrical System Service Life Review

Description	Original Service Life Scenario	Updated Service Life Scenario
Average Annual Life Cycle Investment	\$4.1M	\$3.8M
20 Year AAI	\$4.1M	\$3.1M
Infrastructure Deficit	\$10.8M	\$15.7M

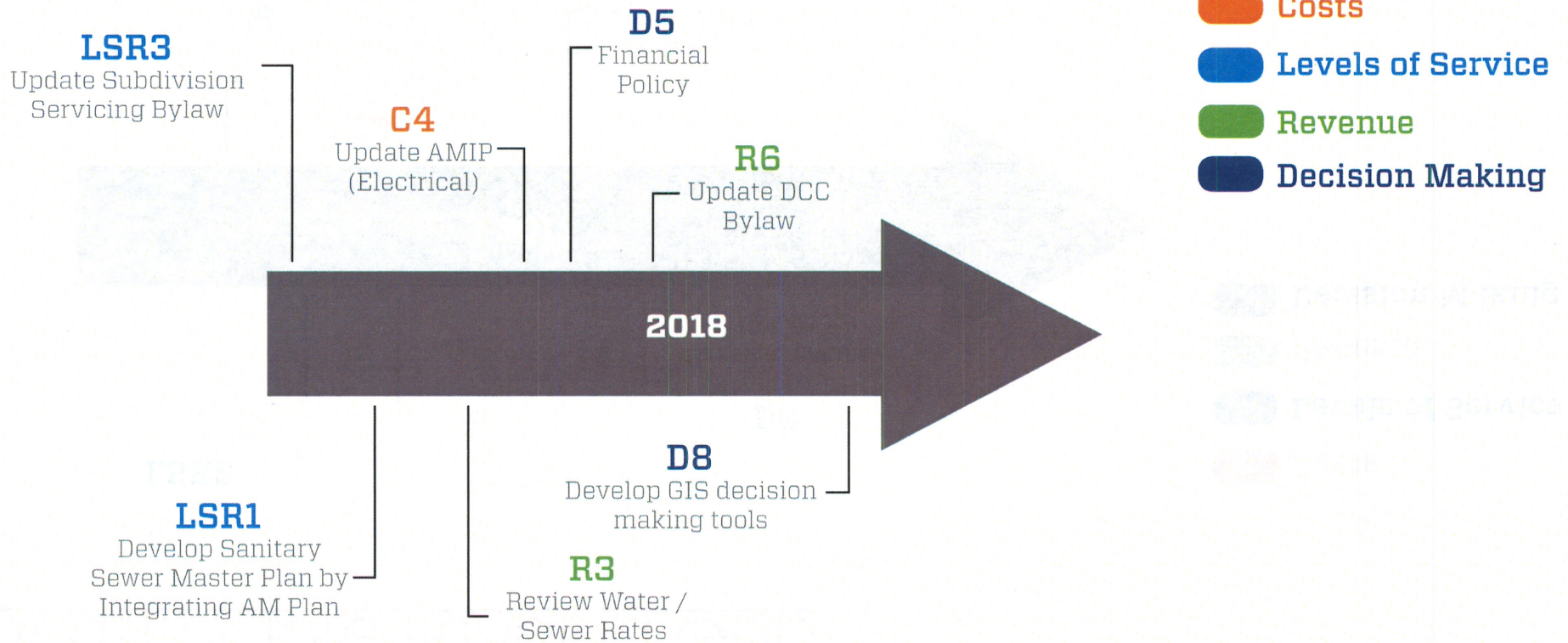
What is the City's Long term Plan to Address the Infrastructure Funding Gap



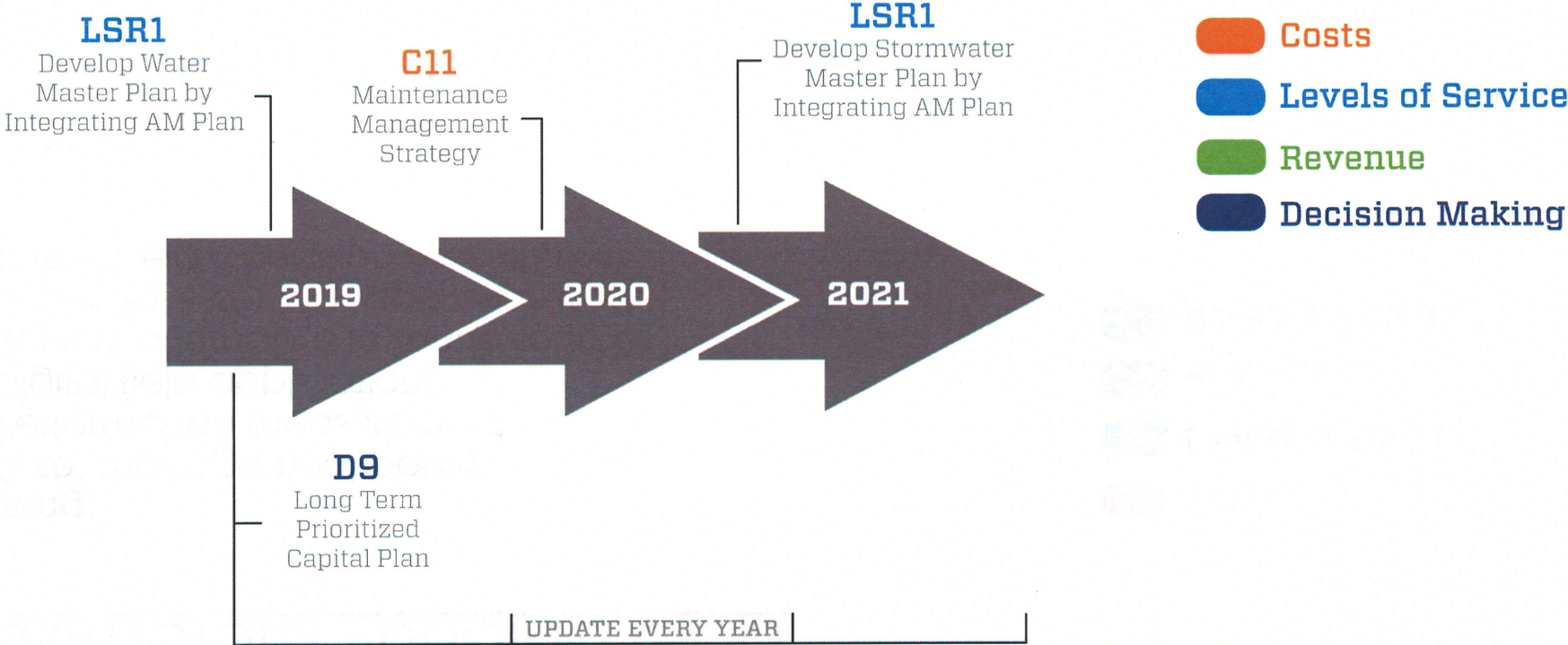
What is the City's Long term Plan to Address the Infrastructure Funding Gap



What is the City's Long term Plan to Address the Infrastructure Funding Gap



What is the City's Long term Plan to Address the Infrastructure Funding Gap



What is the City's Long term Plan to Address the Infrastructure Funding Gap

On-going

- Asset management policy
- Performance measurement
- Digital field application
- Review alternative revenue sources
- Updated Asset Management Model
- Linear Field Condition Assessment

