City of Red Deer

Commercial Opportunities Study

Final Draft

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Prepared for:
The City of Red Deer

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Summary

Introduction

Purpose

The City of Red Deer retained Coriolis Consulting Corp. to:

1. Analyze historic trends and current conditions in the commercial market in Red Deer and the surrounding area.
2. Forecast the likely total amount and probable geographic distribution of new commercial development in Red Deer over the next 20 years.
3. Forecast the likely total amount and distribution of new apartment residential development in Red Deer as an input to anticipating the potential for higher density mixed-use development in various locations.
4. Help the City to define a vision for commercial growth over the long term and provide recommendations for possible changes to the City"s policies.

Scope

The primary purpose of this study is to forecast prospects for retail/service and office development in the City.

One of the City"s planning objectives is to try to encourage future commercial development to be more urban in character, with a higher intensity of land use and greater pedestrian orientation. These objectives require a more comprehensive approach to commercial planning and an integrated approach to residential and mixed-use planning. Therefore, this project included some analysis of the future potential for higher density residential (i.e. apartment) development and the policy recommendations include some suggestions about future land use planning for apartment development as well as commercial development.

Forecast Period

The forecast period for this commercial study is 2009 through to 2031, just over 20 years.

Population Forecast

The following table outlines the population forecasts that are used for the analysis in this report.

Summary of Population Forecasts

Trade Area Growth Scenario		2009	Forecast Population 2021	Forecast Population 2031	Total Growth 2009-2031
Lower Growth Scenario	Red Deer and Gasoline Alley (Primary Trade Area)	90,574	113,142	139,497	48,923
	Secondary Trade Area	97,345	109,779	124,069	26,724
	Total Regional Trade Area	187,919	222,921	263,566	75,647
Upper Growth Scenario	Red Deer and Gasoline Alley (Primary Trade Area)	90,574	117,800	152,064	61,490
	Secondary Trade Area	97,345	113,590	134,351	37,006
	Total Regional Trade Area	187,919	231,390	286,415	98,496

Source: Coriolis Consulting Corp, 2010 based on Statistics Canada, "Census of Canada." 1996, 2001 and 2006; City of Red Deer "Municipal Census Report." 2009; Schollie Research and Consulting, "City of Red Deer Population Projections 2007 – 2031." 2006

Retail and Service Development

Forecast

The following table summarizes the retail and service floorspace forecast based on the high population growth scenario.

Detailed Retail and Service Space Forecast (sq. ft.) by Type of Space (2009-2031)

	2009 to 2021	2022 to 2031	Potential Growth 2009-2031
Regionally Oriented Space			
Regional Centre	650,000	850,000	1,500,000
Regional Automotive	200,000	250,000	450,000
Other Regionally-Oriented Retail and Service Space	100,000	300,000	400,000
Subtotal Regionally Oriented Space	950,000	1,400,000	2,350,000
Locally Oriented Space			
District Centres			
Supermarkets	150,000	180,000	330,000
Other District Centre (1)	250,000	250,000	500,000
Subtotal District Centres	400,000	430,000	830,000
Other Locally-Oriented Retail and Service Space	150,000	270,000	420,000
Subtotal Locally Oriented Space	550,000	700,000	1,250,000
Total Growth Forecast	1,500,000	2,100,000	3,600,000

Notes: (1) Assumes 4 District Centres are built between 2009 and 2021 and 4 District Centres between 2022 and 2031. (2) Figures are rounded to the nearest 50,000 square feet.

Source: Coriolis Consulting Corp., 2010

The City previously commissioned a retail market study by Hudema Consulting Group Limited (Commercial Market Analysis: Timberlands NorthWest, Red Deer, AB, May 2006). Our forecasts are generally lower because, in our view, the previous work assumed much higher population growth than is likely and assumed higher per capita retail demand.

Future retail/service floor space growth in Red Deer can be divided into six categories:

- Regionally-oriented chain retailers with large store sizes that will prefer large sites that are highly accessible (by car) for the whole trade area and that have high exposure.
- Regionally-oriented chain retailers with smaller footprints who tend to specialize in fashion or housewares.
- Automotive uses, including new and used car/truck sales, automotive parts and repair service, and fuel stations.

- Other uses, such as chain restaurants, fast-food outlets, motel/hotel and boat sales that serve the entire region (and travelers) and that are strongly automobile oriented.
- Specialized (usually independent rather than chain) retail uses that seek locations in areas such as Downtown, small older commercial districts, or light industrial areas if they permit some retail use.
- Neighbourhood-oriented retail and service uses that meet the day-to-day needs of residents, such as food stores, branch banks, pharmacies, dry cleaners, and hair care.

The market study indicates that there will be growth in all six of these categories during the forecast period.

By 2031 there will be demand for up to about 100 acres of additional land for regional centre development, including big box retail, lifestyle retail, and associated uses. Of this total, just over 40 acres is warranted by 2021. The recently approved Southpointe Junction development, adjacent to Southpointe Common at the south entrance to the City, includes about 30 acres of land for commercial development on large pads in a single-storey configuration, so this project can meet most of the demand for regional-oriented use in the coming decade (although all of this inventory is controlled by a single party, which does not create a very competitive land market). There is a need to designate up to an additional 60 to 70 acres of land to accommodate potential to 2031 for regional retail. This additional land could be concentrated in one location or possibly divided into two different sites. The approval of additional land for regional-oriented, large floorplate retail will not reduce Downtown‟s potential, as these retailers would not locate in Downtown and, in any case, their low density, large site format is not supportive of the pedestrian oriented urban character that is the goal for Downtown.

There is also a need for additional automotive and automobile-oriented lands, which should be on sites with frontage on appropriate major roads. These lands will accommodate automotive commercial uses and also the regional-oriented uses (e.g. motel, boat sales, some restaurant chains) that require frontage on main roads for accessibility and visibility. Some of these “strip” uses can locate in a regional centre or even in Downtown, but most will prefer locations on main roads. The form of development tends to be single use with surface parking and is often single storey.

