

City of Kenora

**Proposed Performing Arts and Conference Centre &
Downtown Opportunity Assessment**

September 2007

Grant Thornton 

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Chartered Accountants
Management Consultants

September 6, 2007

49-4242

City of Kenora
60 Fourteenth Street North
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Kenora, Ontario P9N 4M9

Attention: Jeffrey Port, City Planner

Dear Mr. Port:

Re: Performing Arts Centre and Conference Centre & Downtown Opportunity Assessment Study

In accordance with the terms of our engagement, we have completed a Performing Arts Centre and Conference Centre & Downtown Opportunity Assessment Study for the City of Kenora.

If we may be of assistance in the interpretation or application of our findings or in the furtherance of this project, please contact us at your convenience.

Yours very truly,

Grant Thornton LLP

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Executive Summary

The following points highlight the research and analysis completed for a potential Performing Arts/Conference Centre/Hotel in Kenora.

- 1) A review of successful downtown revitalization strategies of comparable communities revealed a number of similarities with the City of Kenora's proposed downtown revitalization strategy. Key success factors in other communities included a link to heritage/history, creating a unique atmosphere, capitalizing on existing resources, helping existing businesses expand and emphasizing research, planning and long-term consistency for the revitalization plan.
- 2) Recent trends suggest that performing arts activity attendance is positively correlated to a population's age, income and education. Given the increasing popularity of Kenora as a retirement destination for residents of Manitoba, demand for performing arts events within the community is expected to increase over the coming years. Furthermore, Kenora's active local arts community and proximity to Winnipeg are expected to be positive factors for the development of a new performing arts centre. The total number of events at a new performing arts facility in the City of Kenora has been projected at 57. The facility should offer a total of 500-600 seats, and be approximately 5,000 to 6,000 square feet in size.
- 3) There is considerable pent-up demand for meeting facilities from various organizations, groups and businesses within the community of Kenora. Total demand for an additional 6,000 – 7,000 square feet of meeting space in the City of Kenora has been projected at 193 event-days (approximately 140 events), with an average event size of 73 attendees. Note that this projection is based on the assumption that the new meetings and conference centre in Kenora is able to attract a significant portion of its business from the corporate market in Winnipeg.
- 4) As a result of the relatively high number of hotel rooms within the City of Kenora, occupancy and average room rates within the local accommodation market are significantly lower than other regions in north-western Ontario. Historical room demand growth rates suggest that between 50-75 additional accommodation units could be absorbed by the market over the next three years without having a significant detrimental impact on existing accommodation providers. Occupancy and average room rates for a new 50-75 unit property as part of a performing arts centre/conference centre are expected to range between 61%-65% and \$105-\$115, respectively.

- 5) Based on the size of the retail sector in Kenora relative to the size of the primary trade area, there is no significant demand for additional retail space within the community. As such, rather than encouraging the development of new retail opportunities within the downtown area, revitalization efforts should target the retention and enhancement of existing retail areas.
- 6) Encouraging the growth of the residential population in downtown environments is considered one of the most effective and direct revitalization tools. In Kenora, condominium apartments will see moderate demand opportunities over the next decade, driven by young people in their late 20's, a gradual increase in demand from the local retirees, and recreational purchasers. The leading edge of the World War II baby boom will start to drive apartment demand in about 10 years. This demand is likely to be substantial, and could significantly and positively impact downtown revitalization efforts if higher density residential is accommodated in the downtown.
- 7) A performing arts centre, with an adjoining boutique hotel offering a limited amount of meeting and conference space would significantly enhance the appeal of downtown Kenora and contribute to the region's overall revitalization efforts. While such a facility may also create some new retail opportunities, it could also successfully be utilized as an impetus to enhance existing retail services within the City. The phased addition of residential accommodation to the downtown core, as supported by demand, will enhance the region's appeal and maximize the long-term viability of various revitalization efforts.
- 8) Development model recommendations, including the assessed risk to the City, are summarized in the table below.

Summary: Facility Development Recommendations			
	Recommendation	Development Model	Risk to City
PAC	500-600 Seats	Public (City of Kenora) ⁽¹⁾	High ⁽²⁾
Conference Centre	3,000-4,000 sq. ft. ⁽³⁾	Private ⁽⁴⁾	Low
Hotel	50-75 units	Private ⁽⁴⁾	Low

⁽¹⁾ Additional funding from other public sector organizations should be pursued.

⁽²⁾ Risk to the City can be minimized by increasing the number of public sector partners involved in the project and successfully negotiating for private sector subsidization of the meeting space portion of the PAC.

⁽³⁾ There is expected to be an additional 3,000 – 4,000 square feet of meeting space available in the PAC.

⁽⁴⁾ The same private sector developer should be pursued for both the hotel and conference centre.

Introduction

Background

The City of Kenora ON (the “City” or “Kenora”), is a community of approximately 17,000 residents located on the northeast quadrant of Lake of the Woods, approximately 200 km east of Winnipeg MB and 560 km west of Thunder Bay ON. The local economy is diversified, and includes a number of primary industries such as forestry and mining. Tourism is particularly important to the region, as the local population doubles during the summer months due to the influx of tourists and seasonal vacation home owners.

In 2004, the City of Kenora finalized a Downtown Revitalization Strategy aimed at revitalizing the downtown (Harbourtown) area of the city. Key objectives of the plan included establishing a conceptual plan for the physical development of the downtown area over the next five to ten years and recommending potential partnerships with private property owners. One of the specific revitalization strategies considered in the plan was the development of a performing arts theatre and/or convention centre.

Accordingly, the purpose of this report is to present to the City of Kenora and the Performing Arts/Convention Centre (“PACC”) Committee a summary of the potential opportunities relating to the development of a performing arts centre/convention centre/hotel, as well as the potential for private residential and commercial sector investment opportunities in the downtown core of the City of Kenora.

Scope of Engagement

The scope of this engagement, as defined in the project proposal, included the following key tasks:

- Conduct supply/demand research for a performing arts centre.
- Project operating performance of, and generate key recommendations for, the performing arts centre.
- Assess various performing arts centre operating models, including 3P partnerships.
- Conduct supply/demand research for a hotel and convention facility.
- Project operating performance of a hotel/convention facility.
- Analyze the potential for residential development opportunities.
- Analyze the potential for commercial/retail development opportunities.
- Assess the contribution of each project component to the overall downtown revitalization plan.

- Prepare conclusions and recommendations regarding each project component.
- Prepare a comprehensive report documenting the results of the research and analysis.

The remainder of this report summarizes the research, analysis and conclusions related to the PACC & Downtown Opportunity Assessment.

City of Kenora

Introduction

The City of Kenora's ability to generate demand for a PACC is dependent on several factors. Location, access, community characteristics, demographics, population size and growth, economic growth, support amenities and tourism industry characteristics collectively affect the utilization potential of a PACC.

Location

Kenora is located in the geographic centre of Canada, 200 kilometres east of Winnipeg and 560 km northwest of Thunder Bay. The community is situated on the northeast quadrant of Lake of the Woods, Canada's second largest inland lake and a popular getaway location with over 8,000 summer cabins and homes spread throughout the lake's 14,000 islands. According to the City of Kenora Community Profile, the total US and Canadian population within a four hour radius of the community is approximately 500,000, with the closest major US population base being Minneapolis, approximately 670 kilometres away.

Access

The City is directly serviced by the Trans Canada highway (Highway 17A or 17). In addition, the Kenora regional airport offers regularly scheduled commercial air service to both Winnipeg and Thunder Bay with a number of local carriers. Kenora is also home to a Canadian Pacific Rail terminal station. Commercial ground transportation carriers such as Greyhound also service the community.

Community Characteristics

As the amalgamation of the three former communities of Kenora, Keewatin and Jaffray Melick, Kenora has a rich First Nations heritage. The aboriginal population within the District of Kenora accounts for over 30% of the total population.¹ Significant historical events which helped to shape the community include the fur trade, multiple local gold rushes, the CPR, hydro-powered flour mills and the construction of the Trans Canada Highway through the city's downtown. More recently, tourism and outdoor sports activities (fishing, hunting, etc) have played a strong role in the community's development. Forestry continues to be a significant contributor to the local economy as well, with Weyerhaeuser being the community's largest private sector employer.

¹ Given the large local First Nations population, strong consideration should be given to incorporating an aboriginal element into any potential PAC/conference facility/hotel. This may include: First Nations influenced design, exhibiting First Nations Art and/or highlighting First Nations activities and events.

Lake of the Woods continues to play an integral part in shaping the City of Kenora, which acts as a staging and supply community to the 8,000 waterfront property owners scattered throughout the lake. Historically, some tension has existed between the perceived affluent seasonal residents and the perceived ‘real’ (i.e. year-round) residents, both of whom consider Kenora ‘home’.

Demographics

According to the most recent Statistics Canada results available, the average full-time earnings for individuals in Kenora was marginally (approximately 4%) lower than the average full-time earnings for all individuals in Ontario. While the local population includes a large aboriginal component, other visible minorities in the community account for less than 2% of the total population (compared with 19% of the total population for the province of Ontario).

The District of Kenora is increasingly seen as an attractive destination for retirees and seniors, and is becoming well-established as a regional retirement community as a result of its proximity to Winnipeg and the availability of extensive medical services at the Lake of the Woods Hospital. According to a 2003 survey of Lake of the Woods waterfront property owners, 16% seasonal residents plan to make the region their permanent home within the next ten years.

The communities’ expected demographic shift in age is shown in the table below.

% Breakdown of Kenora Population, by Age					
Cohort	2006 ¹	2011 ²	2016 ²	2021 ²	% Change
0-19	30.8%	29.3%	28.4%	28.2%	-2.6%
20-44	34.4%	32.2%	31.8%	31.5%	-2.9%
45-64	24.5%	27.4%	27.2%	25.6%	1.1%
65+	10.3%	11.0%	12.6%	14.7%	4.4%
Total	100%	100%	100%	100%	-

¹ Actual

² Forecast

Source: Ontario Ministry of Finance

Given the relationship between age and propensity to attend performing arts events (as discussed in more detail in the section entitled “Performing Arts Centre”), the increasing size of the mature age cohort within the City is positive in terms of demand for a potential PAC. Furthermore, the demographic shift in age is also expected to have a significant impact on the demand for future housing in the community.

Population Size and Growth

As has been the trend with many other north-western Ontario communities, the City of Kenora has experienced a decline in population over the last decade. According to the 2006 Census, the City of Kenora population decreased by 4.2% between 2001 and 2006, compared with a 6.6% increase in

population for the province of Ontario during the same period of time. The following table presents historical population growth rates for the City of Kenora.

Tri-Cities/Kenora Population							
Actual				Projected			
1991	1996	2001	2006	2011	2016	2021	2025
15,910	16,365	15,838	15,177	14,934	15,128	15,310	15,417
% change	2.9%	-3.2%	-4.2%	-1.6%	1.3%	1.2%	0.7%

Source: Statistics Canada; Ontario Ministry of Finance

The population of the primary trade area, consisting of the total population living within 30 minutes of Kenora has been estimated at approximately 20,000 residents in 2006, while the population of the larger regional area, which stretches from Dryden to Winnipeg, is approximately 725,000. A map showing the various populations is presented below.

Various Regional Populations; City of Kenora



Source: Google Maps; Grant Thornton LLP Research

As previously mentioned, Lake of the Woods is a popular destination for seasonal visitors. As a result, the population increases significantly during the summer months. While estimating the size of the community’s summer population is inherently difficult given the transient nature of this group, according to Statistics Canada over 34% of all private dwellings in the community are not occupied by year-round residents. This would suggest that the local population increases by 30-35% during the summer months. The following table summarizes the 2006 population estimates of the Kenora trade area, broken down by resident type.

Kenora Trade Area Population (2006)		
Seasonal Residents	7,000	26%
Year-round Residents	20,000	74%
Total Residents	27,000	100%

Source: Statistics Canada; Grant Thornton LLP

Economic Overview

Traditionally, forestry, mining and tourism have acted as the three basic support industries of the City of Kenora. While forestry continues to play an important role in the area, several mill closures – the most recent being the closure of the Abitibi Mill in December 2005 – have resulted in a decline of the sector’s prominence in the community. As shown in the following table, Kenora employs a significantly higher percentage of its labor force in resource based industries than the overall provincial average.

Kenora Breakdown of Workforce, by Industry		
Industry	Kenora	ON
Resource based industries	8.8%	3.2%
Manufacturing and construction	16.3%	22.0%
Wholesale and retail trade	13.6%	15.9%
Finance and real estate	2.8%	6.7%
Health and education	19.8%	15.1%
Business services	11.6%	19.1%
Other	27.1%	18.1%
Total	100%	100%

Shown in the following table is a list of the top five public and private sector employers in the City.

Kenora – Largest Employers	
Public Sector	Employees
Lake of the Woods District Hospital	460
Kenora Board of Education	300
District of Kenora Home for the Aged	245
Kenora Patricia Child & Family Services	138
City of Kenora	120
Private Sector	Employees
Trus Joist Weyerhaeuser	236
Canadian Pacific Railway	210
Canada Safeway Inc.	120
Zellers Inc.	115
Kenora Forest Products	105

Tourism Overview

Tourism Industry Characteristics

Lake of the Woods is recognized as one of northern Ontario's top recreational destinations. The area's popularity as an outdoor adventure destination is built upon its wealth of natural attributes, its setting and its proximity to Winnipeg. Lake of the Woods has a well-established inventory of lodge operators offering traditional fishing and hunting experiences, in addition to an emerging group of tour operators that provide a wide range of outdoor adventure and recreation services. Key events hosted by the community include Harbourfest, the Kenora Bass International Fishing Derby, and multiple fairs, festivals and regatta's throughout the year. A summary of special events and attractions for the region as provided by the Lake of the Woods recreation guide is presented in Appendix A.

Visitation Trends

According to Tourism Kenora, the total number of visitors to the community Visitor Information Centre ("VIC") has decreased over the last five years, although it should be noted that on-line interest, as exhibited in web page hits and email requests, has increased significantly during the same period of time². Other possible reasons for the decline in visitation may include legislative changes affecting the ability of non-residents to fish and hunt in northeastern Ontario and increased anxiety regarding international travel by US residents, as expressed by the Western Hemisphere Travel Initiative.

Kenora Visitor Information Centre Visits						
	2002	2003	2004	2005	2006	Growth*
Visitors	16,745	15,977	13,574	11,724	11,746	-7.5%
Days Open	359	357	355	351	335	n/a
Visitors/Day	46.6	44.8	38.2	33.4	35.1	-6.2%

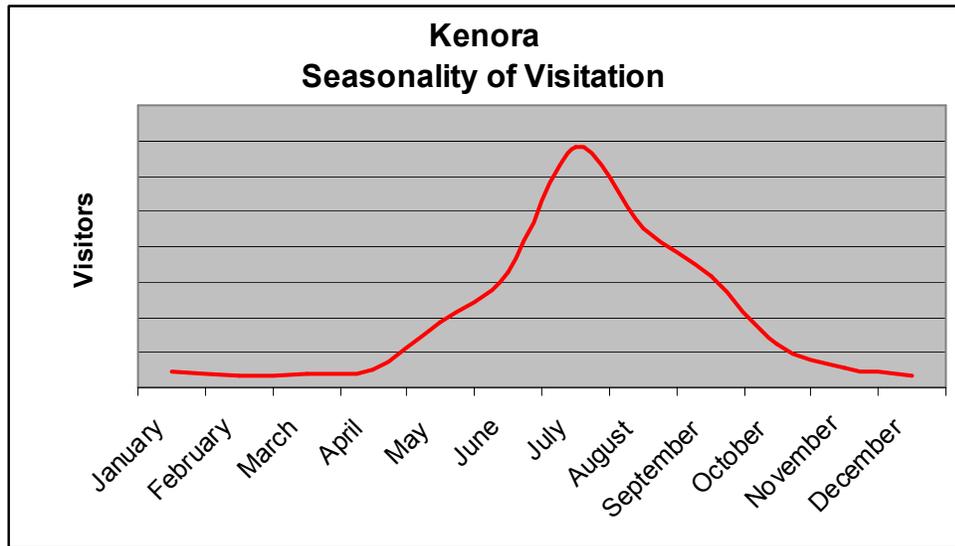
*Average Annual Growth

According to the Ontario Ministry of Tourism, total international border crossings to Ontario in 2006 were 9.0% below the level achieved in 2005, while border crossings from the U.S. to Ontario decreased by over 9.9%. As such, the performance of the Kenora visitor information centre reflects general visitation trends experienced by the province as a whole.

Seasonality

As shown in the following table, visitation to Kenora is highly seasonal, with visitation in July and August accounting for close to half of the communities' total annual visitation.

² While visitors to a VIC represent only a fraction of all visitors to a community, VIC visitation trends can be useful in determining overall community visitation trends.



Source: Tourism Kenora

Visitor Origin

As expected, the proportion of US visitors to Kenora has decreased in recent years, while the proportion of Canadian and other international visitors has increased. The following table shows the breakdown of visitor origin based on 2006 VIC statistics.