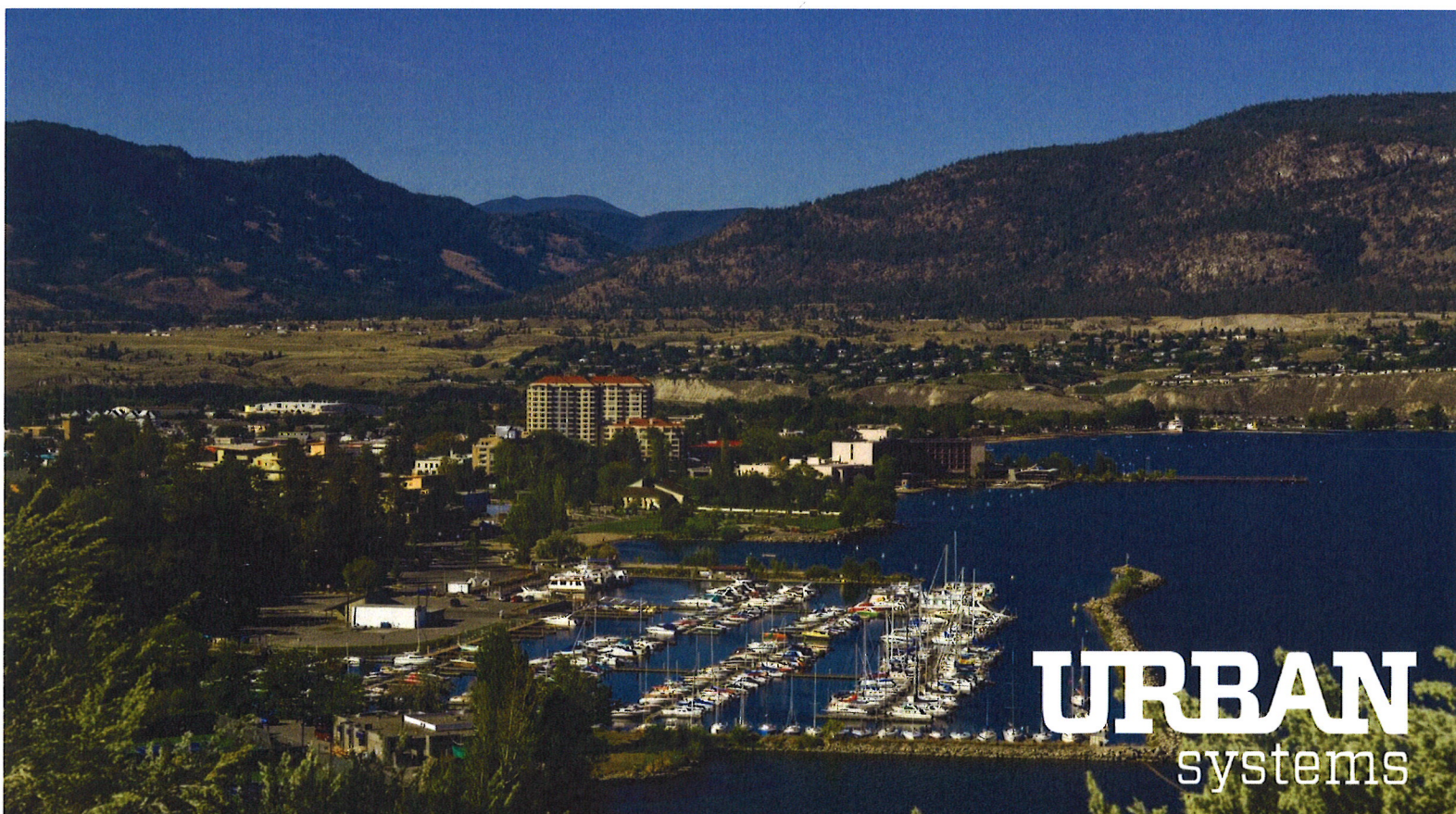
- Costs
- Levels of Service
- Revenue
- Decision Making

Questions?

FINAL REPORT

PREPARED FOR THE CITY OF PENTICTON

Asset Management Investment Plan 2016



URBAN
systems

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Appendices

Appendix A	AMIP Level 1
Appendix B	Replacement Costs
Appendix C	Services Lives
Appendix D	Data Assumptions

1 Executive Summary

The City of Penticton owns and maintains a large portfolio of infrastructure assets upon which it greatly relies for the delivery of services to the community. This infrastructure includes the City's, water and sewer, storm, road, electrical systems as well as a wide variety of civic buildings and fleet.

Some of the City's assets, such as the water system, date back to the mid-1960's. These assets, and others, have served the community well however many of these assets are now nearing the end of their useful lifespans and will eventually need to be replaced or rehabilitated.

The Asset Management Investment Plan (AMIP) provides a review of all of the City's infrastructure assets to answer the following questions;

- ▶ What assets does the City own?
- ▶ What is the cost to replace the asset?
- ▶ How much money needs to be invested annually (on average) to sustain the City's assets?

By understanding the answer to these questions the City will be able to budget and plan for the replacement of their infrastructure. Failure to plan would put the community at risk of service disruptions, emergency repairs and the need for sudden and significant tax and user fee increases. By being proactive today the City can ensure that services are sustainable so that current and future generations can enjoy the same levels of service as well as reasonable tax rates and user fees.

WHAT ASSETS DOES THE CITY OWN?

For the purposes of the AMIP, the City's assets have been separated into 7 categories; water, sanitary, roads, storm, electrical building and fleet systems.

- ▶ The **Water System** is comprised of over 273km of water pipes in addition to numerous fire hydrants, valves, reservoirs (8), pump stations (7), water treatment plant (treat up to 88ML/day)
- ▶ The **Sanitary Sewer System** is comprised of over 175km of sewer pipes in addition to manholes, lift stations (11), and treatment facilities (treat up to 27ML/day).
- ▶ The **Roads System** includes 184km of local and collector roads, sidewalks (122km), bridges (7), streetlights, traffic signals and signage.
- ▶ The **Storm System** includes nearly 88km of pipes, culverts, catch basins and manholes.

What is Asset Management?

The process of bringing together the skills and activities of people; with information about the community's physical infrastructure assets and financial resources to ensure long term sustainable service delivery.

Sound asset management practices support sustainable service delivery by considering community priorities, informed by an understanding of the trade-offs between the available resources, risk and the desired services.

Sustainable service delivery ensures that current community services are delivered in a social, economic, and environmentally responsible manner that does not compromise the ability of future generations to meet their own needs.



Figure 1.1: Asset Management for Sustainable Service Delivery, A BC Framework

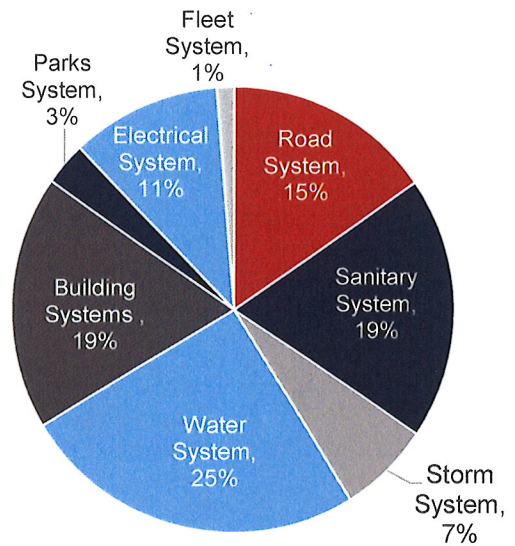
- ▶ The **Electrical System** includes various components such as electrical lines, fiber, meters, poles, switches and transformers
- ▶ The City's **building systems** include all public buildings and structures including the, fire hall, library, museum, public works office and garage and other City owned structures.
- ▶ The **fleet and other category** includes City owned vehicles and mobile equipment including fire trucks, plow trucks, backhoes, rescue trucks and other vehicles and equipment.

All of these infrastructure assets are required to deliver the services that are valued by the residents of Penticton.

WHAT IS THE COST TO REPLACE THE ASSETS?

The total replacement value of the City's infrastructure is approximately \$1.08 billion, based on current construction costs. Broken down as follows;

Asset Category	Replacement Value
Road System	\$166 million
Sanitary System	\$207 million
Storm System	\$74 million
Water System	\$272 million
Building System	\$201 million
Parks	\$34 million
Electrical System	\$117 million
Fleet System	\$13.5 million
Total	\$1.08 billion



The road, sanitary, water, electrical and building assets make up the majority of the infrastructure value (75%) with storm, parks, fleet and other assets making up the remaining 25%.

HOW MUCH MONEY NEEDS TO BE INVESTED ANNUALLY?

There is no single "correct" answer to this question. Accurately predicting when infrastructure will need to be replaced is very difficult if not impossible to do. The service life of an asset such as a pipe depends on many factors such as the materials it is constructed from, the properties of the soils that it is buried in, how it was installed and many, many other factors. For this reason lifespan estimates are generally based on "rule of thumb" values. Most rule of thumb lifespans applied by engineers are conservative (on the safe side). In reality many assets could actually last much longer (50% longer or possibly more) than these estimates. For this reason the annual average investment required by the City is presented as a range between a high of \$28 million annually if a conservative rule of thumb lifespan is applied down to \$18.7 million if an optimistic assumption is made that assets will last 50% longer than the conservative estimate. The correct answer probably lies somewhere between these two values. By assuming the assets will last longer the City assumes more risk. It is at the discretion of the City Council to decide what level of funding they are comfortable with and to revisit those assumptions on a regular basis.