Downtown will see limited retail growth over the next two decades (likely a maximum of about 5% to 10% of total retail growth). There are several reasons for this: only a small portion of future residential development is likely to occur in the core; most commercial development will be in a form that requires high vehicular accessibility and low density; and downtown has higher land values and smaller properties that make it difficult to assemble large retail sites. There will be small incremental increases to the Downtown retail inventory as a result of the small growth in the Downtown resident population, growth in the day-time office population, and increased opportunities for small, independent, specialty retail and service businesses as the entire trade area grows. Residential development in Riverlands and Railyards will generate some retail demand, but even an extra 5,000 people would only support about 100,000 square feet of local commercial space.

There is an opportunity for up to 8 neighbourhood-scale shopping centres (in most cases anchored by grocery stores) to meet the needs of existing neighbourhoods that are under-served and the needs of anticipated residential growth in Red Deer. In rough terms, there will be demand for about 4 of these centres over the next 10 years and then 4 in the subsequent decade.

There will also be demand for small convenience-retail sites in individual neighbourhoods (convenience stores, gas stations, fast food, coffee shops).

Policy

Hierarchy of Commercial Locations

In order to create a better fit between the City"s objectives and market prospects, we suggest that Red Deer re-tool its policy on commercial location hierarchy along these lines (and using language as similar as possible to the existing MDP policy 12.2):

- Greater Downtown: the dominant business and government centre in the City, consisting of office uses, retail/service uses, residential uses, government offices, institutional uses, and other uses developed at a relatively high density with strong urban character. Downtown is the preferred location for all major government, cultural, arts, and civic uses such as the main library. Downtown is also the preferred location for higher density office development that accommodates businesses of a head office or region-serving nature. High density residential and mixed-use development are also encouraged.
- Regional Town Centre: This is a dense urban node outside Downtown that contains retail of a regional scale, residential, mixed-use, and small or specialty retail uses in a dense, pedestrian-oriented node. A Regional Town Centre can also include hotel/motel and office uses. (Note: there are no existing nodes that match this description and in our opinion there are not likely to be any proposed developments of this sort during the forecast period for this study, but it is possible that this type of development could occur).
- Regional Shopping Centre: this is a regional-oriented shopping centre with large floor plate retailers in a relatively low density form. Bower Place is a Regional Shopping Centre, although in a traditional enclosed mall format with a department store anchor and many small retailers. Southpointe Commons is a Regional Shopping Centre in the power centre format. Southpointe Junction does include some multifamily residential use that is adjacent to the commercial component, but the commercial space is single storey, single-use, low density and not pedestrian-oriented. There will be demand for more large scale regional-oriented retail (we estimate a requirement for up to 70 more acres in the forecast period) so there will be a need to designate additional Regional Shopping Centre(s). Because new Regional Shopping Centres will be low density, they should only include large floor plate users. Setting a minimum store size of say 10,000 square feet would limit the centres to mainly regional uses

that are not pedestrian-oriented and would require that smaller more specialized retail retailers be located in Downtown, Bower Place, Parkland, or smaller mixed use centres. A Regional Shopping Centre would not have to include residential and should not include office use (in contrast to a Regional Town Centre).

- Arterial Commercial: vehicle-oriented uses fronting on major roads, developed at a relatively low density and serving the city and region. This category remains the same as in the current MDP.

- District Centre: a local-oriented shopping centre anchored by a grocery store and containing a mix of retail, service, and locally-oriented office uses, and serving as a focal point for multifamily housing and civic uses. This is a re-working of the existing MDP categories for District Centre and Neighbourhood Centre. The existing MDP distinguishes between District and Neighbourhood Centres based on the number of neighbourhoods served, although the distinction is not crisp.

  We propose a single category for local/neighbourhood oriented commercial nodes that serve clusters of suburban residential neighbourhoods, contain a supermarket and other convenience retail, serve as a focal point for multifamily development, and that could include some local-oriented office uses (e.g. medical/dental, insurance, real estates).

  East Hills Shopping Centre illustrates this kind of centre to some extent.

  These centres do not have to include vertical mixed use, but they should include a land-use mix of retail, housing, office, and possibly community uses (e.g. daycare, branch library).

  In round numbers, about 7,000 to 8,000 people are needed to support a typical supermarket (say 30,000 to 40,000 square feet), so the local trade area for a District Centre is about this size. We understand that a typical quarter section of new community development in Red Deer has a total capacity of about 1,000 housing units, or about 2,500 people. This suggests a pattern in which there is a District Centre for every 3 or 4 quarter sections of residential development.