Kenora - Breakdown of Visitor Origins (2006)	
British Columbia	6%
Alberta	7%
Saskatchewan	3%
Manitoba	19%
Ontario	20%
Quebec	6%
Other Canada	5%
Canada	66%
Minnesota	4%
Wisconsin	3%
Other US	18%
US	25%
Germany	3%
England	1%
Other International	5%
International	9%

Conclusion

With a population of just over 15,000, the City of Kenora is located on the Trans Canada Highway approximately 200 kilometres east of Winnipeg. As the community's population continues to age, the city's economic base is shifting from natural resources to tourism and services. While Lake of the Woods continues to draw thousands of seasonal residents, increasing the local population by over 30% during the summer months, tourism in the community continues to struggle as the result of reduced visitations from key US markets.

Downtown Revitalization Strategy

Introduction

In September 2003 the City of Kenora retained a number of different consulting and engineering firms to prepare plans for the revitalization of the Harbourtown precinct in Kenora. Set to coincide with the replacement of much of the underground utilities in the area, the purpose of the revitalization plan is to guide the City on how to provide the best value on the overall capital investment required in the downtown area. General components that are addressed by the revitalization strategy include:

- Walking environments;
- Traffic;
- Parking;
- Streetscaping;
- Wayfinding;
- Heritage building preservation;
- Interpretive opportunities; and,
- Community Improvement Zone Program.

One of the specific revitalization strategies considered in the plan was the development of a performing arts theatre and/or convention centre. Also under consideration was the development of accommodation units, both residential and/or commercial, as well as a detailed retail strategy for the Harbourtown area.

Downtown Area

The downtown, or Harbourtown, region of Kenora is generally considered to include the area from Husky the Muskie along Lakeview Drive through downtown east to the Mall and south to the Recreation Centre. A map showing the area under consideration is presented in Appendix B.

Current Mix of Uses

Located in the geographic centre of Kenora, the Harbourtown region includes a variety of land uses. A brief description of these is provided below.

- The northern region, along Lakeview Drive, includes Husky the Muskie and the Lake of the Woods boardwalk/Mcleod Park.
- The eastern region of Harbourtown consists primarily of commercial and retail buildings, although it also includes the boardwalk and tourist areas along Lake of the Woods. Main Street, which runs north-to-south and is a popular shopping destination for both locals and visitors, is located in the eastern region of Harbourtown.
- The western region of Harbourtown includes commercial uses – most significantly, this is the location of the Kenora Shopping Mall; however, the western region also includes a

significant number of private homes (single-family, detached). The primary arterial route through the western region of Kenora is Second Street, which runs east-to-west.

- The southern region of Harbourtown, which is located south of the Laurenson Lake canal, consists primarily of recreational uses, and includes the recreation centre, arena, and sports field, as well as the Best Western Lakeside Inn and Conference Centre.

Strategic Objectives – Kenora Downtown Revitalization

According to the *Kenora Downtown Revitalization, Final Report* dated September 2004, key objectives of the revitalization initiative are as follows.

- Develop a greater sense of awareness of physical planning and the built environment within the City of Kenora.
- Establish a conceptual plan for the physical development of the downtown area over the next five to ten years.
- Analyze and recommend potential partnerships with private property owners.
- Turn Harbourtown into a destination.

The remainder of this report analyzes the potential opportunity relating to the development of a performing arts centre/convention centre/hotel, as well as the opportunity for private residential and commercial sector investment in the downtown core of the City as they relate to the overall downtown revitalization strategy objectives outlined above.

Downtown Revitalization Strategy - Examples

The following examples provide insight into key trends and developments in the downtown revitalization programs of other communities in Canada.

City of Nanaimo

The City of Nanaimo adopted The Main Street model for its downtown revitalization program which offers communities a ‘self-help’ approach to nurture their downtown’s market niche, their unique identity and distinctive cultural atmosphere. The cornerstones of the Main Street approach are: promotion, design, organization and economic restructuring. The three Downtown strategies under which various action items were grouped were:

1. Develop the Downtown as a centre for culture and entertainment;
2. Increase the amount of residential development in the Downtown area; and,
3. Establish a stable economic climate for attracting businesses into the Downtown.

Following suit with other community revitalization schemes, a downtown public/private partnership was created between the Nanaimo City Centre Association (NCCA), the Old City Quarter Association (OCQA) and the City of Nanaimo to implement the three strategies using the prioritized Action Plan.

Specific examples of the revitalization process within the community include new park developments, extensive playgrounds, benches and recreational spaces for skateboarding, oversize sidewalk chess, basketball and other similar developments. Additionally, the City is currently in the process of developing the New Nanaimo Center, a multi-use facility which will include a 2,500 sq. ft. theatre, 16,000 sq. ft. museum, and over 20,000 sq. ft. meeting space, as well as various retail shops and stores.

City of Langley

To reverse the commercial decline, the City of Langley required a practical and comprehensive approach to Downtown Revitalization. This approach was devoted to creating inviting pedestrian spaces, erecting appropriate signs, encouraging compatible new buildings, improving building facades, organizing and nurturing strong relationships with merchants and, perhaps most importantly, using all of the above to promote downtown business. The Stakeholders in the Downtown Revitalization program consisted of:

- Downtown Property Owners
- Business Owners, Managers and Employees
- City Council
- Development Services Department (City)
- Downtown Langley Merchants Association
- Development Industry
- Langley City Residents

In addition to policy changes, City Council took steps to strengthen the city identity through the design of a new logo, colour scheme, signage, and the establishment of an annual community day with the goal of "Promoting Pride City Wide". Improvements were made to recreation programs and the renovation of the Douglas Park Recreation Centre. Marketing strategies were implemented to promote Langley as a "Complete Compact Community", along with the production of economic development literature. The Downtown Langley Merchants Association organized a festival, Arts Alive, which attracted several thousand people. Council built a plaza at the original Innes Corners site. This created a focal point for the downtown area, and sent a message to the community that the Council was committed to downtown revitalization.

The City of Kingston

The City of Kingston has launched an urban renewal of its downtown with culture, building towards a heritage district to anchor the cultural tourism strength of downtown Kingston. Local businesses, which eagerly support the process, recognize it is economically attractive for business, are helping build social and cultural cohesion, and raising the profile of the community through its culture.

The Market Square Revitalization Project was planned in three phases which began with an archeological dig that uncovered artifacts from a centuries-long history of the square and former buildings on the site. Work then continued with the installation of underground refrigeration and utility services. Work on Phase II of the Project began in 2006. Utility and sewer services were upgraded, and the Square and surrounding streets were resurfaced using paving stones and granite curbs appropriate for the 19th-century ambiance of the site, which hosts the oldest open air market

in Canada. The final phase of the project began after the skating rink closed in March, 2007. Phase III will see the rebuilding of the Square's courtyards making them into community gathering places that will include new lighting, seating, and a small performance area. The revitalization of Market Square is targeted for completion in August 2007.

The Market Square Revitalization project follows the principles of the Downtown Action Plan, an infrastructure and urban design study for Kingston's downtown. The plan addressed the need to replace the underground utility infrastructure in the downtown area, including storm and sanitary sewers, waterlines, electrical, telecommunications and fibre optics. It also reflected the desire to emphasize pedestrian traffic while recognizing the unique character of historic downtown Kingston.

Conclusion

The examples provided above include a number of similarities with the City of Kenora's downtown revitalization plan. Nanaimo's focus on developing parks, greenways and commuter friendly areas, Langley's desire to create a focal point through the development of a public plaza, and Kingston's plan for downtown revitalization to coincide with existing infrastructure replacement requirements all resonate with similar initiatives, objectives and motivations in the City of Kenora's revitalization strategy.

Performing Arts Centre

Introduction

As described in the Downtown Revitalization Strategy, a Performing Arts Centre is one community facility targeted to generate interest in and traffic to the downtown area. This section of the report discusses the market potential for a Performing Arts Centre.

Industry Trends

A review of industry trends for performing arts centres has included facility user groups, facility development and facility operating models.

Facility Users

General trends regarding performing arts facility users are summarized as follows:

- Women generally have higher attendance rates at performing arts events, particularly at musicals, arts and crafts fairs, and ballet performances. A July 2003 report³ revealed that women made up almost 70 percent of all ballet goers and about 60 percent of adults attending musicals, plays, and arts and crafts fairs.
- As the population ages, the median age of arts attendees is increasing as well. In 2002, the median age of adults visiting art museums was 45, and the median age for those attending opera in 2002 was 48. With a median age of 49, classical music attendees are the oldest participants. Jazz concertgoers are the youngest arts attendees, with a median age of 43. At the same time, participation in many arts and cultural activities by younger age groups is decreasing.
- Performing arts participation rates are consistently higher for those with college and graduate school training. Attendance rates also rise with income. In 2002, 17% percent of the adult population went to a musical, compared to 29% for those with incomes of \$75,000 or more.
- In a typical year, over one-third of the adult population in Canada attend live theatre.

Facility Development

While performing arts centres vary in building size and layout, typically these types of facilities include two or more venues under one roof (i.e. a 'critical mass' of facilities), supporting facilities (rehearsal, production, retail, etc) and complementary facilities (gallery, studios, café, etc). Benefits associated with creating a critical mass include:

- Allowing for a broad range of programming;
- Providing user groups and audiences with choices;

³ "Demographic Characteristics of Arts Attendance"; National Endowment of the Arts.

- Satisfying community and audience demands;
- Allowing a combination of art development and art presentation venues;
- Creating synergy between local and visiting artists;
- Improving revenue generating capacity; and,
- Providing economies of scale.

While the development of a performing arts centre is a popular tool in many communities' downtown revitalization initiatives, there are two broad approaches to cultural development that need to be taken into consideration. The following table briefly summarizes each of these approaches, and outlines the implications for the development of a PAC in Kenora.

Two Broad Facility Development Approaches	
Building Centered Approach	People Centered Approach
Focus on property development and/or heritage preservation	Predominantly motivated by community development objectives
Focus on development of flagship facility	Focus on development of community based mixed use facilities
Desire for centralized, agglomerated cluster of activities	Desire for integrated, decentralized cultural activities
Focus on cultural production or consumption	Focus on cultural production and consumption
Belief in redevelopment or regeneration through economic development	Belief in redevelopment or regeneration through community services
Implication for Kenora: Build a large, flagship facility centralizing various arts/cultural activities in the heart of downtown	Implication for Kenora: Build one (or more) smaller, mixed use facilities in strategic community centred locations throughout Kenora

It should be noted that a combination of both of the above approaches is often implemented. In particular, existing trends suggest the development of 'flagship' style facilities that include components of both cultural production and consumption. Examples of this include PACs that include both a large theatre as well as an art gallery or artist studios, and PACs that offer a variety of community art support services (such as drawing classes, drama groups, etc) in addition to more traditional 'consumption-oriented' services.

Operating Models

A review of comparable facilities suggests that the preferred operating model of similar theatres is when operated by an independent society. The contention of theatre managers is that municipalities and/or school districts do not have the requisite background or industry experience to plan for and guide this type of operation.

Potential for 3P Development

Given the typical operating performance of performing arts facilities, public private partnerships are extremely rare for stand-alone PAC's. A review of comparable facilities reveals the presence of the following development and/or operating models:

- Facility developed/operated by the municipality.
- Facility developed/operated by the municipality in partnership with other provincial or federal public sector partners.
- Facility developed/operated by the municipality in partnership with a non-profit organization or a community arts organization.
- Facility developed/operated by the municipality in partnership with a non-profit/community arts organizations and other public sector partners.
- Facility developed/operated by a non-profit/community arts organization in partnership with provincial or federal public sector partners.

None of the comparable facilities that were reviewed demonstrated a public private partnership operating model. Furthermore, research also suggests that models wherein the municipality is the primary partner in PAC operations are most common. This may be due to the amount of funding required to develop and operate a community arts centre.

Implications for a PAC in Kenora

Given the relatively small size of the community of Kenora, relying on a local arts or non-profit organization to spearhead the development of a new performing arts centre is unrealistic. As such, in order for the PAC development to proceed, the City will need to be the primary initiator. While this may result in the City bearing the majority of the development costs, other public sector partners, such as the local school board, and various provincial and federal government departments and funding options, should be explored.

Profiles of Comparable Facilities

A number of existing PACs are profiled below to highlight current development trends and provide examples of different facility operating models.

The Centre, Dryden, ON

The Centre in Dryden ON is a true multi-use facility that includes a multi-purpose theatre, classrooms, computer lab and other functions. The Centre's main auditorium consists of 200 permanent theatre seats and 300 portable seats which can be retracted to accommodate groups and conferences on the theatre floor. In addition to the local community college which uses the facility for adult education and continuing learning purposes, the Centre is also home to the Keewaytinook Centre of Excellence. The total size of the two-storey Centre is over 34,000 square feet, with rooms ranging in size from the 500 seat auditorium to 600 square foot meeting rooms and classrooms. A floorplan of the Centre can be found in Appendix C.

The Centre is owned by the Keewatin-Patricia School Board and operated by Crescive, a non-profit organization. While the City of Dryden contributed approximately \$2.7 million towards the Centre's capital construction budget of \$7 million, the City of Dryden is not responsible for funding any operational shortfalls, which are covered by the school board. Collectively, the Centre is a partnership between the City of Dryden, the Keewatin-Patricia School Board, the local community college, Indian Affairs, Dryden Entertainment Series and several other community groups. The ability of these parties to work and collaborate together has been key to the Centre's success.

The Vernon Performing Arts Centre ("VPAC"), Vernon, BC

The VPAC is comprised of a 750 fixed-seat main theatre and a flexible meeting space with seating for up to 100, each with its own lobby, entrance and loading area. Opened in October 2001, the VPAC was constructed at a cost of approximately \$9.1 million, 100% paid for by the taxpayers of the Regional District of the Central Okanagan ("RDCO").⁴ While the building continues to be owned by the RDCO, the centre is operated and managed by an independent, non-profit art society. Although the VPAC operates primarily as a "road-house" (i.e. rental) theatre, the facility operator also presents a number of their own shows.

The Kay Meek Centre, West Vancouver, BC

The Kay Meek Centre is western Canada's newest performing arts centre and features two state-of-the-art theatres: a 500 seat main stage theatre and a 200 seat studio theatre. In addition to the theatres, the centre's main lobby features a rotating display of art work by local, regional and international artists. While the theatre held its first performance in November 2004 and the official opening for the facility was May 2005, the full opening of both theatres was not until September 2006.

In 2002, a joint use arrangement agreement was signed between the West Vancouver School District, and the West Vancouver Arts Centre Trust, which is responsible for overseeing the centre's operations. A significant contributor towards the development cost of the \$10 million centre was the Kay Meek Foundation, a private, philanthropic organization. The school district contributes to the centre's ongoing operating costs (total school board contributions in 2006 were approximately \$100,000).

Supply/Demand Research

This section presents a summary of current and projected supply and demand for a performing arts facility in the City of Kenora.

Supply

Presently, no purpose-built arts and culture presentation venue exists in the City. Current venues include local churches and schools, in addition to a number of other facilities such as private

⁴ The VPAC project was placed on an electoral ballot in the hopes of making it "go away"; rather, to most people's surprise, the community voted for the project.

businesses and public recreation centres. As a result, presenters of arts and cultural performances are limited by a number of factors, including size (Knox United Church, the largest non-arena venue seats approximately 300), inflexibility of event space (fixed pews at the churches), and substandard acoustics and sight lines (as is the case in school gymnasiums). The following table briefly summarizes the key attributes of existing performing arts venues in Kenora

Existing Kenora Performing Arts Venues Summary of Key Characteristics				
Facility...	Churches ¹	Schools ²	Sports Buildings ³	Private Businesses ⁴
Seating Capacity	Medium	Medium	High	Low
Ambience	High	Low	Low	Medium
Flexibility of Space	Low	Medium	Medium	Low
Acoustics	High	Low	Low	Low
Sight Lines	Medium	Low	Low	Medium
Availability	Medium	Medium	Low	Medium

¹ Includes Knox United Church, First Baptist Church and St. Albans Cathedral.

² Includes Beaver Brae Secondary School, Lakewood School and others.

³ Includes the curling rinks, arena and recreation centre.

⁴ Includes a variety of primarily small businesses such as art galleries and studios.

Existing Demand

The table below presents a summary of the number and type of performing arts activities that currently take place in Kenora, and that may generate demand for a new PAC. The information is based on actual and estimated demand for existing venues within the community, as described in the previous section, as well as on interviews with local artists, event organizers and various community arts groups.

Kenora – Existing Performing Arts Facility Demand		
User Group	No. of Events/Year	Avg. Event Size
Festival of the Arts (major)	6	150
Festival of the Arts (minor)	17	50
Lake of the Woods Concerts	9	200
Kenora Community Events	6	150
Local Bands/Musicians	2	150
Professional Bands/Musicians	1	500
First Nations	5	150
School Activities	90	175
Other	20	150
TOTAL	156	159

New Demand

In addition to the existing demand within the community, the construction of a PAC is expected to generate substantial new demand, both from within Kenora and from the broader regional market. A summary of this demand is presented in the following table. Please note that the following new demand projections are based on the assumption that the PAC meets the minimum facility requirements of professional performing arts groups, as well as the assumption that the new facility is aggressively marketed towards members of the performing arts community in Winnipeg and Northern Ontario.