Average Annual Lifecycle Investment (AALCI) Summary			
Asset Category	Scenario 1	Scenario 2	Scenario 3
Description	Standard Service Life (SL)	SL Increased by 25%	SL Increased by 50%
Road System	\$3.9 million	\$3.1 million	\$2.6 million
Sanitary System	\$4.1 million	\$3.3 million	\$2.7 million
Storm System	\$1.1 million	\$903,000	\$753,000
Water System	\$5.5 million	\$4.4 million	\$3.7 million
Building System	\$7.1 million	\$5.7 million	\$4.7 million
Parks	\$1.5 million	\$1.2 million	\$1.0 million
Electrical	\$4.2 million	\$3.3 million	\$2.8 million
Fleet	\$511,000	\$410,000	\$336,000
Total	\$28 million	\$22.5 million	\$18.7 million



Feasibility Study and Market Analysis *for the* **Penticton Trade and Convention Centre**

Final Presentation to Council

October 18th, 2016




Prepared by:



Prepared for:



1. *Purpose*
 2. *The Asset – Location, Context, Condition, Functionality*
 3. *The Asset – Operational Performance*
 4. *Viability of the Existing Asset*
 5. *What Will it Take to Increase Market Share?*
 6. *Overview of Options*
 7. *Recommendations*
 8. *Summary*
- 

1. Purpose

- ❑ Highest and Best Use Analysis of the PTCC.

- ❑ **Key questions the overall study answers:**
 1. Product-Market Match?
 2. Range of alternate use?
 3. What is the **economic impact (positive or negative)?**

This presentation summarizes the analysis, outcomes and key recommendations for the PTCC for Council consideration. Work Plan highlights include:.

- ✓ **Phase 1** **SITUATIONAL ASSESSMENT**

 - Project Start-Up / Field Review
 - Building + Site Review, Background Review
 - Interviews
- ✓ **Phase 2** **MARKET PROFILE, GAP ANALYSIS + OPPORTUNITIES**

 - Operating Metrics, Market Profile and Comparable Venues
 - Demand: General Market Opportunity by Event Category and Building “Fit”
 - Supply Profile: Meetings, Conventions and Trade Shows by Venue
 - Projections of Market Share
- ✓ **Phase 3** **OPTIONS AND IMPACTS**

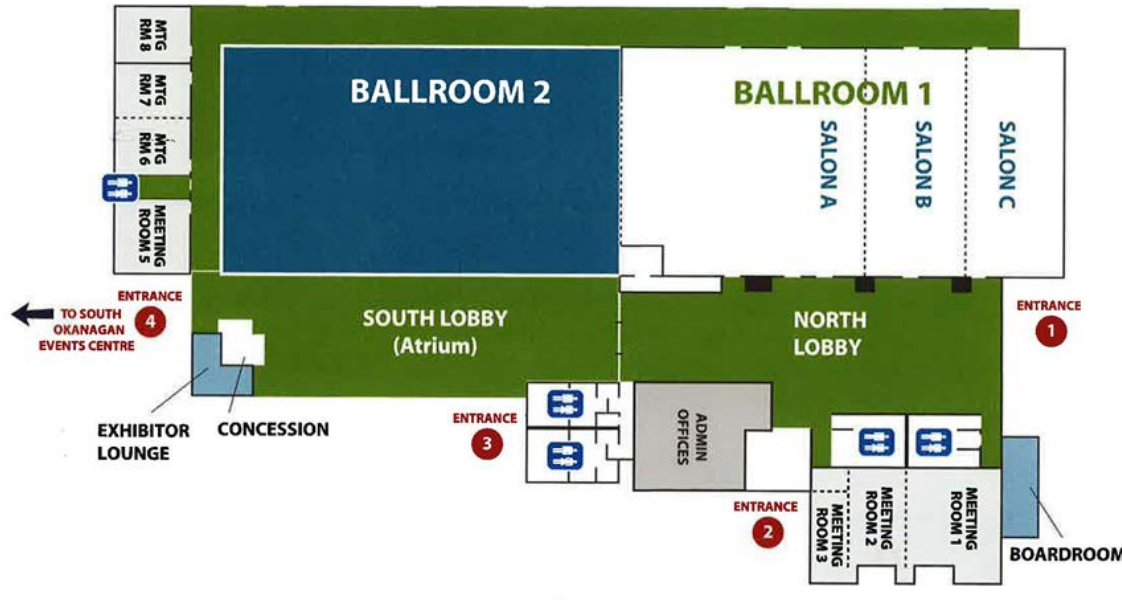
 - Draft + Final Reporting

2. The Asset: Overview

- ❑ The PTCC is part of a campus of assets.



2. The Asset: Facility Components + Functionality ⁻³⁸⁻



Building Specifications:

- 73,000 sq. ft. GFA
- 60,000 sq. ft. usable
- 49,000 sq. ft. rentable
- Original build - 1965; additions 1988 and 2000-2003.

Functionality Assessment

Pre-Function Space

- Well-sized and generally very workable
- Provides very good access to main halls; access to meetings rooms is less apparent
- Some small-scale modifications would improve the functionality of the space

Trade and Convention Space

- Well-planned in terms of size and column location
- Original main hall provides a significant amount of trade show space
- Number of positive and negative aspects to the main trade and convention space

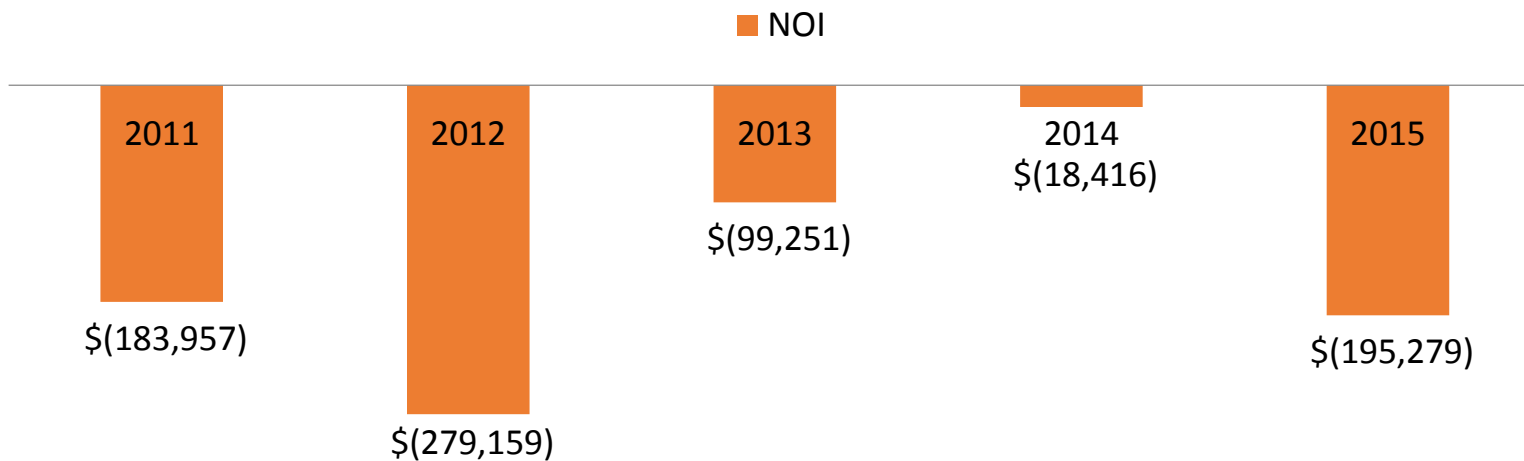
Back of House Space

- Extremely poorly designed with no real marshalling area
- Very poor truck/vehicle unloading
- Not a secure zone

2. The Asset: Financial Performance (last 5 yrs.) ⁻³⁹⁻

	2011	2012	2013	2014	2015
Revenues	\$ 1,424,398	\$1,398,866	\$1,829,287	\$1,579,358	\$1,854,187
Expenses	\$ (1,608,355)	\$(1,678,025)	\$(1,928,538)	\$(1,597,774)	\$(2,049,466)
NOI	\$ (183,957)	\$(279,159)	\$ (99,251)	\$ (18,416)	\$(195,279)

PTCC Annual Profit and Loss (2011-2015)