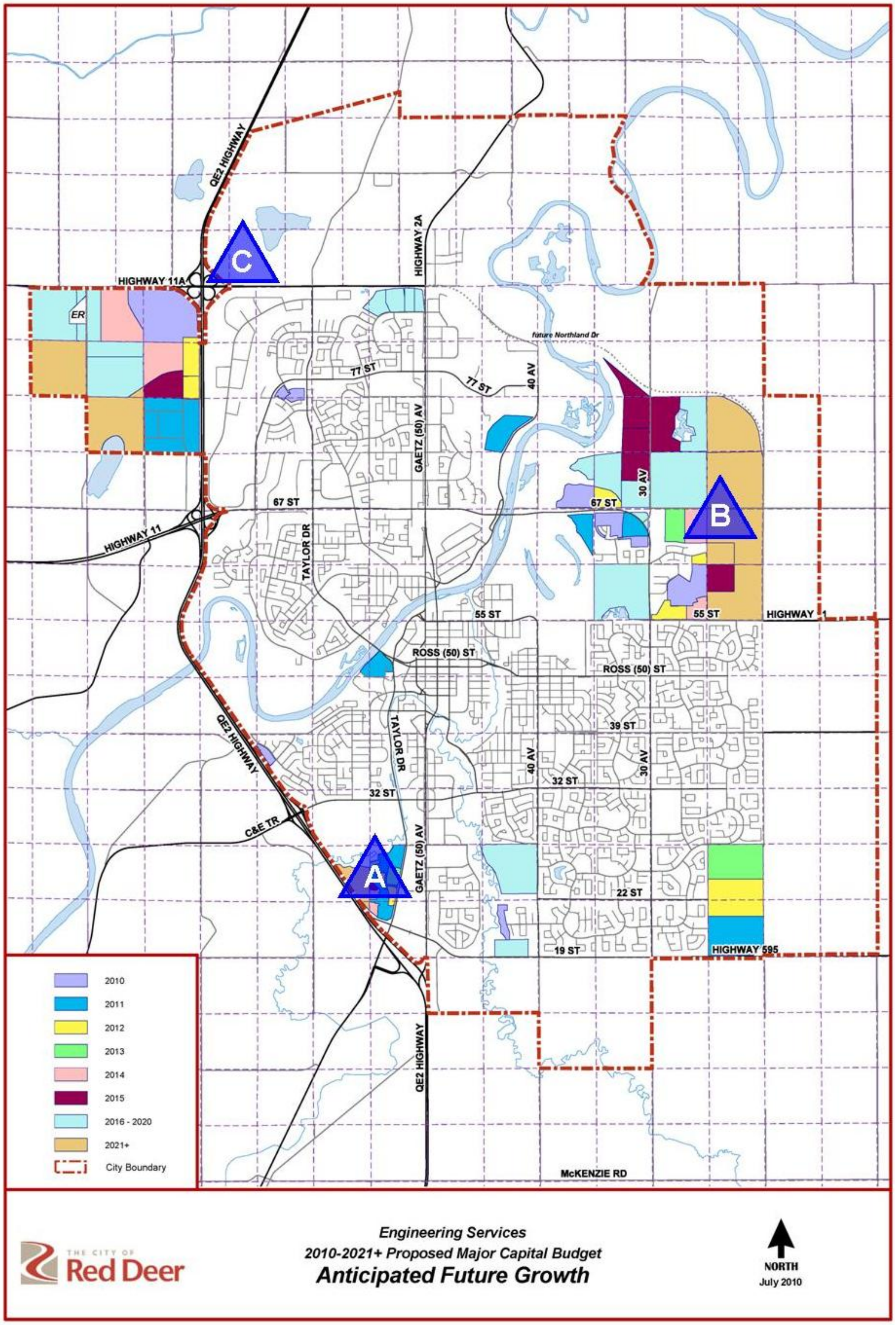
- Convenience Commercial: a small local-oriented commercial project containing convenience retail and service uses meeting the day-to-day needs of nearby residents and containing uses such as convenience store, hair care, food/beverage, movie rental, and small retail. In rough terms, there would be one of these in each quarter section of new development. This category would replace the existing Neighbourhood Commercial category in the MDP.

<u>Locations of Regional Centres</u>

We suggest that the City consider designating a location for the next regional centre and we suggest that this will likely take the form of a Regional Shopping Centre as defined in our proposed hierarchy.

The following drawing shows locations for regional-scale retail development.

Possible Locations for Regional Centres



Disclaimer: All locations are conceptual. They are based on input from City of Red Deer Land and Economic Development Department and are subject to detailed statutory land use planning.

- Location A is the already-approved Southpointe development, included for reference. This is the largest existing concentration of major retailers and it has the capacity to absorb demand for all of the regional centre type growth over the next 5 to 10 years.
- Location B is in the vicinity of the City-owned site that has been under consideration for regional retail use. This site has the advantages of being readily available for development, already designated in plans, on the east side of the City (where most recent and near future residential development is located), on a major road, and near an intersection with the proposed future ring road. The Administration Position Paper shows a regional node in this location.
- Location C is not currently designated for regional retail, but it has significant advantages for this use. The location is at a major intersection and provides excellent accessibility and exposure from a trade area perspective. The site is at the north end of town (balancing Southpointe at the opposite side), which has the advantage of helping to maximize sales inflow from parts of the trade area north of Red Deer and minimizing outflow from northern parts of the trade area to the very large concentration of retail at the south end of Edmonton. The Administration Position Paper shows a regional node in this general area.

If location B is not developed for regional retail, an obvious alternative land use is residential. There is a proposed District Centre nearby, so there would be only limited demand for commercial on the City site in the absence of a regional centre. If Location C is not developed for a regional centre, It has residential potential and would, therefore, be possible candidate for a District Centre assuming the total size of the residential component is large enough.

The City could designate B or C for future Regional Shopping Centre, in order to provide market choice and to address the large retail shortfall on the east side of the City. Southpointe Junction can absorb retail demand for several years and it makes sense to allow this project to get closer to build-out before commencing development of a new Regional Shopping Centre. We suggest the City approach the designation of the next Regional Shopping Centre as follows:

- Designate one site to absorb regional demand to 2031 or so and a second site for longer term development.

We lean toward C because of its location in the region and relative to A, although the City could have dialogue with major retail chains about this decision.

As to the form and character of the next regional centre, the City should consider these guidelines for a Regional Shopping Centre:

- The retail uses are likely to be single storey and single-use. There is not much point in requiring vertically mixed-use development, because the larger retailers will have floor plates that are larger than a typical low-rise apartment building foot print.
- The size of retail and service uses should be regulated carefully. The purpose of the Regional Shopping Centre is to provide locations for large, regionally-oriented businesses not suitable

for inclusion in Downtown or a District Centre. Uses should be large format retailers, generally with a floor area over about 10,000 square feet. Alternatively, if a developer makes a commitment to create a true Regional Town Centre (as defined in our proposed hierarchy), then smaller retailers can be included.