Kenora – New Performing Arts Facility Demand Generated by PAC		
User Group	No. of Events/Year	Avg. Event Size
Manitoba Theatre Centre	2	500
Local Bands/Musicians	4	200
Professional Bands/Musicians	12	500
Professional Theatre/Drama	6	500
Marquee Event	1	1,000
Other	10	200
TOTAL	35	394

Projected Demand – Kenora PAC

Projected demand for a new PAC facility has been based on a business model that assumes the new facility hosts primarily larger events that generate in excess of \$1,000 in rental revenue. The reasons underlying this assumption are as follows:

- By focusing on larger events, the PAC can maximize revenues while containing operating costs, thereby increasing the facility's ability to support itself.
- By focusing on larger events, the PAC will have less of an impact on current venues that host smaller events.

A summary of projected demand for a new PAC is as follows; please note that a summary of existing demand for, and new demand generated by, a new PAC in the City of Kenora is presented in Exhibit I.

Kenora PAC - Summary of Demand		
Event Type	No. of Events/Year	Avg. Event Size
Festival of the Arts	6	150
LOW Concerts	9	300
Manitoba Theatre	2	500
Local Bands/Musicians	6	200
Professional Bands/Musicians	12	500

Kenora PAC - Summary of Demand		
Event Type	No. of Events/Year	Avg. Event Size
Professional Theatre/Drama	6	500
First Nations	1	250
Marquee Event	1	1,000
School Uses	4	500
Other	10	200
Total/Average	57	352

The various demand segments are discussed in more detail in the following paragraphs.

Festival of the Arts

Festival of the Arts is an annual celebration of the community’s artistic talent as demonstrated through music, dance, poetry, speeches and other forms of artistic expression. Primary participants in festival activities are school aged children who contribute through various kids programs such as concerts, speech contests and poetry readings. While the events are non-competitive in nature, adjudicators are often present to encourage participants and make suggestions for improvement. Festival of the Arts is formatted to consist of a number of small events, largely attended by immediate family and friends of the presenter, and several larger, ‘grand finale’ type events. The PAC is expected to host only the larger of these events; the number of which has been estimated at six.

Lake of the Woods Concerts

The Lake of the Woods Concert Series typically consists of 6 to 9 professional level concerts held at Knox United Church. Performers in the 2006/7 season line-up include Fidello, the Winnipeg Chamber music society, Michael Kaeshammer and Harry Manx, the Thunder Bay Symphony and the Manitoba Theatre Centre production of Educating Rita. Historically, attendance for Lake of the Woods concerts averaged approximately 200 people per event; however, given the expected appeal of the new PAC, as well as the new facility’s expected ability to attract an audience from a wider population base – including the significant population of Lake of the Woods cottagers – attendance for Lake of the Woods concerts at the new PAC has been projected to average 300 attendees per event.

Community Events

Community events include a variety of intellectual, physical and artistic activities, ranging from fish derbies to fund raisers to book sales. The majority of typical community events do not require extensive performing arts facilities and are currently hosted outdoors; as such, no demand for the new PAC has been projected from this event type.

Manitoba Theatre Group

The Manitoba Theatre Group currently supports one touring presentation, one of whose stops includes the community of Dryden located two hours east of Kenora. Discussions with the Manitoba Theatre Centre suggest that Kenora would be a popular stop over for the theatre group as well, given the town's interest in and support of the arts. Total demand from this user group has been estimated at 2 shows per year, both of which would be held at the PAC.

Local Bands & Musicians

Interviews conducted with members of the local music scene suggest that Kenora has a vibrant amateur music community with a variety of "garage" bands and artists eager to develop their talents on a broader scale. Furthermore, given Kenora's proximity to Winnipeg and the size of Winnipeg's musical arts community, the City is also expected to attract a number of amateur musicians from the regional area, particularly during the summer months. Total demand from amateur and local musicians has been estimated at 6 events per year, with an average concert size of 200 people.

Professional Bands & Musicians

Kenora's location on Highway #1 makes the community an attractive stop-over point for "second-tier" professional touring bands (i.e. bands that still travel by motor coach⁵). The success of events such as Troutfest and the variety and number of professional artists in Winnipeg suggests that Kenora could host a significant number of professional concerts on an annual basis. Total demand from this source has been estimated at 12 events per year, with an average concert size of 500 people. The new PAC would be a key community asset in attracting and hosting these event types.

Professional Theatre/Performance Groups

Professional theatre/performance groups include ballets, operas, magic shows and other professional performing artists. Kenora's location on the Trans Canada highway is expected to make the community an attractive stop-over for touring performing arts groups. Total demand for the new PAC from this source has been estimated at 6 events per year, with an average attendance of 500 people.

First Nations

Given Kenora's rich First Nations heritage and the large local aboriginal population, it is expected that the PAC will be utilized for a variety of First Nations meetings and celebrations. With over 26 First Nations groups in north-western Ontario, including 4 groups in the immediate vicinity of Kenora, First Nations demand has been conservatively estimated at 5 events per year. However, given the size of the PAC and the associated rental rates, the majority of First Nations events are not expected to take place at the facility. Total PAC demand from this source has been estimated at 1 event per year, with an estimated attendance of 250.

⁵ As opposed to first-tier touring bands that typically travel by airplane

Marquee Event

Harbourfest, the community’s marquee summer event, includes a variety of components, from boat parades to craft fairs to concerts. The table below summarizes some of the key types of events that may utilize a PAC facility, based on actual statistics from Harbourfest 2006.

2006 Harbourfest – Larger Shows & Performances	
Performer	Attendance
Japanese drumming group Fubuki Daiko	300
Children’s entertainer Fred Penner	500
Matt Mayes and El Torpedo (Band)	300
Glass Tiger (Band)	1,200
Satan and the D Men (Band)	800

Present PAC demand from marquee events has been conservatively estimated at only one event per year.⁶

School Uses

While only limited school usage has been included in the current demand projections for the PAC, potential school demand for the facility is expected to be significant, based on the performance of other similar centres⁷. According to the manager of The Centre in Dryden, of the 150 events held at The Centre last year which utilized the main auditorium, the Keewatin Patricia District School Board (“KPDSB”) accounted for 70 events, or close to 50% of the total auditorium utilization. Given the larger size of the community of Kenora and the higher full-time school enrolment, the total number of PAC events from school usage may be close to 100. These events include concerts, presentations, graduation ceremonies, assemblies and other school related uses.

Given the low revenue associated with the majority of school-related uses, the new PAC has been projected to host only larger events, such as graduation ceremonies. Total demand from this source has been estimated at 4 events per year, with an average attendance of 500.

Other

Other potential facility uses include town hall meetings and miscellaneous public and private facility rentals. As further discussed below, certain conference centre events are expected to utilize the PAC for larger business meetings, corporate presentations and regional get-togethers. Total other demand for the PAC has been estimated at 10.

⁶ The outdoor tent is expected to remain the preferred venue for mid-size Harbourfest events, given the relatively open and natural features of this facility.

⁷ The majority of comparable centres operated in partnership with the local school board.

Demand Summary

The total number of events projected for a new PAC in the City of Kenora has been estimated at 57, with an average attendance of just under 400. While overall community demand for the new facility may be significantly higher, PAC demand projections have been based on the assumption that the new facility will not actively target smaller performing arts groups.

Financial Summary

This section presents a summary of the Kenora PAC's projected financial performance.

Revenues

Based on the estimated facility utilization rates as presented in the previous section, total PAC revenue has been projected at \$222,000. This includes approximately \$41,000 in revenues from the sales of concessions, merchandise and other ancillary sales. The following table summarizes projected revenue for the Kenora PAC as well as actual revenue for a number of comparable facilities. A more detailed summary of this information can be found in Exhibit II.

Comparable PACs – Summary of Revenues					
Comparable	Kenora ¹	Comp. C ²	Comp. B ²	Comp. G ²	Comp. H ²
Seats	500 ³	1,200	613	750	500
Total Revenue	\$222,000	\$545,000	\$450,000	\$550,000	\$200,000
Total Events	57	200	354	185	120
Revenue/Seat	\$444	\$454	\$734	\$733	\$400
Revenue/Event	\$3,895 ⁴	\$2,725	\$1,271	\$2,973	\$1,667

¹ Projected financial performance of the proposed Kenora PAC in 2010.

² Actual financial performance.

³ Assumed seating capacity of the proposed Kenora PAC, based on estimated facility demand.

⁴ The relatively high revenue/event projected for the Kenora PAC is due to the assumption that the facility will host only larger event types.

Based on a review of five comparable facilities, the average revenue per seat was approximately \$530, and the average revenue per event was approximately \$2,000. Projected revenues for the proposed Kenora PAC are expected to differ from the performance of comparable facilities based on the following observations:

- The size of the proposed Kenora PAC is expected to be somewhat smaller than the average size of the comparables (500 seats of the Kenora PAC versus approximately 730 seats for the comparables).
- The regional population of Kenora is smaller than the regional population of some of the comparable facilities, suggesting somewhat relatively lower demand for the Kenora PAC.
- Demand for the Kenora PAC has been projected to include only larger events (i.e. events with larger attendance rates that are consequently able to pay higher facility rental rates).

Expenses

The following table presents operating costs for a number of comparable facilities. A more detailed summary of this information can be found in Exhibit II.

Comparable PACs – Summary of Operating Expenses						
Comparable	Comp. A	Comp. B	Comp. C	Comp. D	Comp. H	Avg.
Seats	1,100	613	1,200	701	500	823
Total Expenses ⁽¹⁾	\$505,000	\$345,000	\$600,000	\$240,000	\$390,000	\$416,000
Total Events	265	354	200	175	120	223
Expenses/Seat	\$459	\$563	\$500	\$342	\$780	\$529
Expenses/Event	\$1,906	\$975	\$3,000	\$1,371	\$3,250	\$2,100

⁽¹⁾ It should be noted that operating expenses do not include debt servicing requirements.

Assuming operating expenses at the proposed Kenora PAC facility are the average of the five facilities shown above, total operating expenses are estimated to be approximately \$265,000, based on a facility with 500 seats. It should be noted that the comparable facilities in the table above were free-standing performing arts centres; as such, the Kenora PAC may achieve additional operational efficiencies if it is incorporated with a conference centre and/or hotel.

Three Year Pro Forma Financials

Financial projections for the first three years of operations for the PAC are shown in the table below. While facility revenues are expected to increase in Year 2 and Year 3, operating expenses are expected to increase as well; resulting in a facility operating loss throughout the projection period. Note that Year 3 has been assumed to be a normalized (i.e. stable) year of operations.

Kenora PAC - Projected Operating Performance			
	Year 1	Year 2	Year 3
Revenues ⁽¹⁾	\$222,000	\$239,000	\$257,000
Expenses ⁽²⁾	\$265,000	\$278,000	\$292,000
Income (Loss)	(\$43,000)	(\$39,000)	(\$35,000)

(1) Does not include revenue generated from meeting rentals

(2) Does not include debt servicing requirements.

Summary

The income/loss of comparable facilities, ranges from income of \$105,000 to a loss of (\$200,000), with an average loss of (\$94,000). More importantly, of the seven comparable facilities reviewed, six PAC's experience annual operating losses. The Kenora PAC is expected to out-perform the market based on an operating model that targets larger events.

Facility Recommendations

The preceding analysis suggests the following in regards to PAC facility recommendations for the City of Kenora:

- The PAC should be able to accommodate between 500-600 people.
- The quality level of the PAC should be sufficient so as to be able to host professional performance and musical groups.
- Given the size and importance of the seasonal population, the PAC should be readily accessible by, and marketed towards, seasonal residents.
- In line with PAC trends in smaller communities, the centre should be designed as a multi-use facility incorporating a variety of different functions designed to maximize overall utilization.

Conclusion

Recent trends suggest that performing arts activity attendance is positively correlated to a population's age, income and education. Given the increasing popularity of Kenora as a retirement destination for residents of Manitoba, demand for performing arts events within the community is expected to increase over the coming years. Furthermore, Kenora's active local arts community and proximity to Winnipeg are expected to be positive factors for the development of a new PAC.

The total number of events at a new performing arts facility in the City of Kenora has been projected at 57, resulting in facility revenues of \$222,000 in its first year of operation.

Conference Centre

Introduction

This section assesses the market opportunity for development a conference centre as part of the Downtown Revitalization Plan.

Industry Trends

The following key trends relate to the meetings and conference industry in Canada.

- The number of corporate meetings and association meetings is expected to increase by 7% and 18% respectively in 2007 from 2006.
- Two thirds of Canadian event planners predict a slight or major decrease in meeting attendance by US citizens.
- The opportunity to “green” meetings and events and improve eco-efficiency of the facilities that host them is emerging as an important trend. Increasingly, meeting professionals are recognizing that green practices like recycling and reuse can translate into lower costs.
- Profits related to hotel meeting space are driven primarily by hotel guest rooms, rather than by conference space rental revenue.
- New meeting and conference facilities tend to be smaller than in the 1970’s and 1980’s and are focused more on conference business rather than convention and trade show business. The development of new facilities is dependent on the community’s ability to be considered a destination.
- Meeting packages that offer accommodation, meals and audiovisual equipment are increasing in popularity, particularly among corporate event planners.
- A sufficient supply of good quality hotels in close proximity to a conference centre is a key factor that influences site selection decisions.

Conference Supply/Demand Research

The existing conference and meetings market in Kenora is summarized in the following paragraphs.

Supply

The supply of local conference and meetings space is limited to the facilities offered by the Best Western Lakeside Inn & Conference Centre. While other local facilities such as the arena and the recreation centre currently host occasional meetings, these alternative facilities are neither equipped nor finished to the level of quality typical required by meeting planners⁸. The following table shows

⁸ The same is true of the meeting facilities available at other local hotel properties, including those of the Comfort Inn and Travelodge.

the ratio of finished meeting and conference space in Kenora relative to the local population, as well as similar ratios for other north-western Ontario communities.

Meeting Room Supply Select North-Western Ontario Communities			
Community	Population	Meeting Space	Meeting Area/Pop.
Thunder Bay	149,000	276,000 sq. ft.	1.852 sq. ft.
Sault St. Marie	80,000	125,000 sq. ft.	1.563 sq. ft.
Timmins	43,000	97,000 sq. ft.	2.256 sq. ft.
North Bay	63,000	61,000 sq. ft.	0.968 sq. ft.
Average	84,000	139,800 sq. ft.	1.660 sq. ft.
Kenora	15,000	7,000 sq. ft.	0.467 sq. ft.
Winnipeg MB	695,000	465,400 sq. ft.	1.493 sq. ft.

Source: Ontario's North Travel Guide, Grant Thornton LLP Research

As shown in the table above, Kenora has a significantly lower ratio of meeting space per resident than other comparable north-western Ontario communities. While the average ratio of meeting space per resident for the other communities shown above was 1.660 sq. ft. per resident, the community of North Bay offered the lowest ratio of meeting space per resident at 0.968 sq. ft. per resident. In contrast, the City of Kenora ratio was considerably lower at 0.467 sq. ft. of designated meeting space per resident. Note that this compares with a City of Winnipeg ratio of approximately 1.493 sq. ft. of meeting space per resident.

Best Western Lakeside Inn & Conference Centre

As the primary meeting and conference facility in Kenora, the Best Western Lakeside Inn & Conference Centre ("Best Western") offers over 7,000 sq. ft. of professionally finished meeting space and is capable of hosting groups of up to 230 guests in the largest of its five meeting rooms. A brief summary of the Best Western's facilities is provided below.

Meeting and Conference Facilities Best Western Lakeside Inn & Conference Centre			
Room	Area	Theatre Capacity	Banquet Capacity
Rosewood Terrace	3,067 sq. ft.	250 guests	230 guests
Cascade Ballroom	2,108 sq. ft.	150 guests	150 guests
Oakwood Terrace	726 sq. ft.	50 guests	40 guests
Heritage Boardroom	800 sq. ft.	-	40 guests
Embassy Boardroom	384 sq. ft.	-	10 guests
Total	7,085 sq. ft.	-	470 guests

Source: Best Western Lakeside Inn & Conference Centre

The Best Western’s on-site restaurant provides full meeting and banquet catering services. It should be noted that adequate on-site catering is not available at any of the alternative meeting and conference facilities in the City of Kenora.

Proposed Additions to Supply

As of April 2007, the Kenora Super 8 motel was in the process of constructing a conference centre adjacent to the property. The 2,000 sq. ft. addition will be capable of accommodating groups of up to 130, and will feature a First Nations motif complete with timber frame, high ceilings and glass accents. Casey’s restaurant, located adjacent to the Super 8, will provide event catering for the new facility. Discussions with property management indicate that the new conference centre will target groups of up to 80, and it is expected that the majority of facility users will be local. Given the size and target market of this development, it is not expected to significantly impact the performance of a potential conference centre as part of the PAC development.

Demand

Total estimated meeting and conference demand within the City of Kenora is summarized in the following table.

Kenora Conference/Meeting Demand				
Demand Type	No. of Events/Year	Avg. Event Size	Primary Venue(s)	Event Market
Private events	110	50	Rec. centre/ Best Western	Local
Community groups	315	20	Rec. centre	Local
Shows/exhibitions	30	500	Rec. centre	Regional
Business meetings – large	5	100	Best Western	Regional
Business meetings – medium	50	25	Best Western	Local
Business meetings – small	30	10	Best Western	Local
Conferences/seminars	10	50	Best Western	Regional
Other	30	25	Various.	Local
Total/Average	580	88		

The various demand types presented in the table above are discussed in more detail in the following paragraphs.