Source: Sierra Planning and Management based on data provided by Global Spectrum

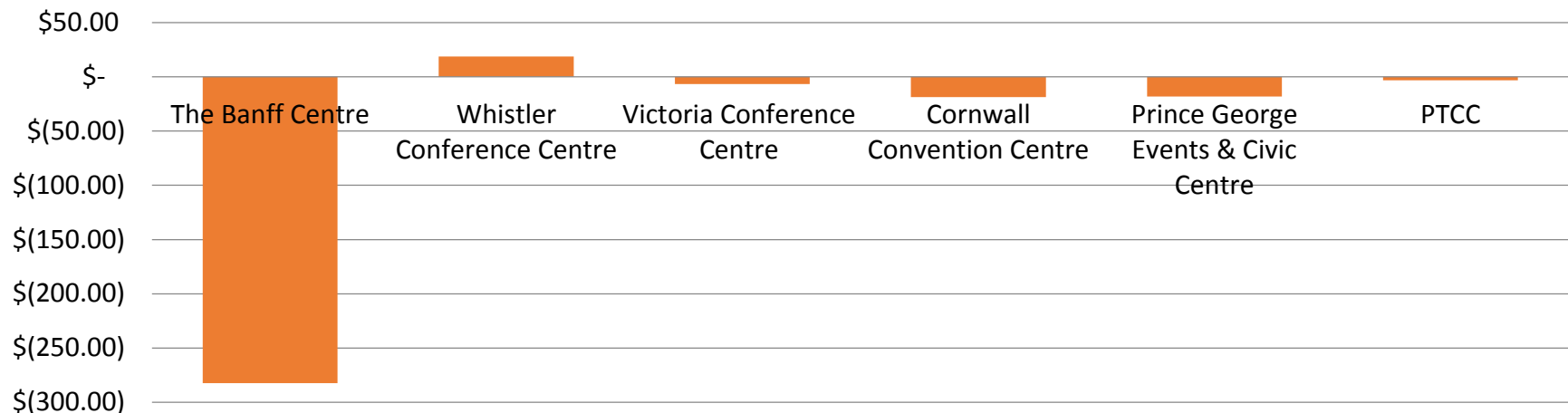
2. The Asset: Financial Performance

- 40 -

Facility	Revenues	Expenditures	NOI	NOI excl. grants	NOI per Sq. Ft (excl. grants)
The Banff Centre	\$62,156,000	(\$61,818,000)	\$338,000	(\$19,770,000)	(\$282.43)
Whistler CC	\$2,353,163	(\$1,131,998)	\$1,221,165	-	\$18.79
Victoria CC	\$3,559,728.00	(\$4,064,149)	(\$504,421)	(\$504,421)	(\$6.73)
Cornwall CC	\$397,199.00	(\$956,019)	(\$558,820)	(\$558,820)	(\$18.63)
Prince George CC	\$1,408,859.00	(\$1,888,649)	\$(479,790)	(\$542,821)	(\$18.09)
PTCC	\$1,854,187.00	(\$2,049,466)	(\$195,279)	(\$195,279)	(\$3.25)

Source: Latest available financials

NOI per Sq. Ft for the PTCC and select comparable facilities

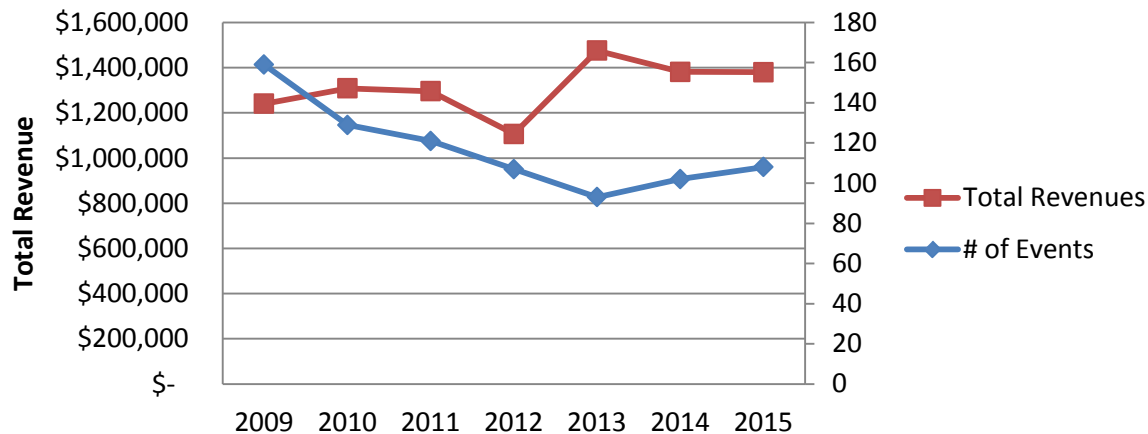


3. The Asset: Operational Performance

	# of Events	Total Revenues	Total Event Days	Revenues per Event Day
2009	159	\$1,240,189	226.5	\$5,475
2010	129	\$1,308,662	266.5	\$4,911
2011	121	\$1,295,895	244	\$5,311
2012	107	\$1,106,789	207	\$ 5,347
2013	93	\$ 1,475,465	198.5	\$7,433
2014	102	\$1,381,761	240	\$5,757
2015	108	\$1,379,718	339.5	\$4,064
Average	117	\$ 1,312,640	246	\$5,471

Source: Sierra Planning and Management based on data provided by Global Spectrum

Total Events and Revenues for the PTCC (2009-2015)

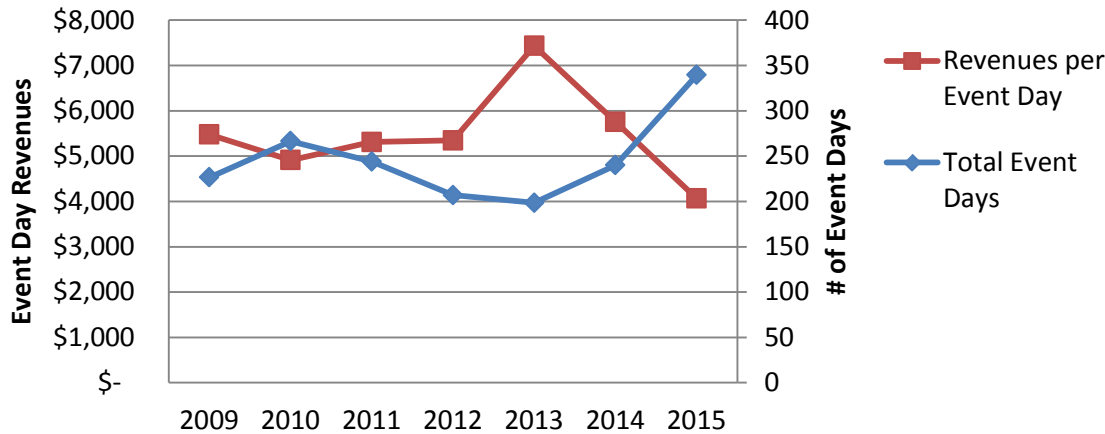


Over the last 7 years the facility has attracted an average of:

- 117 events per annum and generated around \$1.3 M in associated revenues from rentals and F&B etc.

3. The Asset: Operational Performance

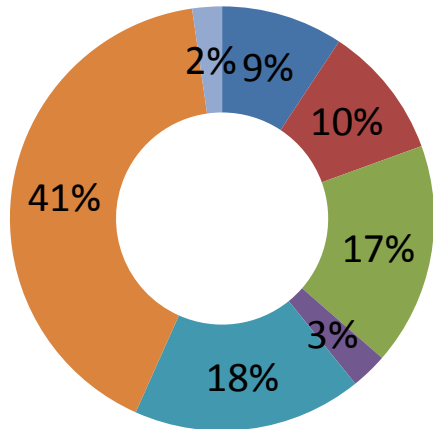
Events Days and Event Day Revenues for the PTCC (2009-2015)



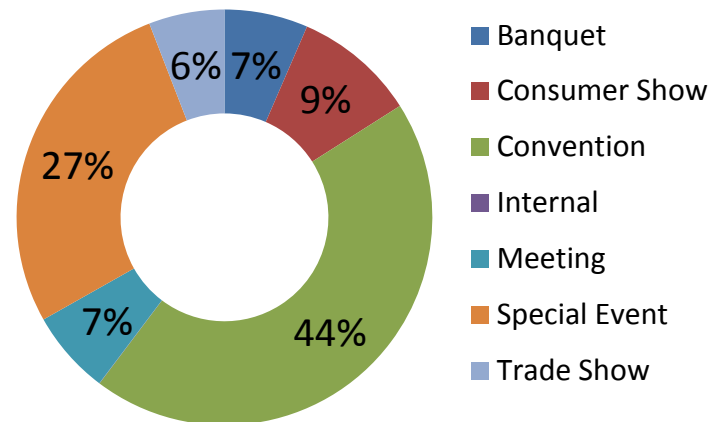
- Over the past 7 years the facility has averaged almost 250 event days per annum.
- Average revenues per event day are approximately \$5,500.

Source: Sierra Planning and Management based on data provided by Global Spectrum

Breakdown of Event Days for the PTCC by Activity (2009-2015)



Breakdown of Total Revenues for the PTCC by Activity (2009-2015)



- Conventions accounted for 17% of total event days hosted over the last 7 years and 44% of facility revenues.

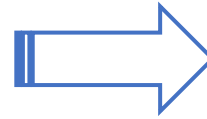
* Note: Meetings considered as half day events

4. Viability of the Existing Asset

Focus on Long-Term Viability of the Existing Asset.

- Assessment:
 - (i) Overall scale of the market in the Okanagan for trade, convention and large group meetings, now and in future;
 - (ii) The existing competitive landscape of the venues which supply the market and their unique selling attributes into the market; and
 - (iii) Relative to the competitive supply, the quality of the PTCC in the trade show/convention market and the investment that may be required to maintain and, separately, improve its market share.