- Parking will be surface. In order to reduce the visual impact of large parking areas, pedestrian paths, medians, and landscaping can be used to break the parking into smaller areas. These smaller areas also create opportunities for pedestrian circulation.
- There is not much advantage in trying to integrate high density residential within the part of the Regional Shopping Centre occupied by large big box stores. While townhouse or apartment units could be located nearby (as in the Southpointe Junction project), the scale and character of the retail uses means that residents of the multifamily housing will not usually walk to shop anyway. There is a much greater chance of encouraging walking by locating apartments in Downtown or near neighbourhood-scale shopping centres.
- The retail development will be inherently automobile-oriented because the stores will draw on the whole trade area. Few customers will walk to the project. However, once at the project there is value in making it safe, convenient, and attractive to walk around. This can be achieved using design features such as: creating pedestrian pathways that are clearly marked (using different paving, concrete curbs, and/or landscaping), providing pedestrian-scale lighting as well as taller parking lot lighting, using landscaping to break up the parking into smaller sections, and siting the store pads to minimize walking distances.
- It is difficult to create a truly urban streetscape character in a regional shopping centre, partly because of the large size of the retailers and the low overall density of development. Also, retailers strongly dislike double-fronted stores, so the main entrance is usually oriented to the main parking areas. Pushing the buildings out to the street frontage (in order to create built form along the street edge) can look better than having buildings set back a long way, but the building elevation along the street will often be a side or rear wall, so no street interest is really created. If the Regional Shopping Centre is located on a major road (or at a major intersection), there is not likely to be much pedestrian use of the street front anyway, so orienting buildings to the road is mainly a visual treatment not a functional one. A solution that works is to have at least some of the retailers mainly oriented to the street and the rest oriented to interior parking areas. When the building elevations along street fronts are the side or rear of stores, these should be attractively landscaped.
- If a developer aims to create a true Regional Town Centre, the best opportunity for mixed-use and pedestrian character would be in the part of the project occupied by the smaller lifestyle and housewares chains.

Location of District Centres

The market analysis indicates potential for up to 8 neighbourhood-oriented commercial centres to meet the needs of residents of the developing communities on the City"s edges over the next 20 years. Some of these District Centres can also be located so as to address current deficiencies of retail, particularly on the east side of Red Deer.

The development of new District Centres is an excellent opportunity to create a much stronger relationship between commercial development and future multifamily residential development, because of the scale and character of retail use in a local-oriented centre.

A District Centre should be developed along these lines:

- A main retail site of about 10 to 15 acres, with additional land for office and multifamily residential.
- A supermarket anchor likely in the range of 25,000 to 50,000 square feet.
- Typically, a total of about 100,000 to 150,000 square feet of retail and service space to accommodate a wide variety of the uses that people use frequently within their neighbourhoods, such as groceries, pharmacy, hair care, movie rental, beer/wine/liquor, cafes and fast food, restaurants, cleaners, small specialty retailers (e.g. florist, gifts, books, bakery, butcher). Total size could be larger, depending on the trade area, provided that the scale remains walkable and the uses are neighbourhood-oriented, not regional in scale. A District Centre would not, for example, include a large home improvement store or automobile sales.
- Include neighbourhood-oriented office uses such as medical/dental, yoga studio, branch financial institutions, realty, insurance.
- Include local-oriented civic uses such as a branch library or some kinds of recreational facilities.
- Possibly include additional land for additional complementary uses such as a gas station.
- Surrounded by multifamily residential development (apartment and townhouse) with a well-designed network of road and pedestrian connections to make the area walkable.
- Include outdoor public space.

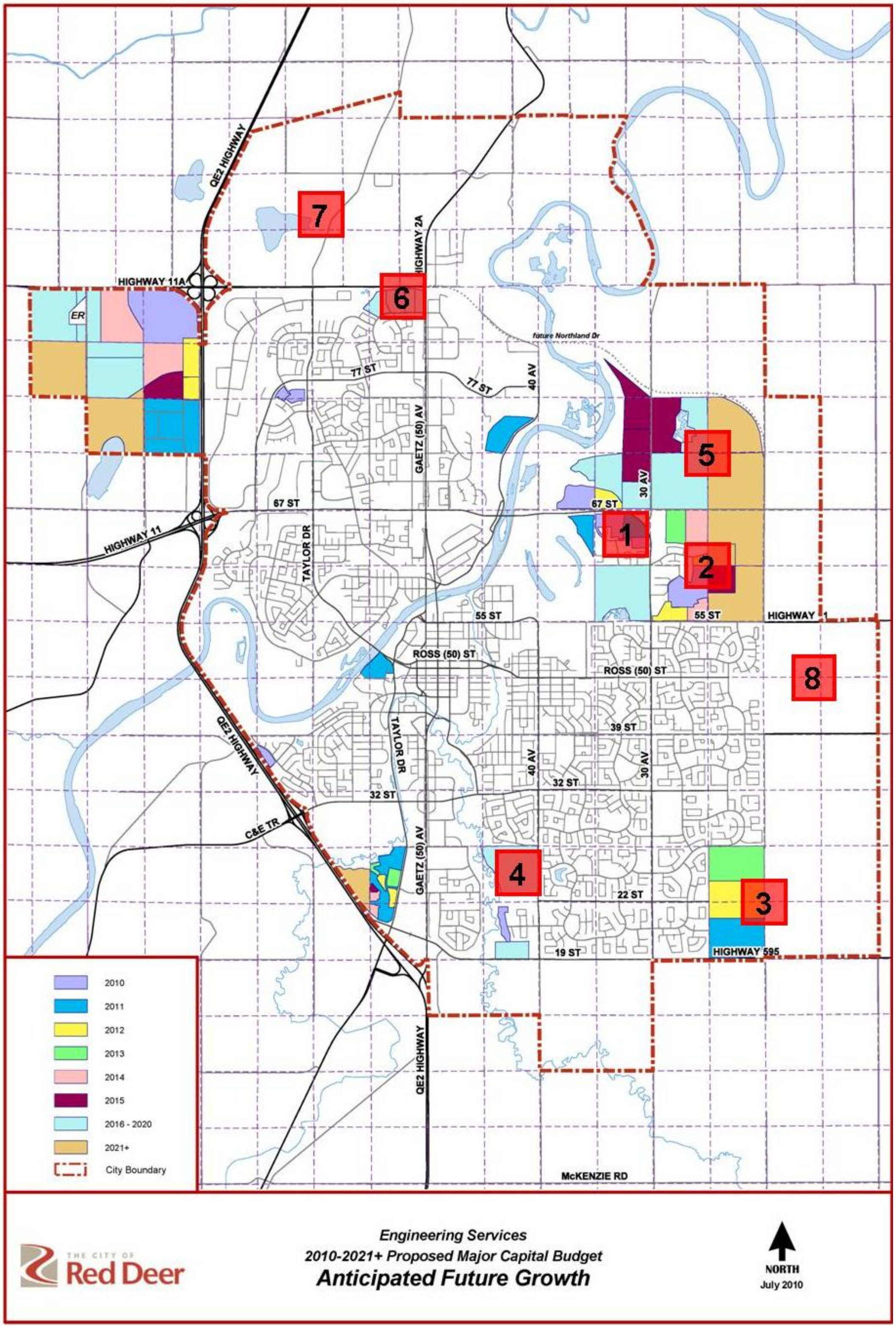
The following drawing shows (highly schematically) 8 potential locations for District Centres that are supportable during the next two decades or so based on planned residential growth.