Private Events

Private events include weddings, birthday’s and other private facility rentals. Primary venues for this type of event are the Best Western and local churches (for weddings), and the recreation centre “Party” room. While private rentals at the Best Western and local churches typically experience attendance rates of 150 to 200 people, the recreation centre party room is significantly smaller and caters to groups of between 10 to 15. The total number of private events is estimated at 110 per year, a significant portion of which (approximately 50%) are hosted at the recreation centre.

Community Groups

Key community user groups of meeting space include local service clubs (e.g. Rotary, Kiwanis, etc), seniors groups, not-for-profit associations and other local neighbourhood organizations. According to management at the recreation centre, the centre's Rotary room currently experiences "non-stop" demand, with a total of 1,632 rental hours in 2006. The Best Western also experiences considerable demand from this source, and acts as the primary venue for a variety of community groups and organizations.

Shows/Exhibitions

Shows and exhibitions include garden shows, home shows, career fairs and other similar events. While the larger of these types of events (e.g. home shows) are hosted in the arena, smaller events, such as the local university program fair, are hosted by the Best Western. Overall, shows/exhibitions constitute the largest event type, with an average estimated attendance of 500, and attract the most significant portion of non-local attendees.

Business Meetings

The total number of business meetings is estimated to be between 80 to 100, and was determined based on the number and types of businesses and organizations within the community. Business meeting attendance varies significantly, with an average attendance of 100 at 'large' meetings and an average attendance of 15 to 25 at 'small' meetings. While the Best Western is the primary venue for all types of business meetings, other local facilities, such as the museum, host occasional events.

Conferences/Seminars

Kenora is currently home to a limited number of conferences/seminars. While attendance for these events ranges, the average estimated event size is 50, with a significant portion of non-local attendees. Given its quality and services, the Best Western currently hosts the majority of events of this nature.

Other

Other demand for meeting and conference facilities includes special events, civic or government events and other miscellaneous event types. The total number of other events has been estimated at 30 events, with an average attendance of 25. Other events are held at various venues throughout the community, including City Hall, the museum, the recreation centre, and local hotels.

Conference Centre – Projected Operating Performance

In order to project future utilization for a potential conference centre as part of a PAC development, two key sources of demand have been considered:

- 1) Existing events (as described in the previous section) that would utilize the new meeting and conference space; and,
- 2) New demand attracted by the facility.

In terms of existing events, given the project's overall objective of downtown revitalization, "stealing" business away from current event venues (i.e. the Best Western) would be neither desirable nor beneficial. Nevertheless, given the limited size of the market and the Best Western's prominence within it, a decrease in demand for the Best Western's facilities in the event that a new conference centre is constructed would be inevitable. The following table illustrates the existing demand that would likely shift to a new facility, in addition to the new demand that the facility could be expected to create. Note that, given the size of the community and the limited demand for professional meeting facilities in Kenora, key to the facility's success will be the ability to attract new business from the corporate market, primarily from Winnipeg.

Proposed Conference Centre Estimated Meeting Demand and Revenue				
Demand Type	Existing Demand* (shifted to facility)	+ New Demand* (created by facility)	= Total Demand*	Estimated Revenue**
Private events	2	-	2	\$1,700
Community groups	6	-	6	\$2,100
Shows/exhibitions	15	-	15	\$22,500
Business meetings – large	5	15	20	\$30,000
Business meetings – medium	38	15	53	\$35,800
Business meetings – small	5	81	86	\$70,600
Conferences/seminars	8	-	8	\$6,800
Other	3	-	3	\$1,050
Total/Average	82	111	193	\$171,000***

*As measured in event-days

**Note: revenue estimates do not include catering revenue generated by the facility, which may be significant.

***Rounded

Of the total revenue generated by the facility, close to 70% has been projected to be generated from new corporate and business meetings. Please refer to Exhibit III for a detailed breakdown of projected demand for the conference centre.

The average group size for the 140 projected conference centre events⁹ is 73, and ranges from a high of 250 to 300 attendees for shows and association meetings to a low of 10 attendees for small business meetings. Key considerations used to determine the proposed conference centre's utilization include the following:

⁹ Based on an average 1.4 event-days per event, the total number of events is estimated at 193 event-days/1.4 event-days per event = 140 events (rounded).

- The new conference centre is not expected to compete directly with the Best Western, local churches and the recreation centre for private events and community group meeting events, given that Kenora's existing facilities are well-adapted to serve these user group needs.
- The new conference centre is expected to host the majority of shows/exhibitions in the community that do not require the extensive space offered by the recreation centre and local curling rinks.
- In order for the new facility to attract new corporate and business demand, it must be aggressively marketed. Discussions with Destination Winnipeg suggest that, while the regional corporate market is lucrative, competition for business is high. Personal involvement in local meetings and conventions organizations, as well as the local business community in Winnipeg will be crucial to attracting new business to the conference centre.¹⁰
- The new conference centre is expected to host just over half of all of the community's business meetings and conferences/seminars; in particular, larger events would likely be held at the new facility while smaller events are more likely to be held at existing venues.
- Key to the facility's success will be the ability to attract meetings demand from the regional corporate market, primarily from businesses located in Winnipeg and Northern Ontario.

Conference Centre – Facility Recommendations

An analysis of conference centre demand suggests the following key facility recommendations:

- The facility should be capable of hosting meetings and conferences for up to 250 to 300 people. The total amount of dedicated meeting space within the conference centre should be between 3,000 and 4,000 square feet, with the potential of 3,000 to 4,000 square feet of additional meeting space offered in the PAC. Total marketable meeting space should be between 6,000 to 7,000 square feet.
- The meeting space should be highly flexible and able to comfortably accommodate groups of various sizes. Breakout rooms accommodating small groups (up to 25 people) will be key to the facility's success.
- The facility's ability to provide on-site catering will need to be carefully considered due to the associated costs of operating a kitchen. Given the Best Western's catering ability, it may be more prudent for the new conference centre to pursue events that do not require catering services.

¹⁰ *Inter-personal relationships are still considered the key factor in generating meetings and conference business.*

Conclusion

Presently, the only significant, professionally furnished meeting and conference facility available in the City of Kenora is the Best Western Lakeside Inn and Conference Centre, with approximately 7,000 square feet of meeting space. As a result, there is considerable pent-up demand for meeting facilities from various organizations, groups and businesses within the community. Total demand for an additional 6,000 to 7,000 square feet of meeting space¹¹ in the City of Kenora has been projected at 193 event-days, with an average event size of 73 attendees. Note that this projection is based on the assumption that the new meetings and conference centre in Kenora is able to attract a significant portion of its business from the corporate market in Winnipeg.

¹¹ Consisting of 3,000 to 4,000 square feet of dedicated meeting space in the conference centre and 3,000-4,000 square feet of flexible meeting space in the PAC.

Hotel Accommodation

Introduction

This section of the report considers the market opportunity for a new hotel in downtown Kenora and the potential interrelationships between the hotel, the meeting and conference space and/or the performing arts centre.

General Industry Trends

The following provides a brief highlight of some of the current trends in the hotel industry.

- Generally speaking, the hospitality industry has managed to gain significant momentum in recent years, with many sectors experiencing strong recovery in occupancy and average room rate since the early years of the decade.
- An estimated 60 new hotels were added to the Canadian hotel market in 2006, compared to an estimated 55 new properties added to the market in 2005.
- The market has seen the addition of a number of new hotel brands, with at least 8 new or renamed lodging brands launched into the hotel marketplace in 2006.¹²
- New hotel developers are increasingly looking for flexibility in hotel layout and design; in particular, the advent of scalable models and flexible layout allows developers to adjust the number of rooms to be built in a hotel based on the market, rather than being confined to a corporate building template.
- Luxury has become the new standard, and hotel rooms today are more likely to be appointed with significantly upgraded amenities than they would have been in the past.
- Generally speaking, hotel amenities are better in quality and often offer guests more than they might expect at a particular price level. In other words, the price of a room is no longer a determinate in its standard of luxury.
 - Specific examples of types of luxuries that might be expected include: free wireless internet, flat-panel televisions, cordless telephones, and CD/MP3 players.
- A focus on wellness is increasingly becoming an integral component of guest expectations; as such, a well-equipped gym and spa are in many cases no longer nice extras, but essential amenities.

A number of the trends presented above, particularly those relating to higher guest expectations of luxury and quality, can be traced to the relatively new concept of boutique hotels, which has been defined as follows: “*Boutique hotel is a term originating in North America to describe intimate,*

¹² Note that the introduction of a new brand is typically a response to market shifts, and represents a new way of thinking about, and responding to, the customer.

usually luxurious or quirky hotel environments. Boutique hotels differentiate themselves from larger chain/branded hotels and motels by providing an exceptional and personalized level of accommodation and services / facilities”.

While boutique hotels vary in size, they are often less than 100 rooms. Given the size of the local community, as well as the markets served by existing hotel properties in Kenora, the development of a boutique hotel property may be a good fit for the City as part of the downtown revitalization.

Resort Trends

While resort trends have mirrored hotel trends in general, several key additional observations regarding the resort industry are as follows.

- Visitors are gravitating to lower-density, more environmentally-sensitive destinations and projects, while large-scale resorts are increasingly perceived as sterile and inappropriate.
- There is an increasing emphasis on creatively amenitized resorts by providing an "authentic" regional experience based on historical associations or extraordinary architectural design.

Accommodation Supply/Demand Research

The following paragraphs describe the current supply of accommodation in Kenora, as well as the most recent performance of the local accommodation market.

Supply

While there are a wide variety of accommodation facilities available in the City of Kenora, the following properties have been deemed to be competitive for the overnight accommodation market in the community, based on facility quality and target market.

Competitive Hotels		
Hotels Name	Number of Units	Advertised Room Rate
Best Western Lakeside Inn	94	From \$120
Kenora Travelodge	43	From \$79
Days Inn Kenora	51	From \$79
Super 8 Motel Kenora	69	From \$104
Comfort Inn Kenora	75	From \$89
Total	332	-

Source: Grant Thornton LLP Research

At present, there are no high quality accommodation facilities within the community of Kenora. A review of comparable resort destinations, such as Kelowna BC, Penticton BC, Kananaskis AB, and Fernie BC suggests that typical markets of this nature are able to support a limited number of ‘high-quality’ or ‘luxury’ accommodation units.

As suggested by the table below, the ratio of City residents to hotel rooms in Kenora is significantly lower than the same ratio for other north-western Ontario communities; this would suggest that Kenora has an over-supply of hotel rooms. However, based on the quality of the existing supply of hotel rooms, this may not necessarily present the correct picture.

Hotel Room Supply			
Select North-Western Ontario Communities			
Community	Population	Hotel Rooms	Pop./Hotel Room
Thunder Bay	149,000	1,400	106
Sault St. Marie	80,000	1,600	50
Timmins	43,000	700	61
North Bay	63,000	1,200	53
Average	84,000	1,225	68
Kenora	15,000	332	45
Winnipeg, MB	695,000	6,577	106

Source: Ontario's North Travel Guide, Grant Thornton LLP Research

Additions to Supply

According to discussions with the City planning department, no new additions to accommodation supply in Kenora were being proposed as of April 2007. While Canad Inns¹³ has expressed interest in operating a property in Kenora, interviews with Canad Inns management revealed that, at present, no developments are planned for the community.

Historical Market Performance (Demand)

As stated previously, visitation to Kenora is highly seasonal. As a result, occupancy rates in the community range significantly between the winter and summer months, with the overall accommodation market experiencing a high of 90%-95% occupancy during July and August and a low of 30%-35% occupancy during the winter months. In recent years, the market average annual occupancy rate has consistently ranged between 50%-55%. The tables below present occupancy rates and average annual room rates for select accommodation markets in north-western Ontario and Manitoba, as well as estimated occupancy rates and average room rates for the Kenora accommodation market.

¹³ Canad Inns is Manitoba's largest hotel chain, with nine hotels throughout Manitoba.

Select Accommodation Markets Occupancy Rates - Historical				
Market	2004	2005	2006	Average Annual Change
Ontario	60.7%	62.1%	63.8%	2.6%
North Western Ontario	63.3%	63.6%	65.0%	1.3%
Winnipeg	60.4%	62.4%	65.0%	3.8%
Kenora	53.4%	53.9%	54.3%	0.8%

Source: Ontario Ministry of Tourism, Grant Thornton LLP Analysis

Select Accommodation Markets Average Room Rates - Historical				
Market	2004	2005	2006	Average Annual Change
Ontario	\$118	\$121	\$127	3.7%
North Western Ontario	\$88	\$89	\$96	4.1%
Winnipeg	\$90	\$91	\$96	3.8%
Kenora	\$77	\$78	\$79	1.6%

Source: Ontario Ministry of Tourism, Grant Thornton LLP Analysis

As shown in the tables above, the Kenora accommodation market experienced relatively low growth in occupancy rates and average room rates over the previous three years. A more detailed analysis of the performance of the accommodation market in Ontario, Northwest Ontario and Kenora over the last three years is presented in Exhibit IV.

Projected Market Performance (Demand)

Impact of Performing Arts & Conference Centre on Hotel Demand

As determined in the previous report sections, which describe the impact of a performing arts centre and a conference centre, a significant amount of demand that these facilities are projected to generate will be derived from the regional market. The impact of the PAC and the Conference Centre on accommodation demand in the City of Kenora has been estimated in the table below.

Estimated Room Demand – City of Kenora			
Generated by...	Performing Arts Centre	Conference Centre	Total
Number of New Events	35	69	
Average Attendance	394	74	
Est. % of Non-local Attendees	15%	100%	
Average Length of Stay	1.0 Nights	2.3 Nights	
Room nights generated	2,070	11,850	13,920

Based on a much higher proportion of non-local attendees at new events generated by the conference centre, this facility is expected to generate significantly more new room nights for the community than the PAC. Both facilities are expected to generate a total of approximately 14,000 new room nights for the City of Kenora.

The projected performance of the market under various supply addition scenarios is shown in the following table. Note that these projections assume that the new room demand, as generated by the PAC and Conference Centre, enters the market in 2010.

Kenora Accommodations Market Occupancy Rates – Projected			
Scenario	2007	2010	2013
No Change in Room Supply	55%	68%	70%
Addition of 25 Units in 2010	55%	63%	65%
Addition of 50 Units in 2010	55%	59%	61%
Addition of 75 Units in 2010	55%	55%	57%
Addition of 100 Units in 2010	55%	52%	54%

The occupancy projections shown in the table above suggest that in order for the overall Kenora accommodation market to maintain historical occupancy levels (between 50% and 55%), the market would have to be able to absorb an additional 50-75 accommodation units over the next three to five years. Adding more than 75 units to the market will likely have a significant negative impact on the existing accommodation properties.¹⁴

Hotel – Projected Operating Performance

Assuming that a new hotel is constructed as part of the downtown revitalization plan, it would capture a significant portion of the new room demand generated by the PAC/Conference Centre. Based on this assumption, the projected occupancy rate and average room rate for the proposed accommodation property would be as follows.

Projected Operating Statistics 50-75 Unit Accommodation Property		
	50 Units	75 Units
Market Occupancy Rate	59%	55%
<i>Subject Property Penetration Rate</i>	<i>110%</i>	<i>110%</i>
Subject Property Occupancy Rate	65%	61%
Market Average Room Rate	\$85	\$85
<i>Subject Property Penetration Rate</i>	<i>135%</i>	<i>125%</i>
Subject Property Average Room Rate	\$115	\$105

¹⁴ The addition of more than 75 accommodation units may cause market occupancy levels to drop.

Conclusion

As a result of the relatively high number of hotel rooms within the City of Kenora, occupancy and average room rates within the local accommodation market are significantly lower than other regions in north-western Ontario. Historical room demand growth rates suggest that between 50 and 75 additional accommodation units could be absorbed by the market over the next three years without having a significant detrimental impact on existing accommodation providers.

Retail Analysis

Introduction

This component of the study proceeds through the following major areas:

- A brief analysis of current retail and service commercial supply in Kenora;
- Delineation of trade areas for the City of Kenora;
- An examination of population and demographics in the trade area;
- An assessment of market demand for retail and service commercial businesses in these trade area; and,
- Opportunities and recommendations.

Kenora Overview

The City of Kenora is the amalgamation of three towns: Keewatin, Jaffray Melick and Kenora. The scenery and natural attractions around Kenora attract visitors to the area, which boasts the second largest inland lake in Canada. Outdoor pursuits attract visitors in the summer to the lakeside beauty, peaceful community, and angling. Winter pursuits include the Mount Evergreen Ski Area and snowmobile activities.

Transportation links to Kenora include Air, Road and Train, with an airport located close to the downtown area. Canadian Pacific Railway provides employment opportunities for the residents of Kenora and access to the freight lines for the industry sectors. Highway links include Trans Canada Highway 17 linking Kenora to Manitoba to the west, and east to Thunder Bay and Southern Ontario. Highway 71 connects the area to the south and United States border.