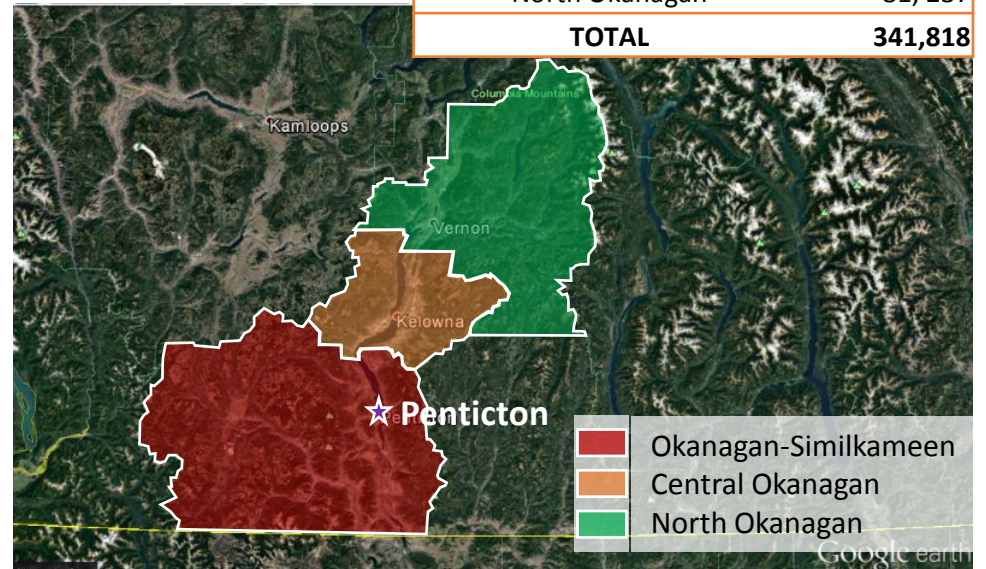
- The assessment takes a market trade-area approach. Tier 3's draw importantly on a regional market for events.



Defining the Market Area

- The **primary market area** is comprised of the geographic regional districts of Okanagan-Similkameen, Central Okanagan and North Okanagan (341,818 people).

Primary Trade Area	
Okanagan-Similkameen	80,742
Central Okanagan	179,839
North Okanagan	81, 237
TOTAL	341,818



4. The Asset: Regional Market Share

HOTELS / RESORTS + PTCC

	PTCC 2015		Delta Grand		Lakeside Resort		Vernon Atrium Hotel		Coast Capri Hotel	
	Events	Event Days	Events	Event Days	Events	Event Days	Events	Event Days	Events	Event Days
Type of Event										
Convention	14%	23%	36%	35%	28%	25%	6%	5%	8%	7%
Trade Show	8%	8%	33%	32%	0%	0%	0%	0%	20%	28%
Consumer Show	33%	53%	5%	3%	0%	0%	13%	6%	0%	0%
Special Event	27%	66%	3%	3%	4%	2%	10%	4%	13%	6%
TOTAL	23%	47%	15%	16%	11%	9%	8%	4%	11%	8%

ARENAS

Prospera Place		Kal Tire Place		Sandman Centre		SOEC		OTHER		TOTAL	
Events	Event Days	Events	Event Days	Events	Event Days	Events	Event Days	Events	Event Days	Events	Event Days
0%	0%	0%	0%	6%	4%	0%	0%	2%	1%	100%	100%
17%	11%	15%	16%	0%	0%	8%	5%	0%	0%	100%	100%
26%	21%	9%	10%	9%	5%	0%	0%	5%	2%	100%	100%
9%	5%	0%	0%	12%	6%	22%	8%	0%	0%	100%	100%
8%	5%	2%	2%	9%	5%	12%	5%	1%	1%	100%	100%

- ❑ PTCC had almost 25% the market for total events and almost 50% of the total event days hosted by major event facilities in the market area.
- ❑ 25% share of convention market - reflects competition from major resort hotels, locational advantages and accommodations offer.
- ❑ PTCC length of conventions increases its relevance in the market despite lower number of conventions, compared to competition.

4. Where does the PTCC fit in?

- 45 -

- ❑ Competitive environment for convention/conference/major meetings.
- ❑ Major competition has a distinct offer – suitable for a range of conventions; recommended improvements to the facility will improve its functional flexibility for all event types.
- ❑ Little competition for trade shows – but not a growing opportunity.
- ❑ The facility is dominant for traditional consumer shows – growth in the region overall offers the potential to maintain this market.
- ❑ Events last longer at the PTCC compared to its regional competition.
- ❑ Inability to offer a competitive package of hotel/event relative to the competition will continue to hamper growth capacity for PTCC
- ❑ PTCC has contingent potential to grow market share based on improved accommodations offer and internal improvements.



4. Impact of Lakeside Resort Expansion

- Study reflected on potential for an expanded Lakeside to cannibalize the market – as an example from existing data, there are 4 returning or recurrent events at PTCC with 263 peak room nights or less that could be under threat by Lakeside once expanded.

Existing hotel rooms	203
Minimum hotel rooms to be added	60
Total Hotel Rooms after Expansion	263

Events Under Potential Threat from Lakeside				
Organizer	Event Type	Duration	Peak Room Nights	Years at PTCC
British Columbia Water & Waste Association	Convention	5	1300.00	2009, 2012
Fire Chiefs' Association of British Columbia	Convention	6	700.00	2010, 2013, 2015
Educational Facility Managers Association of BC	Convention	5	400.00	2009-2015
Raven Event Management	Convention	4	350.00	2014-2016
UBC Faculty of Medicine - Continuing Professional Development	Convention	6	315.00	2014-2015
The Canadian Avalanche Association	Convention	5	300.00	2010, 2014-2016
Mary Kay Cosmetics LTD	Convention	3	250.00	2009, 2012
Public Works Association of BC	Convention	4	250.00	2012, 2015
HeliCat Canada Association	Meeting	3	75.00	2014-2015
Interior Health Authority (6 meetings held in 2015)	Meeting	3	35.00	2012, 2015

Events under potential threat



4. Impact of Lakeside Resort Expansion

- ❑ Potential for PTCC to lose conventions and recurrent events, especially absent investment in hotel and functional improvements.
- ❑ No market evidence that Lakeside expansion should signal unviability of PTCC.
- ❑ Lakeside expansion should be welcomed by City for positive economic impacts.
- ❑ **Opportunity remains for City to continue investing in PTCC.**

Revenues of Events Under Potential Threat from Lakeside	
Organizer	Total Revenue (per annum)
Mary Kay Cosmetics LTD	\$ 17,577.47
Public Works Association of BC	\$ 63,978.03
HeliCat Canada Association	\$ 14,372.78
Interior Health Authority	\$ 37,544.54*
Total	\$ 133,472.82

*based on 2015 figures

5. What will it take to Increase Market Share? ⁻⁴⁸⁻

The PTCC needs to improve its competitiveness.

Indicative Analysis – a guideline to do-ability of gaining market share

- Gain a new hotel with sufficient room count (branded).
- Moderate investment in the building will be a complimentary benefit but wouldn't in and of itself secure significant growth in market share.
- **Economics of any investment based on “below the line” return on investment through:**
 - **Impacts to the economy; and**
 - **Continued relevance as a destination.**

5. Implications for Growing Market Share

What an Increase in Market Share Means

Broad Metrics of Regional Market Scale: % of Regional Market

Type of Event	Events			Event Days		
	1%	5%	10%	1%	5%	10%
Convention	0.7	3.3	6.6	2.0	10.2	20.4
Trade Show	0.1	0.7	1.3	0.4	1.9	3.8
Consumer Show	0.2	1.1	2.1	0.4	2.1	4.1
Special Event	1.2	6.0	12.0	3.1	15.7	31.4
TOTAL	2.2	11.0	22.1	6.0	29.9	59.8

PTCC Current Market Share

	2015 Events		2015 Event Days	
Convention	9.0	14%	46.0	23%
Trade Show	2.0	8%	3.0	8%
Consumer Show	7.0	33%	22.0	53%
Special Event	33.0	27%	209.0	66%
TOTAL	50.0	23%	280.0	47%

Realistic target is 5% growth – 2 to 3 additional conventions.