These locations are based on a combination of existing under-served residential areas, actual development proposals, and the City"s current thinking about the timing of servicing and residential development of vacant lands. These locations are not definitive; they simply indicate areas in which future Area Structure Plans or Neighbourhood Structure Plans should consider the potential for including neighbourhood-oriented commercial centres and multifamily housing.

Sites for District Centres should be shown schematically in the MDP and then fixed during Area Structure planning, with refinement at the Neighbourhood Structure Planning phase.

These centres should be spaced to create local trading areas of about 8,000 to 10,000 people and to avoid concentrating this local-oriented development in too few locations, which would reduce the potential of these centres to provide pedestrian-oriented neighbourhood focal points.

Possible Locations for District Centres



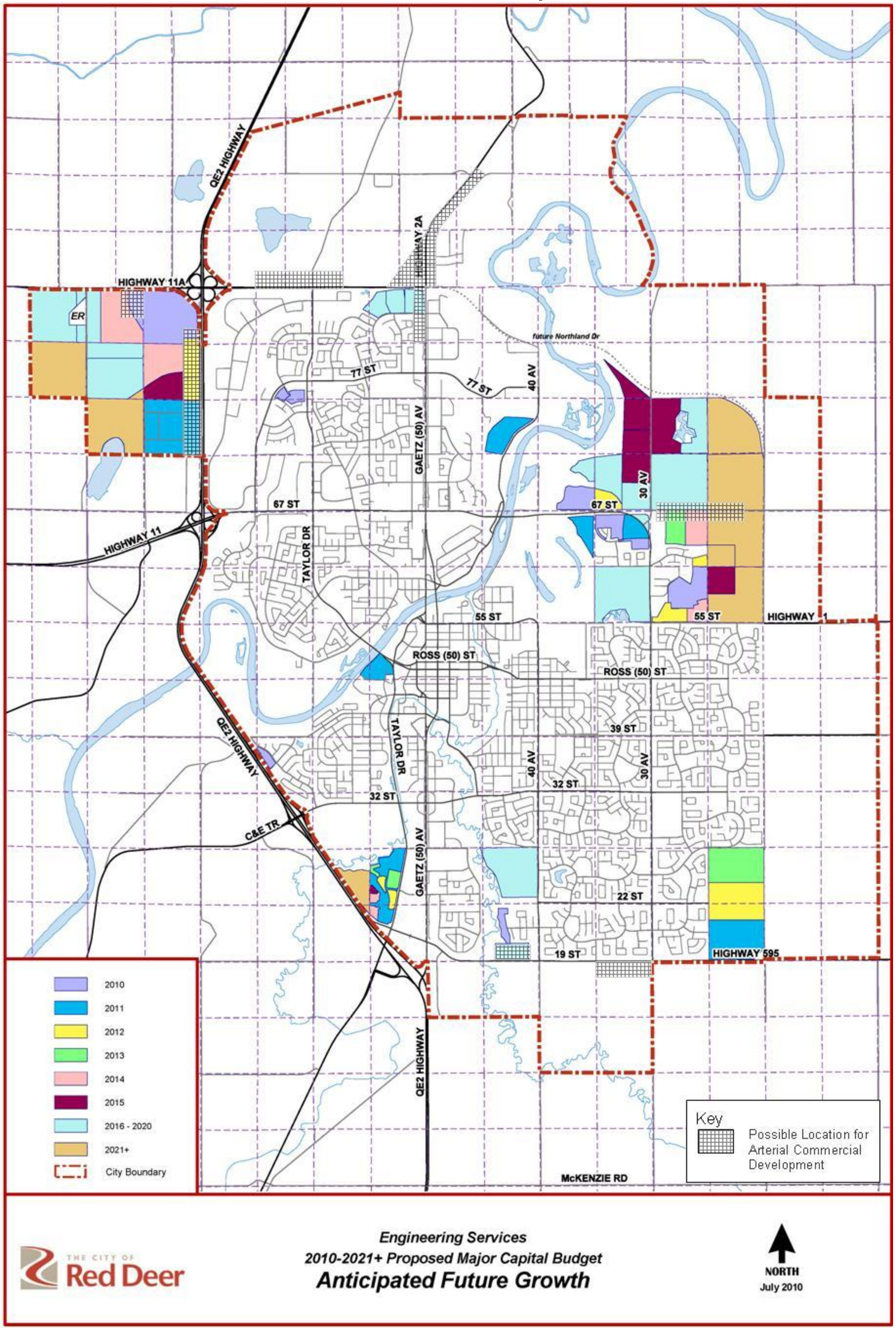
Disclaimer: All locations are conceptual. They are based on input from City of Red Deer Land and Economic Development Department and are subject to detailed statutory land use planning.