The demand for retail goods and services is determined by a combination of the local population and inflow. Inflow refers to people passing through, as well as those who spend longer periods (such as the summertime cabin population). The population of Kenora was estimated at 15,838 in the 2001 census and more recently 15,177 in the 2006 census count, indicating a decline of 4.2% over the five year period. The Province of Ontario had a 6.6% increase in population figures over the same period.

The main economic drivers include forestry, tourism, mining and the public sector. The Lake of the Woods District Hospital is Kenora's largest employer at 500 employees. The forestry sector is one of the major employers, with Weyerhaeuser's Timber Strand plant accounting for approximately 180 employees and the Kenora Forest Products mill employing approximately 150 individuals. This sector has suffered several closures recently including Abitibi Mill, which closed in December 2005. Other economic drivers include the mining industry as the area contains metals which are in demand for the high-technology sector. Further mining activities include granite quarries situated locally to Kenora with gold mining continuing northeast of the City.

Kenora attracts tourists throughout the year captivated by the natural environment with a large proportion of cottage owners arriving in the summer months. There is an estimated 22,500 seasonal visitors to the Kenora and Lake of the Woods area each year (Visitor Information Centre, Kenora). Examples of some of the attractions include: Fishing, hunting, water pursuits, golf, canoe and kayak activities in the summer and snow pursuits in the winter. The majority of visitors arrive in the summer months of July and August. Catering to the in-flux of tourists during these times the local community provide resort destinations and special events to further encourage this service sector. The Visitor Information Centre estimated that approximately 66% of the visitors to the region originate from Canada with the remainder from the U.S. and International. From the Canadian total the majority of these are from the provinces of Manitoba (19%) and Ontario (20%). Visitor trends in Kenora include an increase in Canadian and International tourists and overall decrease in U.S. tourist according to the Visitor Information Centre.

The future economic strategy for the City of Kenora is to focus on value added wood products, winter tourism, and mining dimensional stone. The tourism sector is continuing to attract seasonal residents to the local community.

Commercial Supply

The purpose of this analysis is to establish a benchmark of retail and service commercial establishments, by type, which can be used in this study and also in the future to gauge the success of various initiatives through time.

This section describes the commercial inventory conducted by Colliers Hudema Consulting in April 2007. Inventoried uses include at-grade commercial space and businesses. After compiling the inventory of business name and approximate floor area, the list was coded by North American Industrial Classification System (NAICS) four digit code. This allows the inventory to be summarized and described easily. Furthermore, as the NAICS is a North American standard classification system, the coded inventory will be comparable to other jurisdictions.

Inventory

The inventory recorded a total of almost 860,000 sq. ft. of retail and service commercial business floor area, representing almost 200 businesses. Based on the 2006 census population for the City of Kenora, there is over 56 sq. ft. of commercial floor area per capita. If we do not consider the large inflow population, Kenora's per capita commercial floor area figure is slightly higher than would otherwise be expected in a city of its size. A more typical per capita measure for a small to medium-sized community would be approximately 45-50 sq. ft. However, there are a number of important considerations that belie this situation. They include:

- Kenora is located on a major east-west route for the movement of people and goods. This flow-through trade could generate upwards of 15% additional demand;
- Kenora is the major commercial center for a larger area (trade area), which will be discussed in the following section. The population of the city is only a portion of the population which uses Kenora commercial establishments on a daily basis;

- The summertime population grows significantly for a period of over two months. During this time, Kenora businesses serve a significantly larger population than the census indicates.

Looking in more detail at the inventory of businesses, the largest single category is department stores, which account for over 187,000 sq. ft. of floor area, or almost 22% of the total. This is a typical proportion of total retail allocated to department stores. The vast majority of this space is represented by Wal-Mart and Zellers.

Also typical of similar inventories is the second rank for grocery stores (127,700 sq. ft.; 15%). Approximately one third of all retail expenditures are made on food and convenience type merchandise, which necessarily results in a large allocation of floor area to that category in many communities.

According to the inventory, there was 27,800 sq. ft. of vacant building area that could be appropriate for a retail or service commercial business. This equates to a vacancy rate of slightly more than 3% - a very healthy low-range vacancy rate for a community. A lower vacancy rate could inhibit healthy turnover, and could result in unsupportable increases in lease rates. Vacancy rates that approach the 10% level or higher can indicate an excess of space resulting from over construction, declining demand, or both.

Kenora Retail and Service Commercial Inventory by NAICS category, 2007

Category	Size (sq ft)
Department Stores	187,050
Grocery Stores	127,700
Building Material and Supplies Dealers	115,700
Automotive Parts, Accessories and Tire Stores	84,000
Health and Personal Care Stores	35,100
Clothing Stores	29,750
Full Service Restaurants	29,200
Furniture Stores	28,750
Vacant	27,800
Limited Service Eating Places	26,400
Depository Credit Intermediation	19,000
Other Miscellaneous Store Retailers	16,400
Automobile Dealers	16,000
Offices of Other Health Practitioners	14,000
Office Supplies, Stationary and Gift Stores	13,300
Motion Picture and Video Industries	13,000
Agencies and Other Insurance Related Activities	11,000
Sporting Goods/Hobby/Musical Instrument Stores	9,400
Personal Care Services	8,350
Electronics and Appliances Stores	8,000
Nondepository Credit Intermediation	7,150
Home Furnishings Stores	6,000
Other Motor Vehicle Dealers	5,000
Special Food Services	5,000
Drycleaning and Laundry Services	3,700
Grand Total	858,250

Trade Area Delineation

This section first defines the term ‘trade area’ and related concepts. Subsequently, a primary trade area is delineated for Kenora’s retailers, covering much of the Lake of the Woods region including halfway to Dryden; the Manitoba border to the West, and halfway to the US border to the South. In addition, a separate consumer group is included to account for the large summertime inflow of cottage residents.

Trade Area Definition

A trade area can be defined as the “geographic sector from which the sustaining patronage for steady support of a retail district is obtained”.

Trade area boundaries for regional-serving businesses can be determined through:

- The nature (size, merchandise mix) of the retailing area in question;
- Accessibility;
- Physical barriers;
- Location of competing facilities; and
- Limitations of driving time and distance.

Trade area boundaries for community- and neighbourhood-serving businesses are usually defined in terms of drive time and competition. They tend to be much smaller than those of regional-serving businesses.

Trade areas can be divided into multiple sub-areas, in order to illustrate variations in the impact of the commercial centre under study. In this study, we will use a single primary trade area.

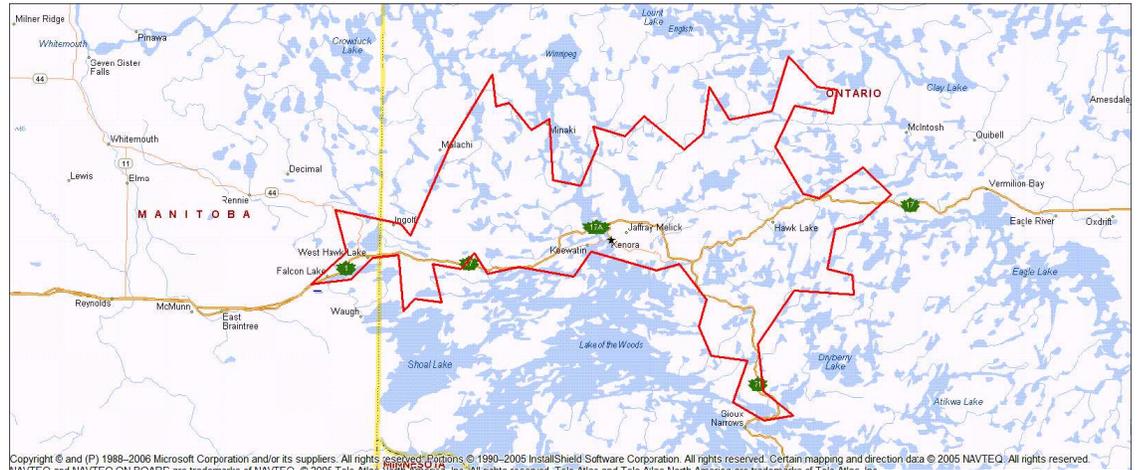
It is important to note that trade areas differ markedly between varying types of retailers. Retailers of high-order goods tend to attract consumers from a wide area, while food and convenience-oriented retailers tend to attract consumers only from the immediate area. In an overview study such as this, our goal is to describe the trade area that factors in all of these considerations, rather than focusing on one retail sector.

Driving Time

The distance or time a consumer is willing to travel is generally related to the type of shopping trip planned and the size and mix of merchants available. In order to reach a regional shopping destination, a driving time of one hour or more may be considered. Winnipeg, two hours west, receives shopping traffic from the Lake of the Woods region. Convenience-oriented trips, on the other hand, typically take less than 30 minutes, and often much less.

The City of Kenora is accessible to a large area by automobile, as is demonstrated in Map 1 below. The red outline represents the 30 minute driving time from the centre of the City of Kenora. A theoretical 30 minute drive from Kenora covers a significant area, extending south to Sioux Narrows, west past Falcon Lake in Manitoba, and east to well past Hawk Lake on Highway 17.

Theoretical 30 Minute Drive Time from Kenora



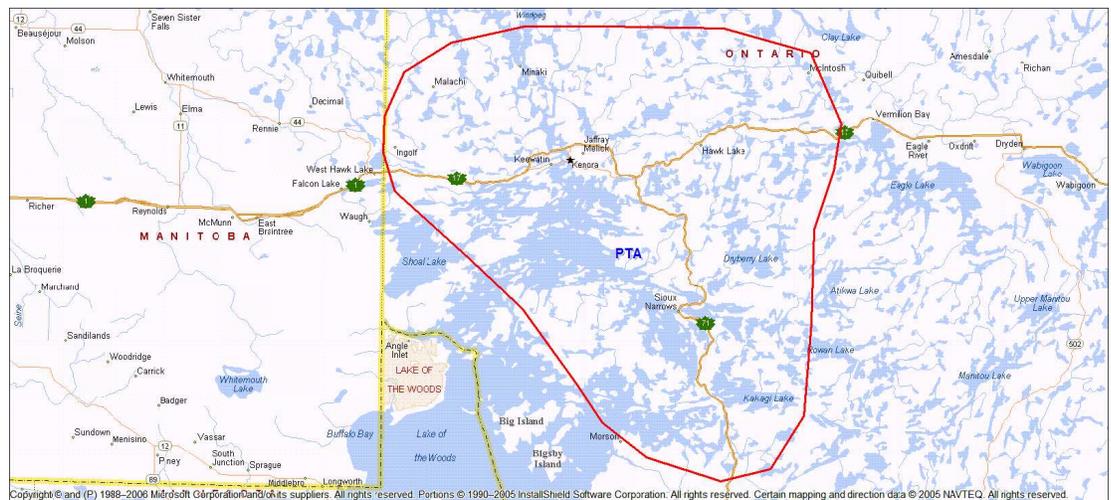
Regional Competition

The primary competition to the City of Kenora’s retailers is that posed by other region-serving centres. Winnipeg, two hours driving time to the West would satisfy virtually all of Kenora residents' high order retail needs. Purchases that typically require extensive comparison shopping such as shoes, home furnishings, most fashion, appliances, and other specialty or rare goods would qualify as higher order retail. The scale and variety of retail available in Winnipeg would limit the extent to which people from the west of Kenora would travel to Kenora for shopping. Winnipeg would have much larger "retail gravity" based on its larger size.

Dryden is roughly half the size of Kenora, but as a regional shopping and service centre, would have a similar variety and scale of retail. Therefore, generally speaking we can delineate the Kenora PTA at approximately the 30 minute boundary, or midway between Kenora and Dryden.

Based on these drivetime and competitive factors, the following map shows Kenora's retail PTA.

Kenora's Primary Trade Area



Primary Trade Area Demographics

The following key points represent a summary of the demographic profile of the primary trade area, as recorded in from the 2001 national census. At the time of writing, detailed demographic data are not yet available from the 2006 national census.

- Trade area population in 2001 was 19,169
- 22% (4188) of the population was aged five to 19 years compared to 20% for the province of Ontario as a whole;
- 15% of the population was aged 65 plus, compared to only 12% for the province;
- the average age of trade area residents was 38.2 years - 1.4 years older than the provincial average of 36.8 years;
- the average household income (reported for 2000 incomes) was \$59,270 - over \$7,000 less than the provincial average of \$66,800;
- 74% of the occupied dwellings were occupied by their owners; 24% were rental occupied
- 80% of occupied dwellings were single detached houses. Apartments (11%) represented the second most common type of dwelling. Provincially, only 58% of occupied dwellings are single detached and 26% are Apartments.

The table on the following page shows summary statistics for the PTA from the 2001 census.

Retail Demand Assessment

This section analyzes the current and future demand for retail and service commercial land uses in Kenora's primary trade area.

The methods used in evaluating trade area market demand are described initially. Subsequent sections describe the retail expenditure potential and warranted commercial floor space in Kenora's trade area.

Methodology

This assessment provides a review of both retail and service commercial sectors. The definition of retail uses includes those establishments that trade in specified goods or sets of goods. For the purposes of this study, service commercial uses will be those that are most closely associated with street-front retail areas and shopping centres and include finance, real estate, insurance, restaurants, fast food, personal services, and some medical services. Office uses that are most often in multi-storey office buildings are not included.

Retail expenditure potential is a measure of an area's ability to support retail and service establishments and, as such, calculating it is the first step in determining the total potential retail demand for any given area. The retail expenditure potential of a defined area is a product of a population's size, its income, and overall retail expenditure patterns.

2001 Census Census Snapshot	PTA	
Total Population	19,169	% base
Males	9,384	49%
Females	9,784	51%
2001 Population by Age	19,169	% base
0 to 4 years	934	5%
5 to 19 years	4,188	22%
20 to 24 years	1,047	5%
25 to 34 years	2,092	11%
35 to 44 years	3,232	17%
45 to 54 years	2,960	15%
55 to 64 years	1,879	10%
65 to 74 years	1,528	8%
75 to 84 years	994	5%
85 years and over	345	2%
Average age of population	38.2	
Median age	39.5	
Dominant age group	5 to 19 years	22%
Families	5,537	% base
Persons per family	2.9	
Two-parent families	4,733	85%
With no children at home	2,174	39%
With children at home	2,557	46%
Lone-parent families	830	15%
Total children at home	5,871	
Children per family	1.1	
Households	7,605	
Persons in private households	18,725	
Persons per household	2.5	
Average 2000 household income	\$59,270	
Occupied Dwellings	7,590	% base
Owned Dwellings	5,604	74%
Rented Dwellings	1,838	24%
Single detached houses	6,071	80%
Semi-detached/row/duplex	545	7%
Apartments	855	11%
Movable dwelling	144	2%
Dominant building type	Single detached houses	80%

To determine the commercial space requirements for the Kenora trade area, it was first necessary to estimate the personal disposable income of the current and future trade area populations. Personal disposable income (PDI) is the measure of capital available for expenditures and represents approximately 80 percent of total income, allowing for taxes and other transfers to Revenue Canada. The estimated 2007 personal disposable income of the PTA is \$25,566.

The next step in determining the retail expenditure patterns of the trade area residents is the utilization of a retail-to-personal disposable income (PDI) ratio. This ratio describes the proportion of PDI that an aggregate population will typically spend on retail goods. The ratio for the Province of Ontario was 41.8% in 2006. As trade area residents have income levels lower than the provincial average, we have assumed a PDI ratio of 42.3% for the PTA (lower income households generally spend a greater proportion of total income on retail goods and services and, as such, have a higher PDI ratio).

Retail Expenditure Potential

The Kenora PTA has a current estimated retail expenditure potential of almost \$250 million. This includes \$94 million in Department Store Type Merchandise (DSTM) expenditures and \$72 million in Food and Convenience Type Merchandise (FCTM) expenditures, including almost \$37 million for Supermarkets. The trade area supports an additional \$81 million in annual expenditures on Automobile Type Merchandise (ATM).

The following table describes projected levels of retail expenditure potential in the Kenora PTA for 2007.

RETAIL EXPENDITURE POTENTIAL, 2007	
Kenora - PTA	
	2007
POPULATION	20,775
INCOME (PDI)	\$ 25,566
TOTAL INCOME POTENTIAL	\$531,141,760
RETAIL SALES / INCOME	42.3%
Inflow	10%
TOTAL RETAIL POTENTIAL	\$247,244,390
FOOD AND CONVENIENCE TYPE MERCHANDISE	
Supermarkets	\$ 36,752,186
Convenience and specialty food stores	\$ 5,198,768
Beer, wine and liquor stores	\$ 11,270,935
Pharmacies and personal care stores	\$ 18,823,069
TOTAL FCTM	\$ 72,044,958
DEPARTMENT STORE TYPE MERCHANDISE	
General Merchandise Stores	\$ 32,287,341
Clothing stores	\$ 12,216,533
Shoe, clothing accessories and jewellery stores	\$ 3,980,013
Home centres and hardware stores	\$ 11,898,933
Home electronics and appliance stores	\$ 7,158,296
Furniture stores	\$ 5,886,667
Home furnishings stores	\$ 3,859,156
Specialized building materials and garden stores	\$ 2,966,433
Sporting goods, hobby, music and book stores	\$ 6,347,081
Computer and software stores	\$ 864,617
Miscellaneous store retailers	\$ 6,591,956
TOTAL DSTM	\$ 94,057,026
AUTOMOBILE TYPE MERCHANDISE	
New car dealers	\$ 46,139,128
Used and recreational motor vehicle and parts dealers	\$ 9,963,997
Gasoline stations	\$ 25,039,281
TOTAL ATM	\$ 81,142,406
TOTAL RETAIL EXPENDITURES	\$ 247,244,390
Change in Retail Expenditures	

Source: Colliers, 2007

Warranted Retail Floor Area

The following table describes the gross floor area warranted by the population of the trade area in 2007. Floor areas are calculated by dividing the expenditures for each retail category by standard retail sales per square foot.