PTCC Current Market Share	Growth: 1% of Market	5% more of Market	10% more of Market		Growth: 1% of Market	5% more of Market	10% more of Market
	Total Annual Events				Total Annual Event Days		
Convention	10	12	15		48	56	66
Trade Show	2	2	3		3	5	7
Consumer Show	7	8	9		22	24	26
Special Event	34	39	45		212	225	240
TOTAL	53	61	72		286	310	340

Source: Sierra Planning & Management

6. PTCC Improvements (Without Expansion)

PRIORITIES

- 1st priority: new carpet and essential building life cycle improvements.
- 2nd priority: expanded back of house for existing footprint – a direct capacity relationship to hosting bigger numbers of patrons.
- 3rd priority: re-planning meeting rooms.

Improvement	Cost Estimate	Priority
New Concrete Floor		
Remove existing wood frame floor	\$75,255	Secondary
Install new concrete floor system	\$1,128,825	Secondary
Electrical Allowance	\$75,255	Secondary
Expanded Back of House (partial - assume 4,500 ft²)		
Renovated	\$900,000	Primary
Re-planning (not expanding) meeting rooms	\$270,000	Primary
General Allowance for Improvements – Per Condition Report – Should reassess critical elements / priorities that may have changed over time.*		
Architectural	\$2,100,000	Primary
Mechanical	\$1,200,000	Primary
Electrical	\$600,000	Primary
Miscellaneous Site Work Allowance	\$500,000	Primary
Primary Priority	\$5,570,000	\$6,962,500**
Secondary Priority	\$1,279,335	
Subtotal	\$6,849,335	
Total Including Soft Costs (25%)	\$8,561,669	

*Cost includes recommended Building Infrastructure Upgrades (as per 2013 Building Condition Assessment); excludes cost of new carpeting;

** Includes soft costs (25%)

6. PTCC Improvements (Without Expansion)

Secondary Options for Improvement of Existing Building

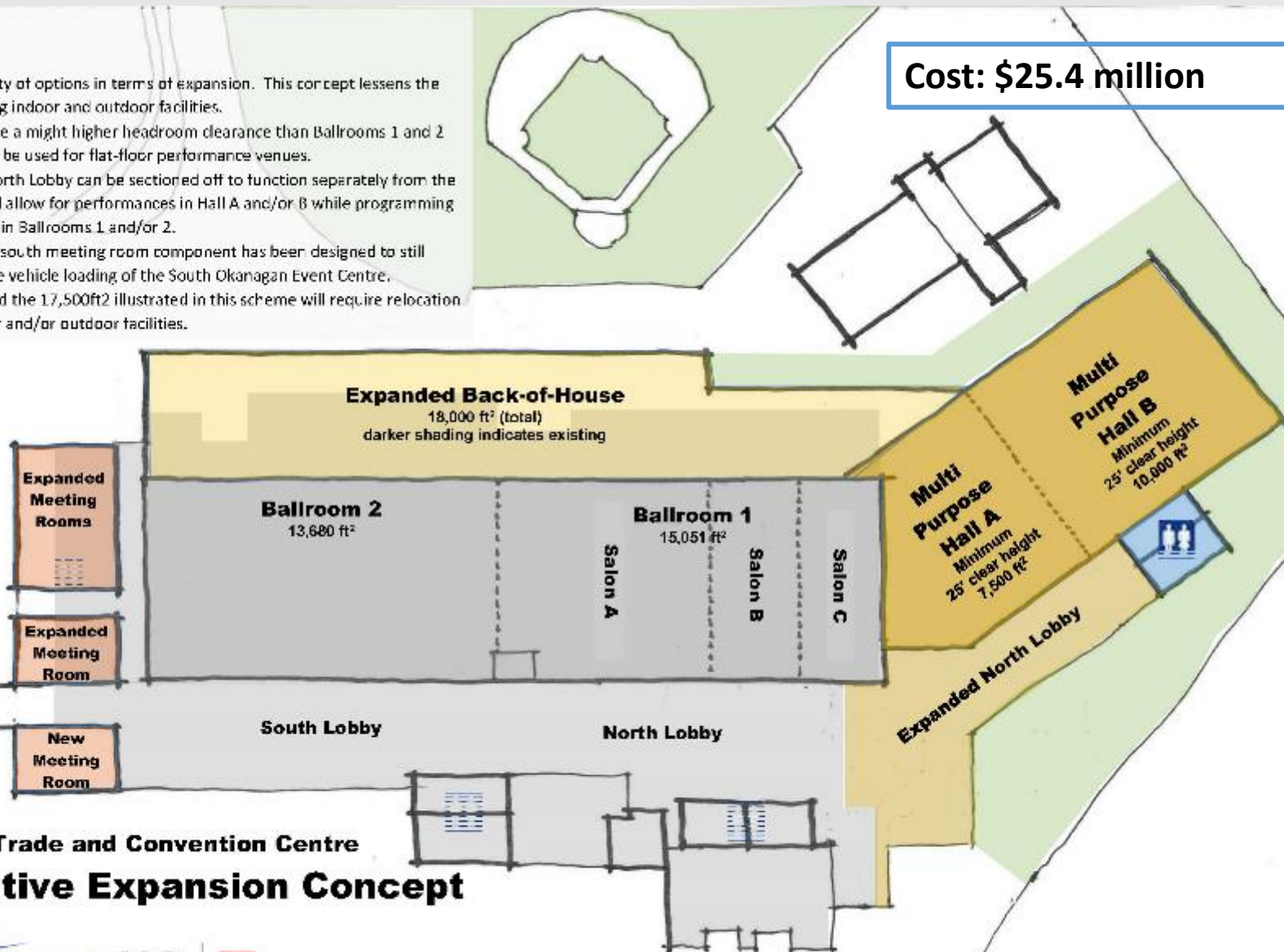
- **Concrete Floor:**
 - Will improve functionality and capacity to host major trade/consumer shows.
 - **“Wish list”** item more than a necessity.
 - No trade show identified at this time resulting from investment.
 - Limits to the number of trade and convention shows market can support.
- Long-term use of the PTCC - consider this improvement (medium term) to **maximize the functionality** of the existing space and **reduce risks** to health and safety.

6. PTCC Improvements (With Expansion)

Notes

- There are a variety of options in terms of expansion. This concept lessens the impact on existing indoor and outdoor facilities.
- Halls A and B have a might higher headroom clearance than Ballrooms 1 and 2 allowing them to be used for flat-floor performance venues.
- The expanded North Lobby can be sectioned off to function separately from the existing. This will allow for performances in Hall A and/or B while programming a separate event in Ballrooms 1 and/or 2.
- Expansion of the south meeting room component has been designed to still allow appropriate vehicle loading of the South Okanagan Event Centre.
- Expansion beyond the 17,500ft² illustrated in this scheme will require relocation of existing indoor and/or outdoor facilities.

Cost: \$25.4 million



Penticton Trade and Convention Centre Illustrative Expansion Concept

August 5th, 2016

6. Summary of Recommended Investment

Priorities

1. Life Cycle Requirements per existing estimates (subject to further review for critical versus other requirements).
2. Back of House improvements for existing space.
3. Reconfiguration of meeting room space.

All other investments remain medium to long term and should be assessed in the future based on:

- Annual performance of PTCC;
- Future development of new hotel(s); and,
- Any justified future demands for co-locating community uses with PTCC in multi-purpose space.

6. PTCC Re-Use Potential

Alternative Use	Comments
Ice Rink	Conversion to ice would not reflect key best practice principles of twin ice surfaces, high quality multi-purpose recreation space, and community pride.
Curling	Would free up the existing curling rink as a high value development site.
Gymnasium	Not ideal due to low ceiling height.
Fitness	Not a highest and best use for this public site.
Library	Flooring surface an issue related to loading (convention space would be on wrong surface).
Offices	Okay for “backroom” offices; not Class A space.
Theatre / Performance	Investment which provides essentially a “black box” theatre approach and which does not impede the main line of business at PTCC is worth considering.
Gallery / Museum	Could be considered for meeting room repurposing, not an appropriate consideration for main ballrooms.
Commercial	Not prime street level location for retail; better located near community recreation amenities.

7. Recommendations

<p>Option #1: Full Repurposing of PTCC</p>	<p>Not justified.</p>
<p>Option #2: Partial Reuse of Existing PTCC</p>	<p>Not justified. Scale of facility as a dedicated T&CC facility is essential – loss of space for PTCC would diminish capacity and may even reduce utilization.</p> <p>Multi-purpose options to improve utilization warranted only where primacy of the PTCC not impacted.</p>
<p>Option #3: Investment and Enhancement of PTCC function</p>	<p>Primary focus. The high hurdle for entry into the trade and convention market is a sunk cost – opportunities to maintain market exist through leveraging existing footprint with modest investment.</p>
<p>Option #4: Demolition of PTCC and realize land for highest and best use</p>	<p>Not Justified – PTCC is the highest and best use</p>

8. Summary

Based on our review of Financials and Convention Projections:

- **Periodic investment** required. Additional marketing needed.
- **Modest expansion of convention business** - based on basic investment in facility, and additional investment over time to improve functionality.
- **Expanding the facility** - unlikely to create improved financial position but with secured events, the economic impacts **WILL** be enhanced.
- **Better hotel offer** may help raise patronage and events - improve revenues – but higher staffing costs.
- **Undertake operational review** of PTCC (once investment plans for basic upgrades approved).