Arterial Commercial Development

There will be demand for automotive uses (e.g. service stations, auto/truck sales, auto/truck repair) and automobile oriented uses (e.g. motels, boat sales) that require sites with high accessibility and visibility. These uses are not appropriate for pedestrian-oriented locations (such as Downtown or District Centres), but they can be located on arterial or highway frontages near commercial centres.

The following drawing shows (schematically) some possible locations for future arterial commercial development.

Possible Locations for Arterial Commercial Development



Disclaimer: All locations are conceptual. They are based on input from City of Red Deer Land and Economic Development Department and are subject to detailed statutory land use planning.

Infill Development

There will also be potential for infill development at existing commercial centres if land use intensifies. This intensification should be encouraged as it uses land more efficiently and reduces the need for additional commercial lands in peripheral locations.

Downtown

Downtown should remain the dominant regional business and government centre and ideally will attract a significant share of future apartment development. Downtown will attract some specialty retail and some local-oriented retail but its total share of future retail growth will be small.

No significant changes are needed to existing MDP policies about Downtown.

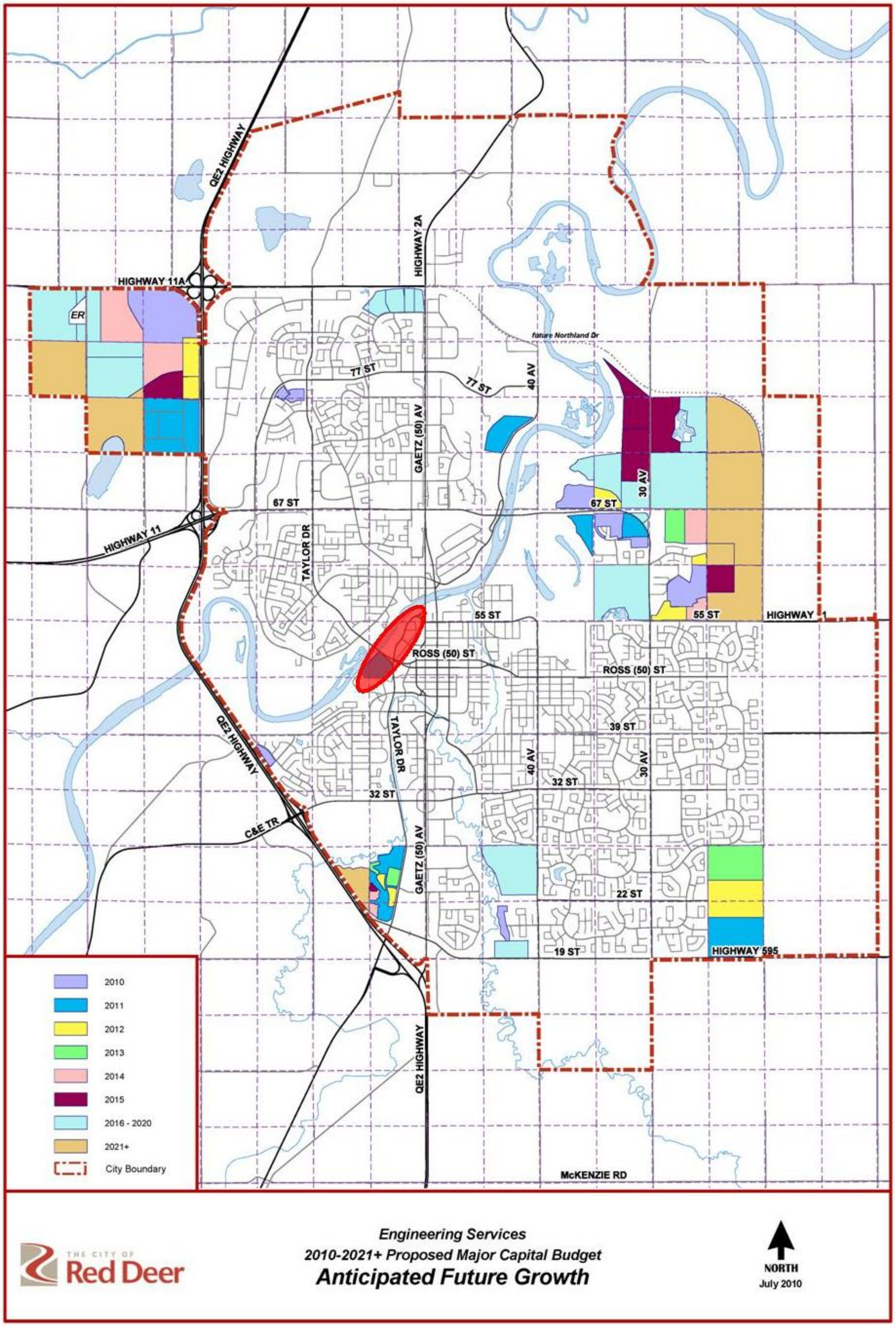
The following drawing show the location of lands in Riverlands and Railyards that are proposed for commercial, residential and mixed-use development. Some refinements may be warranted for the Riverlands and Railyards plans:

- There is likely not enough development potential for both of these areas to develop simultaneously, so the City needs a phasing strategy.
- In order to attract residential developers to these locations, the City should invest in services, roads, and public realm improvements so that development sites are truly development-ready.
- Plans should include provision for local retail to meet the needs of residents.
- We do not see an opportunity for a Public Market, as is suggested in current plans. We have extensive experience with Public Markets (e.g. Granville Island in Vancouver, Forks Market in Winnipeg, St. Lawrence Market in Toronto, and ByWard Market in Ottawa). In our view Red Deer"s trade area is not large enough or sufficiently densely developed to be viable for a full-time specialty food market.