The current retail expenditure potential from residents of the Kenora PTA warrants over 920,000 square feet of retail and service commercial space. The current gross warranted retail floor area in the Kenora PTA includes almost 312,000 square feet of Department Store Type Merchandise (DSTM) and almost 145,000 square feet of Food and Convenience Type Merchandise (FCTM). This FCTM space includes 73,500 square feet of Supermarket space.

GROSS WARRANTED RETAIL FLOOR AREA, 2007			
Kenora - PTA			
	Sales Reqm't (\$/Sq. Ft.)	Market Capture (%)	2007
FOOD AND CONVENIENCE TYPE MERCHANDISE			
Supermarkets	\$500	100%	73,504
Convenience and specialty food stores	\$400	100%	12,997
Beer, wine and liquor stores	\$700	100%	16,101
Pharmacies and personal care stores	\$450	100%	41,829
TOTAL FCTM			144,432
DEPARTMENT STORE TYPE MERCHANDISE			
General Merchandise Stores	\$220	100%	146,761
Clothing stores	\$325	100%	37,589
Shoe, clothing accessories and jewellery stores	\$550	100%	7,236
Home centres and hardware stores	\$350	100%	33,997
Home electronics and appliance stores	\$800	100%	8,948
Furniture stores	\$300	100%	19,622
Home furnishings stores	\$325	100%	11,874
Specialized building materials and garden stores	\$300	100%	9,888
Sporting goods, hobby, music and book stores	\$350	100%	18,135
Computer and software stores	\$700	100%	1,235
Miscellaneous store retailers	\$400	100%	16,480
TOTAL DSTM			311,765
TOTAL ATM	\$400	100%	202,856
Service Commercial		40%	263,621
TOTAL COMMERCIAL			922,674

Source: Colliers, 2007

Seasonal Inflow

As discussed earlier, the seasonal inflow of people to the Lake of the Woods district is an important part of the retail demand that supports businesses in Kenora. In this section we have estimated the potential economic impact of this inflow. In order to understand the retail expenditure potential of the population we have assumed there to be 15,000 “resident” seasonal migrants into the Lake of the Woods. Furthermore, we have assumed that their 2007 PDI is approximately \$35,000 - significantly higher than the PTA value. Furthermore, we have estimated that 40% of this disposable income is spent on retail goods, and that 17% of their time is spent in the vacation property (i.e. 2 months of the year).

The following table shows the amount of money available to retailers during the time the vacationers are in the region. **This does not assume all of this money is spent at the local retailers.**

Based on these assumptions, there is almost \$89 million in potential retail expenditures represented by the seasonal inflow population. Not all of this money is being spent in Kenora businesses. However, a large portion of it, and certainly much of the FCTM spending, could be available to Kenora businesses while the summer inflow customers are in the area.

RETAIL EXPENDITURE POTENTIAL, 2007	
Kenora - SEASONAL INFLOW	
	2007
POPULATION	15,000
INCOME (PDI)	\$ 35,517
TOTAL INCOME POTENTIAL	\$532,759,020
RETAIL SALES / INCOME	40.0%
EFFECTIVE	17%
TOTAL RETAIL POTENTIAL	\$88,793,170
FOOD AND CONVENIENCE TYPE MERCHANDISE	
Supermarkets	\$ 13,198,856
Convenience and specialty food stores	\$ 1,867,040
Beer, wine and liquor stores	\$ 4,047,744
Pharmacies and personal care stores	\$ 6,759,951
TOTAL FCTM	\$ 25,873,591
DEPARTMENT STORE TYPE MERCHANDISE	
General Merchandise Stores	\$ 11,595,391
Clothing stores	\$ 4,387,338
Shoe, clothing accessories and jewellery stores	\$ 1,429,347
Home centres and hardware stores	\$ 4,273,278
Home electronics and appliance stores	\$ 2,570,767
Furniture stores	\$ 2,114,086
Home furnishings stores	\$ 1,385,943
Specialized building materials and garden stores	\$ 1,065,339
Sporting goods, hobby, music and book stores	\$ 2,279,435
Computer and software stores	\$ 310,511
Miscellaneous store retailers	\$ 2,367,377
TOTAL DSTM	\$ 33,778,811
AUTOMOBILE TYPE MERCHANDISE	
New car dealers	\$ 16,569,999
Used and recreational motor vehicle and parts dealers	\$ 3,578,382
Gasoline stations	\$ 8,992,387
TOTAL ATM	\$ 29,140,768
TOTAL RETAIL EXPENDITURES	\$ 88,793,170
Change in Retail Expenditures	

Source: Colliers, 2007

Considering both the PTA and the summer inflow expenditure potential, there is over \$336 million available for Kenora retail businesses.

Recommendations

1. Continue to support the initiatives of the BIZ. An active and engaged group of business minded individuals, entrepreneurs, and citizens is the best conduit through which to affect local economic improvements.
2. Through the BIZ and other municipal initiatives, efforts should focus on initiatives that retain, enhance, and expand the provision of retail and service commercial businesses in the city of Kenora.
3. Streetfront retailing, which is present in the City of Kenora, is becoming increasingly attractive for shoppers. The City of Kenora could see its downtown gain a broader regional visitor draw to its pedestrian-friendly shopping strip.
4. Coordinate merchants to provide a region-wide marketing of stores and events in the City of Kenora.
5. Try to adhere to the following principles of successful retail districts:
 - a. Serve the resident population first. Residents are the largest potential source of revenue, and if they are effectively served with merchandise mix and high-quality public realm, inflow users (whether they are convention center users, summertime vacationers or flow-through trade) will be effectively served as well.
 - b. Maintain an interesting walking environment. Smaller storefronts (i.e. 12 to 15 feet wide), street furniture, lighting, foliage, and well maintained sidewalks can all contribute to a more enjoyable pedestrian experience which can promote longer and more frequent shopper visits.
 - c. Provide parking. Parking space is essential for retailing districts - especially in smaller towns which have not yet developed either effective transit systems or downtown resident populations within walking distance. Streetfront parking, when possible, is preferred.
 - d. Critical mass. In order to attract shoppers, the downtown retail district must have enough volume and variety of shopping opportunities. Critical mass is dependent on the competition in the area. Kenora would appear to have an effective critical mass of retail in its downtown.
 - e. Critical density. Critical density means that the businesses in the downtown are clustered - not spread out over too wide an area. In a downtown the size of Kenora's, and retailing district should have a core of the three or four blocks on one or two streets and their connectors. Shoppers should be able to easily walk from one end of the shopping district to the other, and back again.

6. The development of a convention center or meeting facility in downtown Kenora could enhance retail business opportunities in the area. Specific benefits could include:
 - a. increased opportunities for full service restaurants;
 - b. higher pedestrian traffic volumes in the downtown;
 - c. potential for a longer business hours (i.e. more evening customers);
 - d. potential for increased customer volumes in off-peak seasons;
 - e. most significant potential benefits for businesses in the immediate vicinity of the facility and/or major hotels.

Conclusion

There is strong local demand from the PTA and also from seasonal and flow-through inflow trade. Opposing this is a great deal of outflow to the larger, more diverse merchandise mix available in Winnipeg. The retail sector in Kenora is likely at a supply-demand equilibrium, or slightly oversupplied. As such, downtown revitalization efforts should not include strategies for any significant addition of retail space. Rather, retail should first be retained and enhanced, and eventually expanded. Furthermore, downtown revitalization efforts should also include the careful consideration of any significant retail additions elsewhere in the community.

Public realm improvements that could result in an enhanced pedestrian environment, longer shopper stays, broader consumer appeal (age, geography, socioeconomic, etc.), and year-round appeal will enhance retail and service commercial business in Kenora's downtown.

Residential Analysis

Introduction

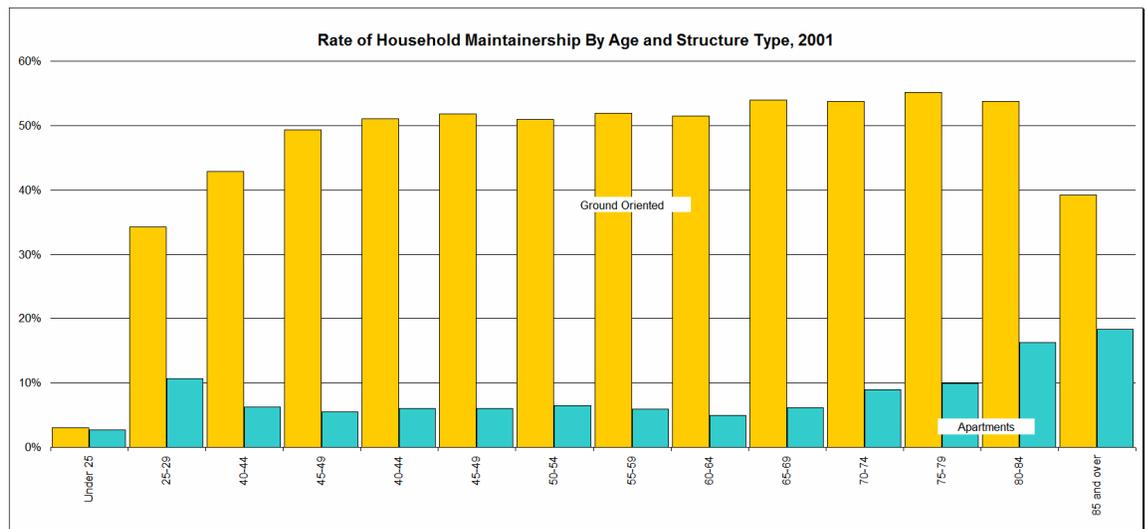
This section of the report considers the market opportunity for new residential development in Kenora, as well as the implications of developing residential in the downtown area as part of the revitalization plan.

Background Information

The single most important determinant of residential demand in a community is population. This may sound simplistic, but no matter how detailed an analysis becomes, the fact is that people drive housing demand. Given that the national census in 2006 recorded a slight decline in the population of Kenora from 2001, one might assume that the overall demand for housing in the community also declined. That may be true, but without a more detailed look at the nature of population *change*, we cannot be sure that demand for some types of housing is not increasing while other types are decreasing.

As a person ages, their needs and preferences change. For example, seniors are more likely to take cruise vacations than young people. They are more frequent purchasers of newspapers, and they spend more on dental care. These are related to where a person is in the *life cycle*, and have less to do with a person's *lifestyle*. Similarly, housing preferences are largely life cycle related. That is they tend to change as a person ages. Using statistics that show just how a population's age-related dwelling preferences change we can estimate how many dwelling units would theoretically be demanded in the future.

The following chart shows a typical residential occupancy pattern in small Canadian communities. The chart shows the likelihood that a person of a given age will occupy and be the principal maintainer of either a ground oriented or apartment style dwelling unit. These are called age-specific household maintainer rates by structure type.



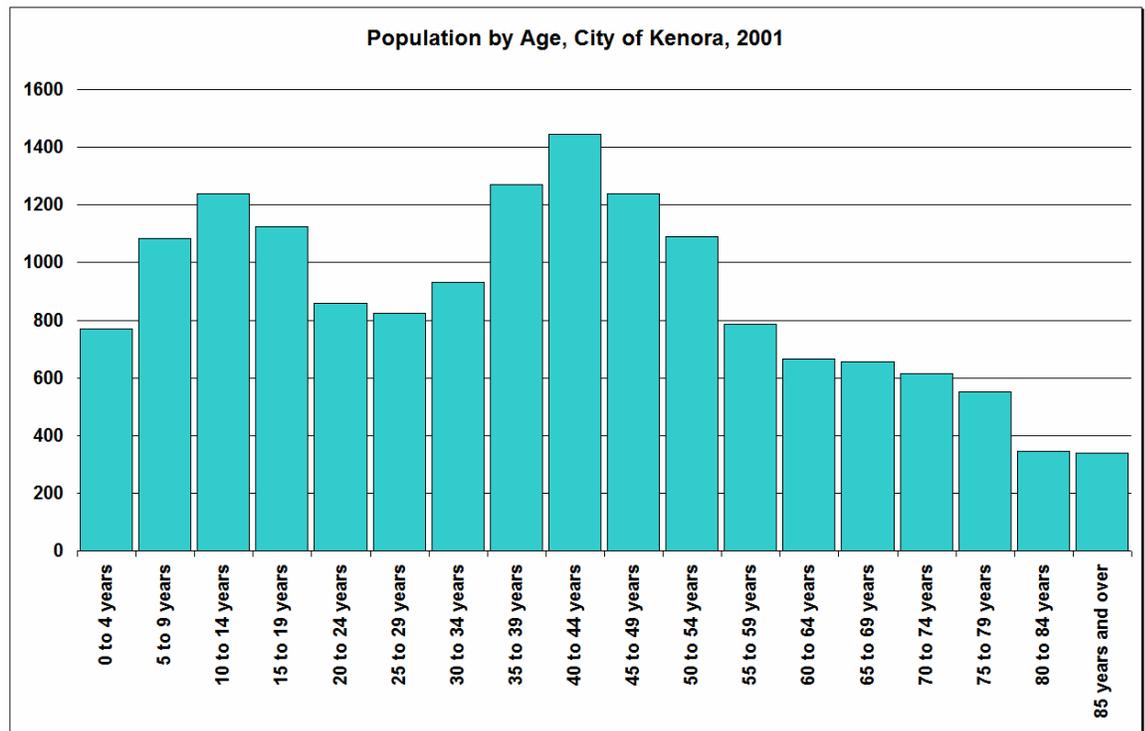
The key features of maintainer rates are:

- outside of major urban centers, at every stage of a person's life cycle they are more likely to maintain a ground oriented home than an apartment.
- Both ground oriented and apartment maintainer rates increase rapidly in the younger age groups as young adults move out of their parents homes to establish their own.
- Ground oriented maintainer rates increase to age 45 at which point approximately half of individuals are considered the maintainer of a ground oriented home. Ground oriented maintainer rates remain relatively fixed thereafter, until age 85.
- Apartment maintainer rates peak early in life in the 25 to 29 age group before declining and remaining relatively low in the 5% to 6% range until age 70. After age 70, Apartment maintainer rates increase, reaching a high of approximately 18% in the 85 plus age group. Individuals and people in small Canadian markets are much more likely to be an Apartment maintainer when they are 85 plus than when they are 25 to 29 years old.

The fundamental implications of this household maintainer rate profile is that populations may grow and shrink, but the nature of their demographic composition (i.e. their age profile) will have a major effect on housing demand. Moreover, even in conditions of declining population there may be increasing demand for certain types of dwelling units.

Population/Demographic Profile

The following chart shows the city of Kenora's population by age as recorded on the 2001 national census. The age profile displays a typical Canadian pattern with a marked bulge representing the baby boom between the ages of 35 and 54. This is followed by a trough in the 20 to 34 age group, which is followed by the children of the baby boom aged five to 19 - the so-called "echo boom".



The Kenora population age profile displays the following key elements:

- The largest single age group in 2001 was 40 to 44-year-olds, which accounted for 1445 people, or 9% of the city's population.
- The baby boom represented 32% of the total population.
- People aged 65 plus numbered 2505 in 2001, and represented 16% of the total population.

Demand Considerations/Projectons

Considering the household maintainer rates from earlier in this section and the population age profile shown above, we can draw a number of conclusions regarding the future of demand for dwelling units by type in the city of Kenora.

- Observing the shape of the population age profile which declines fairly regularly from age 65 to 85 plus, we should not anticipate dramatic apartment unit demand increases from the 80 to 85 plus population in the next decade. The increasing apartment propensity for people in this age range will likely be offset by the higher mortality rates also associated with the elderly.
- The baby boom population is currently (2006) in the 40 to 59 age range, with the peak in the 45 to 49 age group. It will be another 10 to 15 years before the leading edge of the baby boom reaches the age range where we see significant increases in their propensity to maintain an apartment dwelling. The baby boom will occupy their ground oriented homes for at least another decade, and most of them will remain in ground oriented homes for 20 to 25 years before considering a move to an apartment.

- The echo boom will be entering an age range of increasing Apartment propensity over the next decade. As this mini bulge reaches the 25 to 29 age group (starting in about 2010) there will be a spike in demand for apartments. Rental apartments will likely be preferred over condominiums. However, given that the 25 to 29 age group is nearly 3.5 times more likely to maintain a ground oriented dwelling than an apartment, the effect of the aging of the echo boom into young adulthood will be greater in the ground oriented market than the Apartment market.