8. Summary

Marketing Requirements

- Focus on the **convention market**.
- Align marketing for all events to the **sector strengths** of the region.
- Take advantage of **trends**.
- Continue to focus on the **larger scale events**.
- Seek **differentiation** in the market place.
- **Expand presence** in marketing terms.
- Recognize the **regional market**.
- Provide a **distinctive advantage** for Penticton over Kelowna.

THANK YOU

Jonathan Hack, Director
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October 10, 2016

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Ms. Bregje Kozak
Manager of Facilities
City of Penticton
171 Main Street
Penticton, BC V2A 5A9

Sent via email

***RE: Executive Summary of Feasibility Study and Market Analysis
for the Penticton Trade and Convention Centre (PTCC)***

Dear Ms. Kozak,

The following provides a high-level summary of the details included in the Final Report for the Feasibility Study and Market Analysis for the Penticton Trade and Convention Centre. The report document is attached.

1.0 – INTRODUCTION & RETAINER

Sierra Planning and Management was retained by the City of Penticton in May 2016 to undertake a highest and best use analysis of the Penticton Trade and Convention Centre (PTCC). Specifically, this report looks at ways to improve the net return from the facility, within the context of the City's financial capability, short-term and long-term business, industry climate and economic impact considerations. This study involved a broad assessment which, if the decision is to do anything other than observe the status quo, will require additional steps of assessment, cost-benefit analysis and implementation.

The aim of the report includes the following:

- A complete review of the asset including location, context, condition, functionality, current financial performance, and operating performance;
- A comprehensive assessment of the future viability of the existing asset in the context of the primary market area;
- Aligning the current operations to the market profile;
- Approaches to increase the overall market share of the PTCC and related implications; and,
- PTCC improvement options and investment priorities.

2.0 – DESCRIPTION OF THE ASSET

2.1 LOCATION AND CONTEXT

The PTCC is a City owned facility that is managed and operated by Spectra Management, a third party entertainment venue management organization. The building is 68,770 sq. ft. located on the north side of the South Okanagan Event Centre (SOEC) group of facilities, which includes the Penticton Curling Club; Penticton Memorial Arena; Cleland Community Theatre; Penticton Community Centre; South Okanagan Event Centre (SOEC); Community Arena/OHS Training Centre; and an outdoor baseball diamond. The facility was originally constructed in 1965 and underwent renovations in 1998 and 2000-2003.

A review of the asset and its local context found that Penticton, unlike many cities of its size but like Kelowna, has an extensive campus of public, recreational, community, cultural and tourism activities, which is a competitive advantage for the PTCC. In addition, a new casino is currently under construction at the southeast corner of the site and bound by both the Curling Club and Memorial Arena. The overall site is becoming increasingly densified and when there are major events running simultaneously in the PTCC and SOEC, on-site parking can be a significant issue.

The PTCC hosts a wide variety of events annually including conventions, consumer shows, trade shows, conferences, meetings and banquets. It also hosts several signature events for the City of Penticton such as the fall Wine Festival, and the Penticton Jazz Festival, which draw considerable local and visitor traffic.

2.2 BUILDING CONDITION AND FUNCTIONALITY

In 2013 a Facilities Master Plan was completed to identify capital priorities; this included a facility condition assessment of the PTCC. The assessment indicated that the facility was in good condition, but a number of recommendations were identified relating to architectural elements, mechanical and electrical systems. The total costs of these proposed capital improvements was estimated at approximately \$4 million over the next 10 years. After review, it was determined that these capital upgrades would allow the facility to continue to function and improve systems but wouldn't automatically improve the overall performance of the facility from an operational and market perspective. It can be concluded that capital expenditure on the building is required regardless of whether the existing mandate is maintained or changed.

For this assignment, a high-level assessment of the functionality of the building was conducted. The findings of which are provided below:

- **Pre-function area** is well-sized and generally very workable as the first experience in entering the building. It provides very good access to the main halls while access to the smaller meetings rooms is less apparent. While some small-scale modifications would improve the functionality of the space, it does tend to serve the purpose well as is.
- **Trade and convention space** has been well-planned in terms of size and column location. The original main hall (doubled as part of an expansion program) provides a significant amount of trade show space. However the original building was designed without a full appreciation of exactly how

these facilities work and what is required from a services and floor loading perspective. There are a number of both positive and negative aspects to the main trade and convention space.

- **Back of house space** is extremely poorly designed with no real marshalling area and very poor truck/vehicle unloading. Ideally the back-of-house is a reasonably secure zone dedicated to the facility but with the PTCC, the area is part of the public domain associated with the day-to-day functioning of the baseball field directly to the west.

These findings provided guidance to the development of the recommended options and priority of capital improvements.

3.0 – PERFORMANCE AND MARKET POSITION

3.1 FINANCIAL PERFORMANCE

The current financial performance of the PTCC indicates that the facility operates at a deficit (average of - \$160,000 annually over the past 5 years), which is consistent with most of the comparable Tier 3 conference facilities researched. Relative to most of the other comparative conference facilities, the PTCC has the lowest operating deficit, both in total as well as on a per square foot basis.

As a sunk cost, the facility has the advantage of an established market position and generates important economic impact. Deficits are modest and utilization is not an absolute measure of success of this type of facility. As dedicated T&CC venues, venue capacity often means a scale and range of spaces that do not lend themselves to full occupancy day to day.

3.2 OPERATING PERFORMANCE

As part of the study, a comprehensive review of the PTCC’s existing operating performance was undertaken. A number of findings, and related implications have been identified in detail within the report. A summary of these findings is provided below.

Over the last 7 years the facility has attracted an average of 117 events per annum and generated around \$1.3 M in associated revenues from rentals and F&B etc. Over the same timeframe, the PTCC has averaged almost 250 event days per annum with average revenues per event day of \$5,500.

These figures demonstrate stability but growth of more local market events. This is not inconsistent with national trends. From the research, it can be concluded that the PTCC is ‘holding its own’ at present, but the question remains, for how long without investing in functionality to support growth (capital and human resources).

When looking at events days specifically, the PTCC holds traits that are typical of Tier 3 convention centres; however, it was observed that the PTCC had a greater relative focus on special events, regional draw meetings and local meetings, and banquets.

3.3 FUTURE MARKET FOCUS BASED ON CURRENT FINANCIAL PERFORMANCE

Research indicates that the convention market is where the PTCC acquires the most revenue, with competition for conventions provincially and nationally. Conventions accounted for 17% of total event days hosted over the last 7 years and 44% of facility revenues at the PTCC. The convention business is evidently a business line with strong competition, as evidenced at such facilities as the Delta Grand in Kelowna, among others.

Banquets, a regional market, should be another area of focus. It leads F&B as the % of revenue along with convention and trade shows – this demonstrates that better accommodations planted close to the centre can stimulate more regional market growth.

4.0 – PROJECTED MARKET SHARE

4.1 DEFINING THE MARKET AREA

The assessment takes a market trade-area approach. Tier 3's draw importantly on a regional market for events. For this assignment, the broad market area is considered to be those communities outside of the trade area that are within a 3.5 hour drive of Penticton (approximately 157,000 people), while the trade area is the Okanagan Valley, comprised of the geographic regional districts of Okanagan-Similkameen, Central Okanagan, and North Okanagan (pop: 341,818).

PTCC offers a distinct trade and convention offer in the region – as a Tier 3 dedicated facility it competes nationally with other Tier 3 facilities, but also within its Region with a range of providers. Within the market area, there is an inventory of ten (10) facilities which directly compete with the PTCC. This includes Tradex in Abbotsford, while located just outside of the market area, it is a dedicated Tier 2 convention facility, and therefore competition.

4.2 PTCC'S REGIONAL MARKET SHARE

There is a competitive environment (including local competition) for convention/conference/major meetings. The major competition has a distinct offer, which is suitable for a range of conventions; while the PTCC can be configured for smaller convention events, recommended improvements to the facility will improve its functional flexibility for all event types.

The PTCC had almost a quarter of the market for total events and almost 50% of the total event days hosted by major event facilities in the market area. 25% share of convention market by contrast reflects the competition from major resort hotels, locational advantages and accommodations offer.

As a dedicated facility of scale, events last longer at the PTCC compared to its competition in the regional market place. The PTCC's length of conventions increases its relevance in the market and economic impact despite lower number of conventions, compared to the competition. The facility is dominant in the market

for traditional consumer shows – these types of shows are affected by local economic and population demographics, but growth in the region overall offers the potential to maintain this market.