There are some steps the City can take to encourage more Downtown retail development, including:

- Attracting multifamily residential development, which supports local retail.
- Concentrating public sector offices and civic facilities in the core.
- Concentrating regional-oriented office uses in the core.
- Creating an attractive core area public ream (attractive and well-maintained sidewalks, street lighting, landscaping).
- Encouraging and assisting the activities of BRZ type organizations.
- Identifying locations in which grade-level retail is a mandatory component of new development projects.

Possible Location for Greater Downtown Mixed-Use Development



Disclaimer: All locations are conceptual. They are based on input from City of Red Deer Land and Economic Development Department and are subject to detailed statutory land use planning.

Office Development

Forecast

The market study anticipates potential for up to about 640,000 square feet of new office development in Red Deer over the next 20 years. Under current market conditions, there will be pressure for this development to occur in suburban locations, in low-rise buildings with surface parking. Some development will occur Downtown, but the breakeven rent to support high-rise concrete development with structured parking is higher than current rents. As the economy shifts to recovery and local office market conditions improve, there will be opportunities for Downtown office development targeted at the portion of the market that wants a concrete, high density, core location.

Policy

To reflect office market conditions and to help create strong commercial centres, the MDP office polices in section 12.6 should be revised along these lines:

- Office development should only be allowed in Downtown, a Regional Town Centre, or a District Centre (i.e. not in a Regional Shopping Centre or in Arterial Commercial areas).
- The maximum amount of office space in a Regional Town Centre is 125,000 square feet.
- The maximum amount of office space in a District Centre is 50,000 square feet and uses must be neighbourhood-oriented (e.g. medical/dental, insurance, or realty but not specialized businesses or headquarters).
- Subject to the above limits there is no limit to the size of a single office building or to the number of floors in office use.

The City can improve Downtown‟s office prospects through measures such as:

- Maintaining Red Deer as the dominant government and civic centre.
- Examining off-street parking requirements to see if they can be reduced, in order to reduce construction costs.
- Limiting office development in suburban locations to office space that is local-oriented.
- Ensuring the Downtown public realm (sidewalks, landscaping, small parks, lighting) is attractive and well-maintained.

Apartment Development

Forecast

We estimate potential for about 4,000 apartment units over the 20 year forecast period. The actual pace of development will vary from year to year for several reasons:

- Population growth is not linear. Based on our population growth outlook for 2009 to 2021 and 2022 to 2031, the pace of apartment development is likely to be 150 to 180 units per year during the first decade and 180 to 220 units per year in the second decade.
- The pace of residential construction is influenced by interest rates, economic conditions (e.g. employment, incomes, stock market), government housing policy and other factors in addition to household growth. These factors cause large swings in development activity (as illustrated by recent construction in Red Deer, which saw 12 apartment units started in 2006 and 418 started in 2007).

Our estimated average of 200 units per year is simply meant to suggest a total development of about 4000 units over 20 years. Actual annual development will fluctuate and the annual average during the first decade will be lower than in the second.

Most new apartment developments will be low-rise, wood-frame. There will be a tendency for apartment development to occur in suburban locations, where development sites are easier to acquire than in developed areas such as Downtown and where land values are lower.

Suburban apartment (and townhouse) development has been planned in accordance with City policy and Structure Plans, but these have favoured a wide distribution of multifamily development rather than clustering around commercial nodes. This will continue unless the policies are changed. Little multifamily development will occur in Downtown unless development sites become easier to acquire.

If the City wants to attract more development to Downtown and if the City wants to achieve suburban neighbourhoods that are more pedestrian-oriented, there are some significant policy and development factors that must be addressed:

- The City must realize that 4,000 units over 20 years is not very much. To achieve meaningful amounts of Downtown apartment development (i.e. enough to create neighbourhood ambience and support local retail) and to achieve suburban commercial/residential nodes that create the potential for walkable neighbourhoods with some urban feel, the City will have to concentrate apartment potential in selected locations.
- The City can examine the possibility of reducing off-street parking requirements (at the option of developers) as a way of reducing project cost.

- To attract apartment development Downtown, the best opportunity is to proceed with core area neighbourhood redevelopment initiatives such as Riverlands or Railyards.
- To create pedestrian-oriented commercial centres outside Downtown, apartment development should be located within or beside District Centres or Regional Town Centres.

Multifamily residential development presents an opportunity to locate new housing in compact sites close to commercial space. By coordinating the location of townhouse and apartment development with the location of commercial development, the City can:

- Increase the residential population of the Downtown area, which benefits Downtown retail/service businesses, allows some people to live near Downtown employment, locates housing in the part of the City with the highest level of transit service, and makes Downtown more interesting.
- Support the creation of neighbourhood-oriented commercial centres, in which some people live close enough to retail/service uses (and possibly civic facilities) that they can walk instead of drive.
- Make higher density residential a more attractive form of housing for some people, by locating it with convenient access to amenities.

However, with potential for only about 200 units of apartment development per year on average, to obtain significant benefits from coordinated planning of commercial and apartment development it will be necessary to plan apartment sites carefully. The City may also want to allow some apartment development on infill sites outside the proposed locations. However, such infill sites should be approved on a case-by-case basis because the City will erode the potential to create pedestrian-oriented nodes if too much of the apartment market is allocated to scattered infill sites.