Conclusion

The addition of residential population in downtown environments is considered one of the most effective and direct revitalization tools. People living in downtown condominiums can have positive effects such as:

- increased safety through “eyes on the street”;
- 24/7 activity supports local convenience goods retailers and food service establishments; and,
- residential developments can catalyze private sector investment.

Condominium apartments will see moderate demand opportunities in Kenora over the next decade, driven by young people in their late 20's, a gradual increase in demand from the local retirees, and recreational purchasers. The leading edge of the World War II baby boom will start to drive apartment demand in about 10 years. This demand is likely to be substantial, and could significantly and positively impact downtown revitalization efforts if higher density residential is accommodated in the downtown.

Public Realm Investment

Introduction

Public realm investment by the public sector has been a proven strategy used by many jurisdictions to promote an investment response from the private sector.

In some cases, private investors are drawn to an area due to the improved environment brought about through direct public sector funding in the public realm. In other cases, private investors may be persuaded to make investments in the public realm via inducement vehicles such as tax incentives, density bonuses and the like. In still other cases, cities may negotiate agreements with the private sector whereby the private sector alone is responsible for specific and comprehensive public realm improvements where various bonuses and incentives may be offered.

By making and/or inducing direct or indirect public realm investments, a city is creating for itself a revenue-positive or cost-recovery situation. Public realm investments have been shown to increase assessed land values. An attractive, walkable, high-quality public realm brings increased street-level activity; businesses benefit from increased sales, landowners benefit from increased rents on retail and commercial space, and the city benefits through greater revenue streams from land and business tax.

Various studies, including those by the Arcadia Land Company and The Brookings Institution, suggest that public investments are key for downtown revitalization and other urban development/redevelopment efforts to succeed. It is generally considered that public investment come “up front”, during the early years of the redevelopment process. Early investment in the revitalization or redevelopment process is the most risky and, therefore, most suited to the public sector. However, as strategic public investment does attract the private sector, the public sector will often recover costs or eventually increase revenues.

Types of Public Realm Investment

There are a number of different areas where investment can be directed in the public realm to increase the areas attractiveness.

Improving Public Safety

- Improving public safety can be achieved through lighting, building transparency, or the presence of police. Often the creation of real and perceived safety in the public realm is reliant on bringing critical mass or “eyes on the street” to an area. The benefit of increased safety results in increased pedestrian activity, studies have shown that people will walk 1500

feet or more only if they have an interesting and safe streetscape and people to watch along the way.¹⁵

Façade Improvement and Heritage Preservation

- One way to increase pedestrian traffic in an area is through enhancing the look of public spaces, which may include emphasizing the historical character of an area. To do this, investments in the public realm may be made in the form of façade improvements and heritage preservation/rehabilitation. Investments may be made by the public sector, private sector (with public incentives), or in partnerships with land/business owners, and may include:
 - Tile work
 - Re-painting
 - Awnings
 - Various creative and historical touches
 - Courtyards, fountains
 - Modernization and upgrades for building code compliance

Streetscape Improvements

- Creating a pedestrian friendly streetscape can be accomplished through a variety of streetscape improvement mechanisms, including:
 - Building plazas
 - Installing urban/outdoor furniture
 - Increasing levels of street and sidewalk lighting – note that lighting fixtures with historical relevance to a neighbourhood can create a greater sense of community ‘ownership.’
 - Investing in pedestrian scale public art
 - Providing assorted public landscaping
 - Protecting existing landscaping, trees and shrubs

Public Building Construction

Construction may occur in partnerships with the private sector; buildings may also be privately funded and publicly owned (or revert to public ownership over time). Some examples of public building construction include:

- Build convention centres, courthouses, municipal offices:
 - Commit public sector to be a major tenant in a new office development;
 - Often one public sector tenant can make a project viable.

¹⁵ “Turning Around Downtown: Twelve Steps to Revitalization”, C.B. Leinberger, The Brookings Institute, 2005.

- Build parking structures:
 - Purchase derelict/dilapidated structures for demolition or renovation; this could be consistent with heritage preservation

Transportation and Parking

Making transportation and parking related investments can significantly improve the look, feel and safety (both perceived and actual) of an urban area. Possible investment options include:

- Traffic calming measures:
 - Improved signage; and,
 - Speed humps
- Landscaped street islands with plants:
 - Pedestrian malls
- Municipally run parking facilities:
 - Flex boulevards; and,
 - Increase transit options and availability
- Natural Amenities and Land Conservation:
 - Restoring and/or developing of waterfront properties;
 - Opening, improving or connecting pedestrian friendly corridors to riverside sites (e.g. paths connecting downtown to the riverfront);
 - Creating easy access to natural amenities (e.g. Access to water unfettered by developments such as waterside freeways);
 - Building new parks; creating protected open spaces; and,
 - Buying tracts of land for conservation or urban growth boundaries

Marketing and Event Programming

Through a downtown marketing partnership – between the City, developers, and businesses – a city can promote the downtown area and actively work to attract investment. In the process of promoting and attracting investment, the partnership can recruit new businesses, monitor pedestrian and parking statistics, analyses marketplace trends and statistics. Event programming can be used as a marketing tool to bring people to the area and to also attract new businesses or investment.

Mechanisms and Effects

Formation of a Development Company

To encourage private sector investment in a revitalizing downtown, the municipal government may encourage the **formation of a catalytic development company** (CDC) to build an initial assemblage of private sector projects; these will in turn act as anchors for subsequent projects.

A CDC may be useful (and in fact necessary) in cases where market and consumer research show there is potential demand, but where the risk level is ‘above market’. CDC projects can display to the private sector that development is feasible.

Beyond acting as a bellwether for the development community, the CDC has a unique ability to pursue higher-quality projects and create the pre-conditions for progressive developments that are mixed-use, pedestrian-oriented and mixed-income.

The activities of the CDC may include, but may not be limited to:

- Land assemblage and land development to prepare lots for construction; and,
- Financing the gap between conventional financing and the amount required for a project.

Developing complete buildings from beginning to end (more likely if large-scale redevelopment is necessary and private market judges the risk is too high to be pioneers).

The goal of the CDC is to prove to the private sector the viability of development or investment in the chosen area. During a period of initial private investment, the CDC can remain relevant through land provisions, as provider of market and consumer research or potentially as a partner. The CDC will eventually be redundant once the private sector fully takes hold.

For the city, public realm investments made as a development partner will lead to financial returns once critical mass is reached. Initial investment return will occur over a longer-term; net tax revenues will be garnered from the upward spiral of value creation in the renewed district; indirect tax revenues will be reaped from surrounding areas as the 'core' values increase.

Tax Tools, Reinvestments, and Loan Guarantees

Tax Incentives

The public sector may chose to provide tax incentives for new real estate development as a means of inducing private investment. Tax incentives can be distributed based on the developers' plans vis-à-vis the vision for the community. Decisions on eligible properties and scales of incentive availability can be taken based on the needs of the municipality.

Tax Abatements and Re-Investments

As development or public investment in an area proceeds, it may be decided to forego the increase in tax revenue or re-invest tax revenue to ensure the improvements in the area continue. To help finance future projects, tax abatements or tax re-investment can be actively invested into further land or infrastructure work.

In the abatement scenario, the municipality may freeze taxes for a period of ten years. The "cost" to the municipality is the foregone tax revenues if the land appreciates in value, but if development occurs as a result of the abatement the costs to the city will be outweighed by the benefits. The benefit to the city is the eventual higher tax revenues from the site (after the abatement period expires), and any increased taxes from surrounding sites that increase in value or revenue as a result of the development project.

Loan Guarantees

Another means of public sector financial support to stimulate private investments may come through loan guarantees and a series of other related incentive programs.

Conclusions and Recommendations

Introduction

This section of the report summarizes the previously reached conclusions in regards to the PAC, conference centre, hotel, retail and residential components of the downtown opportunity assessment. In addition, this section presents specific conclusions with respect to the anticipated interaction between these different components as well as recommendations on how to maximize downtown revitalization through the optimal mix of components. Operating model recommendations are included at the end of this section.

Summary of Findings

The following findings and conclusions relate to the opportunity assessment for a performing arts centre, conference centre, hotel, retail component and residential component, respectively, as part of the City of Kenora's downtown revitalization initiative.

Performing Arts Centre

At present, no specific-built performing arts facility exists within the community of Kenora. As such, a variety of venues, including local churches, schools and businesses accommodate the regions growing arts community. Demand projections for a new PAC have been based on the assumption that the facility will host only larger shows and productions, thereby maximizing revenue while ensuring smaller venues are still utilized. Additionally, a new PAC is also expected to attract significant demand from the regional arts community – particularly the vibrant and diverse art groups and organizations based in Winnipeg. Overall, demand for a new PAC in the City of Kenora has been projected at 57 events during the centre's first year of operations.

Conference Centre

Local demand research, as well as the supply of meeting and conference space in comparable communities, suggests that there is considerable pent-up demand for meeting facilities in the City of Kenora. Total demand for an additional 6,000 – 7,000 square feet of meeting and conference space in the City has been projected at 193 events-days (140 events), with an average event size of 70 to 80 patrons. However, this projection is based on the assumption that a new meetings and conference centre in Kenora is able to attract a significant portion of its business from the corporate market in Winnipeg, an assumption which we consider to be attainable if quality space is developed and if the facility is appropriately promoted and managed.

Hotel

As a result of the relatively high number of hotel rooms within the City of Kenora, occupancy and average room rates within the local accommodation market are significantly lower than other regions in north-western Ontario. Historical room demand growth rates suggest that a new hotel with

between 50 and 75 guest rooms could be absorbed by the market without causing a drop in market occupancy rates, if developed in conjunction with the PAC and Meetings & Conference Centre.

Retail

The retail sector in Kenora is likely at a supply-demand equilibrium, or slightly oversupplied. As such, downtown revitalization efforts should not include strategies for any significant addition of retail space. Rather, retail should first be retained and enhanced, and eventually expanded.

Furthermore, downtown revitalization efforts should also include the careful consideration of any significant retail additions elsewhere in the community.

Residential

Condominium apartments will see moderate demand in Kenora over the next decade, driven by young people in their late 20s, a gradual increase in demand from the local retirees, and recreational purchasers. The leading edge of the World War II baby boom will start to drive apartment demand in about 10 years. This demand is likely to be substantial, and could significantly and positively impact downtown revitalization efforts if higher density residential is accommodated in the downtown area.

Component Interaction

The potential synergy created between the different components assessed in this study is expected to be significant; a brief summary of the estimated level of component interaction is presented in the chart below.

Summary of Expected Component Interaction Levels					
Interaction Between	PAC	CC	Hotel	Retail	Residential
PAC	-	High	High	Medium	Low
CC	High	-	High	Medium	Low
Hotel	High	High	-	Medium	Low
Retail	Medium	Medium	Medium	-	Medium
Residential	Low	Low	Low	Medium	-

Those components which are expected to have the highest level of impact on one another are discussed in more detail below.

PAC and CC

The interaction between the PAC and the Conference Centre is expected to be high. In particular, by creating flexible meeting space in the PAC, the total dedicated meeting space in the conference centre can be reduced. As such, while the total facility could market itself as the largest meeting facility in Kenora with in excess of 7,000 sq. ft. of meeting space, a significant portion of this space would be contained in the PAC. Total suggested dedicated meeting space in the hotel should be in the range of 3,000 – 4,000 sq. ft., with the balance of meeting space in the PAC.

While the PAC could be successfully operated independent of the CC, a CC, as a standalone facility in excess of 7,000 square feet, is not recommended.

CC and Hotel

The relationship between hotels and meeting facilities is traditionally very strong, even more so when the meeting facility is 'on-site'. Typically, the majority of demand for a hotel's on-site meeting facility is generated by the hotel's guests, although local demand may also be significant, depending on the location of the property and the characteristics of the meetings market. Based on the assumption that the Kenora CC will target the corporate/retreat market in Winnipeg, the interaction between the hotel and conference centre is expected to be very high.

A standalone CC, independent of a hotel, will not attract a significant portion of non-local business, and, as such, is not recommended. A new hotel, independent of a conference centre, will compete for largely the same business as existing hotels in the Kenora market and, as such, is not recommended.

PAC and Hotel

The performing arts centre is expected to attract a number of professional artists and performance groups. As a result of the demand generated by these events, an adjoining hotel would benefit significantly from being the nearest accommodation to the centre, and therefore likely the preferred choice for non-local event attendees. The hotel may also drive a certain amount of demand for the PAC, as the convenience of on-site accommodation attracts both professional entertainers, and potential event attendees.

The hotel and PAC are expected to have a significant, positive impact on each other. While either facility may be successful independent of the other, significant synergies can be gained by combining both products.

Other

In addition to the high level of interaction between the facilities mentioned above, a mutual benefit is expected to be generated by the various other components. The hotel, conference centre and performing arts centre are expected to generate increased demand for retail services in the Harbourtown area, particularly restaurants, gift shops, and other tourism-service oriented businesses. Furthermore, the addition of residential units in the downtown core is expected to have a positive effect on retail shops and services in the immediate area, while also driving demand for the PAC.

Operating Model Recommendations

As previously mentioned, the most successful operating model for PACs is when operated by an independent arts organization. Given the expected synergies (and potential for conflict) to be realized between the PAC and the CC, the mandate of the PAC, in terms of 'accepting' meeting events booked by the conference centre needs to be clearly defined.¹⁶ In regards to the hotel and

¹⁶ *In particular, booking conflicts may arise when the PAC wishes to host an arts or cultural event during the same time that the PAC conference area is required by the conference centre.*

dedicated conference centre, a traditional, private ownership model is recommended. In order to maximize the positive impact generated by these facilities, minimum requirements in terms of dedicated conference space should be clearly defined beforehand. Additionally, the expected overlap in meeting space between the PAC and the conference centre may allow the City to negotiate for private sector subsidization of a portion of the PAC operating costs. Development model recommendations, including the assessed risk to the City, are summarized in the table below.

Summary: Facility Development Recommendations			
	Recommendation	Development Model	Risk to City
PAC	500-600 Seats	Public (City of Kenora) ⁽¹⁾	High ⁽²⁾
Conference Centre	3,000-4,000 sq. ft. ⁽³⁾	Private ⁽⁴⁾	Low
Hotel	50-75 units	Private ⁽⁴⁾	Low

⁽¹⁾ Additional funding from other public sector organizations should be pursued.

⁽²⁾ Risk to the City can be minimized by increasing the number of public sector partners involved in the project and successfully negotiating for private sector subsidization of the meeting space portion of the PAC.

⁽³⁾ There are expected to be an additional 3,000 – 4,000 square feet of meeting space available in the PAC.

⁽⁴⁾ The same private sector developer should be pursued for both the hotel and conference centre.

In terms of design, the dedicated conference centre (3,000-4,000 square feet of meeting space) should be incorporated into the hotel, while an additional 3,000-4,000 square feet of flexible meeting space should be available in the adjacent PAC.

Conclusion

A performing arts centre, with an adjoining boutique hotel offering a limited amount of meeting and conference space would significantly enhance the appeal of downtown Kenora and contribute to the regions overall revitalization efforts. While such a facility may also create some new retail opportunities, it could also successfully be utilized as an impetus to enhance existing retail services within the City.

Finally, the phased addition of residential accommodation to the downtown core, as merited by demand, will enhance the regions appeal and maximize the long-term viability of various revitalization efforts.

Exhibits

- Exhibit I** **Projected Demand: PACC – City of Kenora**
- Exhibit II** **Summary of Operating Statistics: Performing Arts Centres**
- Exhibit III** **Projected Demand: Conference Centre – City of Kenora**
- Exhibit IV** **Historical Accommodation Supply/Demand Analysis**

EXHIBIT I
PROJECTED DEMAND: PAC - CITY OF KENORA

City of Kenora

Estimated No. of Events Generated by Community

User Group	No. of Events	Size	Projected Facility Rental Revenue		Projected		Total Revenue
			per Event	Total			
Kenora & District Festival of the Arts	6	150	\$1,000	\$6,000			\$6,000
Kenora & District Festival of the Arts	17	50	\$150	\$2,550			\$2,550
Lake of the Woods Concert Group	9	200	\$2,000	\$18,000			\$18,000
Kenora Community & Events Services	6	150	\$500	\$3,000			\$3,000
Local bands/musicians	2	150	\$1,000	\$2,000			\$2,000
Professional bands/concerts	1	500	\$5,000	\$5,000			\$5,000
First Nations	5	150	\$500	\$2,500			\$2,500
School Uses	90	175	\$317	\$28,576			\$28,576
Other miscellaneous events	20	150	\$250	\$5,000			\$5,000
Total	156	159		\$72,626			\$72,626

Performing Arts Centre

Estimated No. of Events Generated by New Facility

User Group	No. of Events	Size	Facility Rental Revenue		Projected		Total Revenue
			per Event	Total			
Manitoba Theatre Centre	2	500	\$5,000	\$10,000			\$10,000
Local bands/musicians	4	200	\$1,000	\$4,000			\$4,000
Professional bands/concerts	12	500	\$5,000	\$60,000			\$60,000
Professional theatre/drama groups	6	500	\$5,000	\$30,000			\$30,000
Marquee Event (festival, film show, etc)	1	1000	\$10,000	\$10,000			\$10,000
Other miscellaneous uses	10	200	\$1,000	\$10,000			\$10,000
Total	35	394		\$124,000			\$124,000

Performing Arts Centre

Estimated No. of Events and Associated Revenues

User Group	No. of Events	Size	Projected Facility Rental Revenue		Projected Other Revenue ¹		Total Revenue
			per Event	Total	per Person	Total	
Kenora & District Festival of the Arts	6	150	\$1,200	\$7,200	\$10.00	\$1,500	\$8,700
Lake of the Woods Concert Group ²	9	300	\$3,360	\$30,240	\$10.00	\$3,000	\$33,240
Manitoba Theatre Centre	2	500	\$5,600	\$11,200	\$10.00	\$5,000	\$16,200
Local bands/musicians	6	200	\$1,000	\$6,000	\$10.00	\$2,000	\$8,000
Professional bands/concerts	12	500	\$5,600	\$67,200	\$10.00	\$5,000	\$72,200
Professional theatre/drama groups	6	500	\$5,600	\$33,600	\$10.00	\$5,000	\$38,600
First Nations	1	250	\$1,000	\$1,000	\$10.00	\$2,500	\$3,500
Marquee Event (festival, film show, etc)	1	1000	\$11,000	\$11,000	\$10.00	\$10,000	\$21,000
School Uses	4	500	\$1,000	\$4,000	\$10.00	\$5,000	\$9,000
Other miscellaneous uses	10	200	\$1,000	\$10,000	\$10.00	\$2,000	\$12,000
Total	57	352		\$181,440		\$41,000	\$222,440

Notes and Assumptions

It is assumed that the city will focus primarily on hosting large (150 people or more), financially viable events at the PAC.