The inability to offer a competitive package of hotel/event relative to the competition will continue to hamper growth capacity for PTCC in conventions, major regional meetings, and some special events. PTCC has contingent potential to grow market share based on improved accommodations offer and internal improvements.

4.3 ALIGNING THE CURRENT OPERATIONS TO THE MARKET PROFILE

While there is low growth and an aging population in Penticton, Kelowna is experiencing strong population growth. This is important to developing the regional market for events, consumer and trade shows, enabling the PTCC to gain from convention market growth.

The income and spending profile of the market area reflects higher than average household spending on recreation. Specifically, residents in Vernon spend more on recreation, leisure and education when compared to the provincial and national average. This speaks to the opportunities to focus trade and consumer shows to consumers interests region-wide.

In relation to businesses within the market area, key target sectors include professional, scientific, technical and health care industries. The majority of establishments in the Okanagan Valley are smaller enterprises; considering this, meeting incentives should be explored by the PTCC in attracting greater utilization.

4.4 INCREASING THE MARKET SHARE

With moderate deficit, and high economic impacts, the research suggests that the PTCC's situation is sustainable. However, there are factors that must be taken into consideration:

1. Markets and consumer preferences change and new competition emerges;
2. Market share could be eroded in the all-important conventions sector;
3. The Building has a \$4 million 10- year capital investment need to maintain its good condition;

Therefore, if the PTCC is not improved, a gradual erosion of high yield revenue sources, continued replacement with lower yield local events can be expected; and, the product-market match - the fit of the building to its market - will weaken. The Building therefore needs to improve its competitiveness. Moderate investment in the building will be a complementary benefit but wouldn't solely secure significant growth in the market share. Effective marketing and staffing would be key to realizing the gains.

Gaining a new hotel with sufficient room count would likely be the single biggest impetus to gaining market share for conventions. Then, undertaking an expansion of the building footprint has the potential to secure an even higher market draw.

The economics of any investment are not based on high utilization and internal return on investment, but rather it is about “below the line” return on investment through impacts to the economy, local service sector, and continued relevance as a destination that are important.

5.0 – PRIORITIZED INVESTMENT REQUIREMENTS

A number of options for the future of the PTCC were assessed including repurposing, partial reuse, demolition. These were determined to be unjustified and not recommended at this time.

Through the analysis it was determined that at this point in time investment and enhancement of the PTCC is the preferred option to pursue either utilizing the existing building footprint or undertaking a building expansion. The recommended improvement priorities include:

1. Life Cycle Requirements per existing estimates (subject to further review for critical versus other requirements)
2. Back of House improvements for existing space
3. Reconfiguration of meeting room space

All other investments remain medium to long term and should be assessed in the future based on the annual performance of the PTCC, future development of new hotel(s), and any justified future demands for co-locating community uses with PTCC in multi-purpose space. In our view, these community uses need to be justified based on demand/need as this will be a major driver to efforts to create space that can be leveraged by the PTCC in a multi-purpose format. Currently, those community uses have not been vetted for need or financial feasibility and we recommend that the City’s community facilities master plan provide for a future process to determine the merit of these uses and the potential for operational deficit that may be created.

Based on the above priorities, order of magnitude cost estimates were developed as presented below. These are based on the option to utilize the existing building footprint without expansion.

Improvement	Cost Estimate	Priority
New Concrete Floor		
Remove existing wood frame floor	\$75,255	Secondary
Install new concrete floor system	\$1,128,825	Secondary
Electrical Allowance	\$75,255	Secondary
Expanded Back of House (partial - assume 4,500 ft²)		
Renovated	\$900,000	Primary
Re-planning (not expanding) meeting rooms	\$270,000	Primary
General Allowance for Improvements – Per Condition Report – Should reassess critical elements / priorities that may have changed over time.		

Architectural	\$2,100,000	Primary
Mechanical	\$1,200,000	Primary
Electrical	\$600,000	Primary
Miscellaneous Site Work Allowance	\$500,000	Primary
Primary Priority	\$5,570,000	
Secondary Priority	\$1,279,335	
Subtotal	\$6,849,335	
Total Including Soft Costs (25%)	\$8,561,669	

6.0 – CONCLUSIONS

A number of conclusions can be taken away from the information presented within this summary and in the Final Report document attached, including:

Financials and Convention Projections

- Based on our review of financial performance and a projection of convention business – the modest expansion of convention business is based on the clear assumption that basic investment in the facility is undertaken as well as an appropriate additional investment over time to improve functionality. This is a facility that requires periodic investment to maintain its financial performance and economic impact
- Expanding the facility is unlikely to create an improved financial position but if events are secured, the economic impacts WILL be enhanced. More events are not guaranteed with new investment, but likely over the medium term fewer lucrative events are likely to be sustained.
- The advent of better hotel offer may help raise patronage and events which improves financials. However to meet these service demands, an addition of staff is likely necessary (and certainly if expansion is contemplated). The increment is subject to discussion but could be 3 FTE (sales, events manager and operations manager additions) at a cost of some \$250,000.
- With the addition of space and staffing, there is a possibility of higher deficits but greater economic impact.
- It is recommended that if the investment plans for basic improvements are approved in principle by the City, the City and Spectra undertake an operational review of the PTCC (different entirely from the market and asset analysis here). That plan should focus on operating costs, value for money capital and operating enhancements, and marketing mechanics, together with a plan for achieving stated key performance indicators (KPIs). This will be necessary to help justify a template business plan for any non-life-cycle related capital investment.

Marketing Requirements

- Spectra has its methods and has had its successes, so marketing focus is not a retooling but a refinement based on the outcomes of this market and facility analysis
- Marketing should focus on the convention market – the City should continue to focus on its role in destination awareness and incentivising new hotel development. The City arguably has both the right and obligation to pursue new accommodations plant next to or at the PTCC
- Seek to align the marketing for all events, especially major single and multi-day meetings, to the sector strengths of the region – above and beyond what is already done in this regard. Focus, for example, on construction, health care, professional services organizations, arts and entertainment, where the location quotient (concentration in the region of firms in these sectors) is at or higher than the Province as a whole.
- Take advantage of trends in the convention market place – package with major recreation offers such as golf, casino entertainment and other cultural opportunities, as a way of enhancing the appeal of the PTCC as an integrated offer.
- Continue to focus on the larger scale events – the 400-600 delegates and seek larger events contingent on success in gaining new hotel plant.
- Seek differentiation in the market place to avoid unnecessary competition with Lakeside.
- Expand presence in marketing terms in Canadian market place and Western US as well as Europe. Investment in hotel and building improvements are an essential part of any success in positioning the PTCC in broader source markets.
- Recognize the regional market of a 3.5 hour drive time is much larger than perhaps recognized – 350,000. PTTC marketing should compete directly with Kelowna and other centres in this broader trade area and create special events from which to draw from both the primary and secondary trade areas for trade, consumer, special events as well as corporate and association meetings. Key to this will be providing a distinctive advantage (unique selling point) for Penticton over Kelowna. Hotel, dining, recreation needs to be a focus of packaging and cooperation between the PTTC, City, the local tourism destination marketing organization, and local vendors.

Additional Conclusions

- PTCC offers a distinct trade and convention offer in the region – as a Tier 3 dedicated facility it competes nationally with other Tier 3 facilities, but also within its Region with a range of providers.

- As a sunk cost, the facility has the advantage of an established market position and generates important economic impact. Deficits are modest and utilization is not an absolute measure of success of this type of facility. As dedicated T&CC venues, venue capacity often means a scale and range of spaces that do not lend themselves to full occupancy day to day.
- The building has functional inefficiencies and lack of a hotel hampers its ability to compete. Over time its market share could drop in the most valuable sectors of the market.
- Notwithstanding, its location as part of the SOEC campus is enviable and with appropriate investment the PTCC can achieve modest market growth.
- Repurposing any significant part of the PTCC out of T&CC function is not recommended and could hamper financial performance as it conflicts with effective functioning of the building in its primary role. While not an “all or nothing” proposition, any tinkering with uses in the building needs to be highly sensitive to its impact on the facility.
- We do not recommend repurposing either partially or wholesale, other than the potential for animating certain spaces with additional concessions. However, even these are not well positioned relative to the street for general public traffic.
- Multi-purpose concepts are more achievable in the context of an expansion of the facility where a range of event types can be designed into the building.
- The City should consider capital investment in the facility at least to a modest level to solidify its competitiveness.
- Most importantly the City should be open to considering a range of possibilities for placing new hotel development as close to the PTCC as possible.

Should you have any questions or require any clarification, please do not hesitate to contact me by telephone at 416-363-4443 or by email at jonhack@sierraplan.com.

Yours sincerely,

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