¹ Based on estimated revenues between \$10-\$12, as per comparable facilities.

² The new facility is assumed to generate a 50% increase in Lake of the Woods concert attendance.

**EXHIBIT II
SUMMARY OF OPERATING STATISTICS**

Performing Arts Centres

PAC	Comp. A	Comp. B	Comp. C	Comp. D	Comp. E	Comp. F	Comp. G	Comp. H	Comp. I	Average	Average¹
Number of Seats	1100	613	1200	701	336	700	750	500	762	740	733
Number of Events	265	354	200	175	120	142	185	120	130	188	195
Annual Revenue	\$ 357,000	\$ 450,000	\$ 545,000	\$ 100,000		\$ 1,000,000	\$ 550,000	\$ 200,000		\$ 457,429	\$ 420,400
Annual Operating Costs	\$ 505,000	\$ 345,000	\$ 600,000	\$ 240,000		\$ 1,030,000	\$ 750,000	\$ 390,000		\$ 551,429	\$ 518,000
Annual Income/Deficit	\$ (148,000)	\$ 105,000	\$ (55,000)	\$ (140,000)		\$ (30,000)	\$ (200,000)	\$ (190,000)		\$ (94,000)	\$ (97,600)
FTE's	4	2.5	5	4.5	1.5						
Avg. Expense/Seat	459	563	500	342		1,471	1,000	780		\$ 731	\$ 660
Avg. Expense/Event	1,906	975	3,000	1,371		7,254	4,054	3,250		\$ 3,116	\$ 2,637
Avg. Revenue/Seat	\$325	\$734	\$454	\$143		\$1,429	\$733	\$400		\$602	\$529
Avg. Revenue/Event	\$1,347	\$1,271	\$2,725	\$571		\$7,042	\$2,973	\$1,667		\$2,514	\$1,997
Number of Events/FTE	66	142	40	39	80					73	
Revenue/FTE	\$89,250	\$180,000	\$109,000	\$22,222						\$100,118	

¹ Not including Maximum and Minimum values for each category

EXHIBIT III
PROJECTED DEMAND: CONFERENCE CENTRE - CITY OF KENORA

User Group		Pen. Rate	Event Days	Size	Fir Space per Event (sq. ft.) ¹	Rental Revenue per Event Day ²	Rental Revenue
Existing	Private	2%	2	50	750	\$850	\$1,700
	Community	2%	6	20	300	\$350	\$2,100
	Other	10%	3	25	375	\$350	\$1,050
	Shows/Exhibitions	50%	15	250	3,750	\$1,500	\$22,500
	Business Meetings - Large	90%	5	100	1,500	\$1,500	\$7,500
	Business Meetings - Medium	75%	38	25	375	\$350	\$13,300
	Business Meetings - Small	15%	5	10	150	\$350	\$1,750
	Conferences/seminars	75%	8	50	750	\$850	\$6,800
Sub total		14%	82	73	1,088		\$57,000
New	Corporate Business	n/a	81	35	525	\$850	\$68,850
	Associations, etc	n/a	15	280	4,197	\$1,500	\$22,500
	Other	n/a	15	75	1,125	\$1,500	\$22,500
Sub total			111	73	1,102		\$114,000
TOTAL			193	73	1,096		\$171,000

Notes and Assumptions

¹ Approximate space requirement, based on sq. ft. of meeting space required per person (as per BW Lakeside Inn ratio of meeting space to capacity)

² Based on rental rates as follows:

< 500 square feet	\$350
500-1,000 square feet	\$850
> 1,000 square feet	\$1,500

**EXHIBIT IV
HISTORICAL ACCOMMODATION SUPPLY/DEMAND ANALYSIS
CITY OF KENORA**

	2004	2005	2006	Ave. Annual % Change 2004-2006
<u>ONTARIO</u>				
Occupancy	60.7%	62.1%	63.8%	2.6%
ARR	\$ 117.81	\$ 120.91	\$ 126.59	3.7%
RevPAR	\$ 71.51	\$ 75.09	\$ 80.82	6.5%
<u>NORTHWEST ONTARIO</u>				
Occupancy	63.3%	63.6%	65.0%	1.3%
ARR	\$ 88.34	\$ 88.95	\$ 95.62	4.1%
RevPAR	\$ 55.92	\$ 56.57	\$ 62.15	5.6%
<u>KENORA</u>				
Units	332	332	332	
Rooms Available	121,180	121,180	121,180	0.0%
Rooms Occupied	64,755	65,288	65,762	0.8%
% Change		0.8%	0.7%	
Occupancy %	53.4%	53.9%	54.3%	0.8%
		0.8%	0.7%	
Average Room Rate	\$ 76.51	\$ 77.64	\$ 78.96	1.6%
% Change		1.5%	1.7%	
RevPAR	\$ 40.89	\$ 41.83	\$ 42.85	2.4%
% Change		2.3%	2.4%	

Appendices

- Appendix I Lake of the Woods Recreation Guide
- Appendix II Map of Harbourtown
- Appendix III Floorplan of the Centre, Dryden ON

Appendix A Lake of the Woods Recreation Guide

Special Events & Attractions

SPECIAL EVENTS 2006

FEBRUARY

- TBA Sno X
 TBA Snowmobile Poker Derbies
 10 - 12 Nordic Ski Championships Kenora
 11 Polkerama Morson

MARCH

- 3 - 5 Nestor Falls Annual Winter Carnival Nestor Falls

APRIL

- 14 - 16 North American First Nations Festival of Culture and Sport Kenora
 28 - 30 Home and Leisure Show Kenora

MAY

- 6 Shrine Circus Kenora
 14 4th annual Mother's Day 10 K road race Kenora
 TBA Morson Tourism AGM meeting

JUNE

- 3 - 4 7th annual Float Fly Kenora
 TBA Kenora District Dog Show Kenora

JULY

- 1 Canada Day Celebrations Morson, Kenora, Sioux Narrows, Nestor Falls
 15 Christmas in July Sioux Narrows
 TBA Whitefish Bay Pow Wow Sioux Narrows
 TBA Onegaming Summer Pow Wow Nestor Falls
 TBA E.S.C.A.P.E. 33rd annual powerboat cruise-Lake of the Woods

AUGUST

- 3 - 6 Diamonds & Ice Tournament 12th annual Kenora
 4 - 6 Big Grassy First Nations Pow Wow Morson
 4 - 6 HARBOURFEST 15th annual Kenora
 5 - 6 Sioux Narrow Art Festival Sioux Narrows
 6 Kenora Classic Car Show Kenora

- 6 Nestorfest Pig Roast Picnic Nestor Falls
 6 - 12 L.O.W.I.S.A. 41st annual sailing regatta-Lake of the Woods
 7 Tops & Bottom Rowing Regatta Kenora
 25 - 27 Big Island First Nations Pow Wow Morson
 TBA Morson WI Fish Fry Morson
 TBA Kenora Agricultural Fair 95th annual Kenora Rec Centre
 TBA 4th annual Dragon Boat Festival Kenora

SEPTEMBER

- 2 - 3 Men's Labour Day Golf tourney Kenora
 4 Men's Pro Am Golf Tourney Kenora
 TBA Annual Gun Collectors Sale & Outdoor Show Kenora
 TBA RR Valley Pumpkin Festival Rainy River

FISHING DERBIES ON LAKE OF THE WOODS

FEBRUARY

- 11 "Take Your Sweetheart..." Fishing Derby Kenora
 25 LOW Live Release Fish Derby Morson

MARCH

- 19 Family Fishing Derby Keewatin

AUGUST

- 10 - 12 Kenora Bass International Kenora
 TBA Morson Bass International Morson
 TBA National Young Anglers Championship Kenora

SEPTEMBER

- 8 - 10 Bassin' for Bucks Bass Tournament Sioux Narrows
 16 - 17 Crow Lake Classic Bass Tournament 807-484-2525
 Nestor Falls
 TBA 8th Annual Walleye Tournament Rainy River

PLEASE NOTE: All dates are tentative and subject to change. Please call in advance to confirm at our Special Events Hotline: 1-807-467-4637 or call toll free: 1-800-535-4549

LAKE OF THE WOODS ATTRACTIONS

MS KENORA – The Lake of the Woods premiere cruise boat offering tours of the lake 3 times daily throughout the summer. KENORA

HUSKY THE MUSKIE – Kenora's 40 foot muskie located on the harbourfront. KENORA

HERITAGE TOWNSCAPE MURALS – 20 unique murals can be found in Kenora. Focus of murals include: history, culture and recreation. KENORA

SPRUCE CREEK GOLF COURSE – Driving range open in the spring of 2006. 9-hole golf course to be ready in the near future. MORSON

MATHER WALLS HOUSE – A unique historic house depicting turn of the century furniture and décor from the days of the sawmills and flour mills of the Lake of the Woods. KENORA

LAKE OF THE WOODS MUSEUM – View over 15,000 early settler remnants and aboriginal artifacts. One of the best museums in Northwestern Ontario. KENORA

TOMAHAWK LIGHTHOUSE – The lighthouse was originally built in the 1900s and was operated until 1962. Go back in time to the days of the steamboat. MORSON

SIOUX NARROWS WOODEN BRIDGE – A new bridge is

currently being constructed in the same location, preserving the historical significance of the original bridge by incorporating its signature wooden truss into the new structure. This bridge was at one time North America's longest single span wooden bridge. SIOUX NARROWS

NESTOR FALLS – These falls, between Lake Kakabikitchiwan and Sabaskong Bay range from a forty foot falling mass of leaf-stained water to a mere trickle, depending on precipitation and season. NESTOR FALLS

NATIVE PICTOGRAPHS – 5000 year old rock pictographs made of berry juice and sap can be viewed by boat on the Lake of the Woods.

HARBOURFRONT ENTERTAINMENT – Take in an outdoor concert on Kenora's Harbourfront - Thursday evenings July & August. KENORA

GOLDEN EAGLE CHARITABLE CASINO – Try your hand at blackjack or try your luck at bingo. KENORA

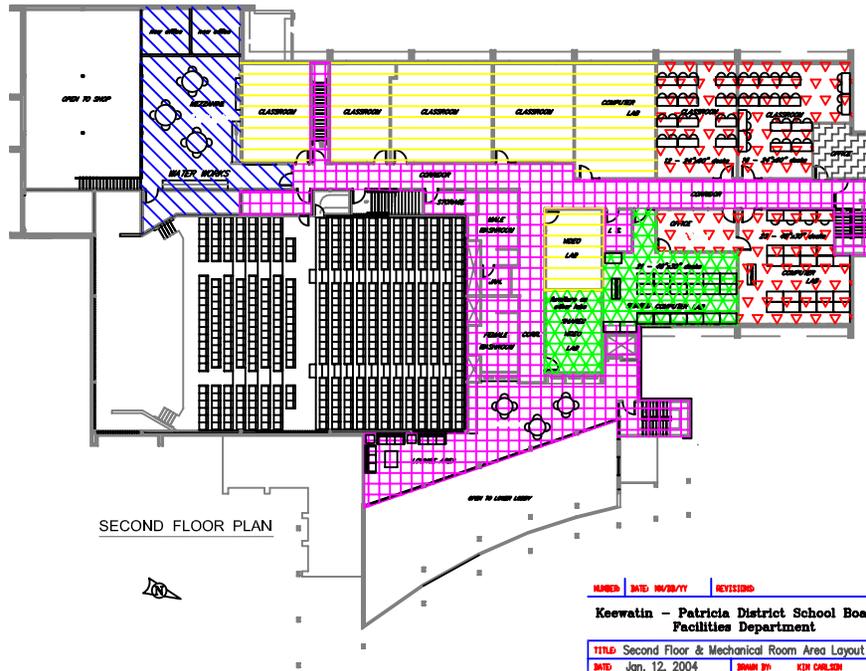
RAILWAY MUSEUM – Go back to the time of the steam engine and visit a fully restored 4008 steam locomotive. RAINY RIVER

LAKE OF THE WOODS RAILROAD MUSEUM – Caboose and Diesel locomotive museum with railway artifacts and memorabilia. KENORA

Appendix B Map of Harbourtown



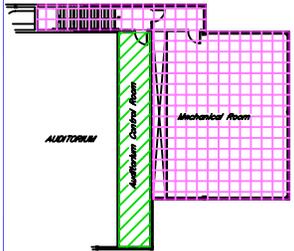
Appendix C Floorplan of the Centre, Dryden ON



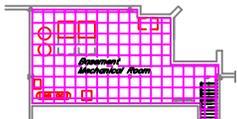
SECOND FLOOR PLAN



NUMBER	DATE	REVISED BY	REVISIONS
Keewatin - Patricia District School Board Facilities Department			
TITLE: Second Floor & Mechanical Room Area Layout			
DATE	Jan. 12, 2004	DRAWN BY	KEV CARLSON
LOCATION	Cultural & Training Centre		DRAWING NO. 1



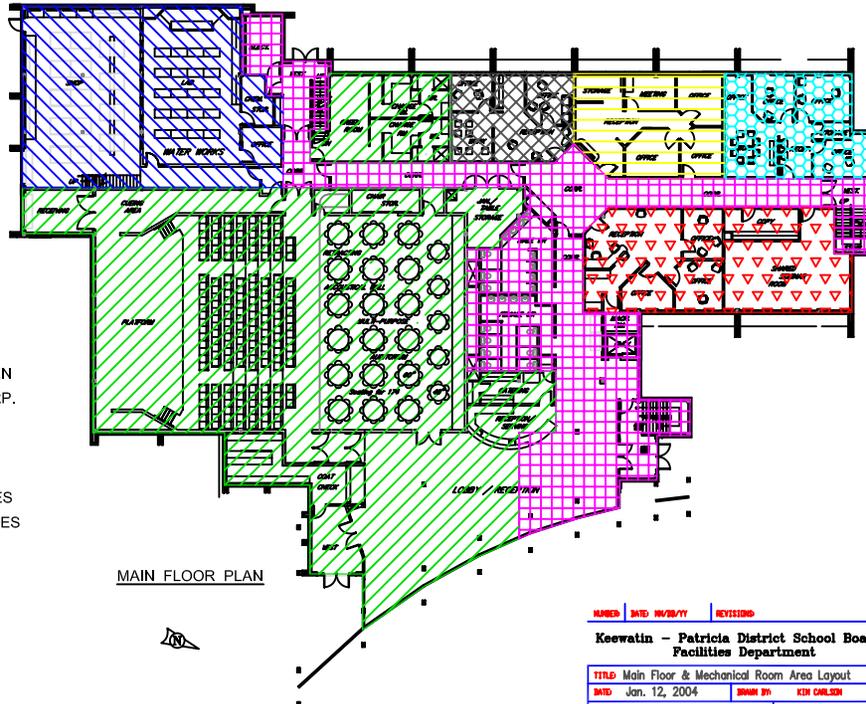
THIRD FLOOR MECH. ROOM



BASEMENT MECH. ROOM

- 8,749 CITY OF DRYDEN
- 3,723 CRESCIVE CORP.
- 3,604 CON. COLLEGE
- 3,871 WATER WORKS
- 178 KPDSB
- 1,217 SHARED SPACES
- 9,696 COMMON SPACES
- 627 VOC. METHOD.
- 834 NTAB

32,499 Total Square Feet



MAIN FLOOR PLAN



NUMBER	DATE	REVISED BY	REVISIONS
Keewatin - Patricia District School Board Facilities Department			
TITLE: Main Floor & Mechanical Room Area Layout			
DATE	Jan. 12, 2004	DRAWN BY	KEV CARLSON
LOCATION	Cultural & Training Centre		DRAWING NO. 1