Policy

The City‟s policy should be to require future apartment development to locate:

- Downtown.
- In or near a District Centre (as defined in this report).
- In or near a Regional Town Centre (as defined in this report), if one is developed.
- In selected infill locations.

For suburban centres, this approach requires amendments to the City‟s Neighbourhood Planning Guidelines and Standards, as follows:

- The overall density requirement in section 1.2.1. should be revised so that it refers to a large planning area. The goal should be to have multifamily concentrated around District Centres.

- The policies in 1.2.8.1(a) regarding separation of commercial and residential uses should be revised to allow (and encourage) a strong relationship between adjacent commercial and multifamily uses. The ideal "boundary" is a local street with commercial fronting one side and residential the other. Multifamily sites should not "back" onto the commercial site.
- The housing mix requirement in section 2.5 may need revision depending on the size and boundaries of the NASP. Again, with limited market potential for multifamily development, the aim should be to concentrate townhouse and apartment units in preferred locations, not distribute these units broadly throughout neighbourhoods.

To attract more apartments Downtown, we suggest these steps:

- There is not enough apartment potential to sustain development of Riverlands and Railyards simultaneously. The City needs a phasing strategy, presumably commencing with Riverlands.
- Riverlands is an opportunity for the City to provide zoned, serviced, subdivided development-ready sites to the market. This will make it much easier for developers to acquire land at acceptable cost. The City"s development strategy, therefore, must include installation of roads, services, sidewalks and utilities before the sale of development sites.
- The City should invest in key public realm improvements early, such as riverfront walkways, sidewalks, and street furniture so that the area begins to look like an attractive neighbourhood right from the start.

Main Conclusions

1. Red Deer should amend the MDP hierarchy of commercial nodes to match market prospects and to create realistic opportunities for suburban commercial centres with pedestrian character.
2. Red Deer should designate one new location for a Regional Centre to accommodate demand to 2031.
3. Red Deer should designate District Centres as local nodes for commercial space and multifamily residential development.
4. Red Deer should revise its multifamily policies to primarily concentrate apartments in Downtown and District Centres.
5. Office development should be concentrated in Downtown, a Regional Town Centre if one is developed and District Centres (but only for locally-oriented office uses).
6. The development of Riverlands is crucial if the City wants to attract residential development to Downtown. To attract development the City must install necessary infrastructure and public realm improvements.
7. Downtown should remain the dominant government and business centre, but future retail growth will mainly be specialty retail and neighbourhood retail uses to serve new residents.

These recommendations are intended to accommodate all of the forecasted demand for retail/service, office, and apartment development over the next 20 years while improving the quality of urban development and encouraging more pedestrian orientation.

These recommendations are not likely to impose constraints that would make development potential flee Red Deer to locate outside the City boundary. The aim is to accommodate market potential while influencing its location and character. Generally these recommendations will enhance Red Deer"s attractiveness to businesses and residents. Some development will occur in the County because of site availability or land costs, but this is not likely to be a large share of regional potential and the City should not dilute reasonable policy to achieve small increases in development activity.

1.0 Introduction

1.1 Background

The City of Red Deer has been growing rapidly in recent years and is expected to continue to do so. In preparation for anticipated future growth and as part of its comprehensive planning process, the City wants to gain an understanding of how much commercial development might occur in the City over the next 20 years and what this growth potential means for future land use planning.

Therefore, the City of Red Deer retained Coriolis Consulting Corp. to:

1. Analyze historic trends and current conditions in the commercial market in Red Deer and the surrounding area.
2. Forecast the likely total amount and probable geographic distribution of new commercial development in Red Deer over the next 20 years.
3. Forecast the likely total amount and distribution of new apartment residential development in Red Deer as an input to anticipating the potential for higher density mixed-use development in various locations.
4. Help the City to define a vision for commercial growth over the long term and provide recommendations for possible changes to the City"s policies.

This report contains the detailed analysis and recommendations for land use and urban development policy.

1.2 Scope

The primary purpose of this study is to forecast prospects for retail/service and office development in the City.

One of the City"s planning objectives is to try to encourage future commercial development to be more urban in character, with a higher intensity of land use and greater pedestrian orientation. These objectives require a more comprehensive approach to commercial planning and an integrated approach to residential and mixed-use planning. Therefore, this project included some analysis of the future potential for higher density residential (i.e. apartment) development and the policy recommendations include some suggestions about future land use planning for apartment development as well as commercial development.

1.3 Approach

Our approach included the following main steps:

1. We reviewed existing local commercial planning policies in Red Deer and adjacent parts of Red Deer County.
2. We identified the geographic area that makes up the primary commercial trade area for businesses in Red Deer.
3. We reviewed population trends and forecasts for the City and the surrounding trade area to identify a lower and upper bound on future long term trade area population growth. Population growth is the main driver of demand for retail/service space, multifamily residential, and some types of office development, so it is a key input to the demand forecasts in this report.
4. We projected long term demand for retail and service space in the City of Red Deer, by type of space, and evaluated the likely geographic distribution of this projected demand based on market trends.
5. We projected long term demand for office space in the City of Red Deer and evaluated the likely geographic distribution of future office development.
6. We reviewed the demand for additional visitor accommodation in the City of Red Deer over the long term.
7. We projected demand for apartment units in the City of Red Deer and evaluated the potential for apartment development in the Downtown area or other mixed-use commercial and residential locations.
8. We compared the commercial land requirements indicated by the demand forecasts with the availability of commercial development sites to evaluate the City"s ability to accommodate the projected demand based on the current commercial land supply.
9. We discussed our preliminary conclusions and initial suggestions regarding commercial development policy with City staff and with a cross-section of individuals involved in commercial development, retailing, and residential development in Red Deer. Based on these inputs, we refined our conclusions.
10. We produced a full report containing our analysis and policy recommendations.

1.4 Definitions

In this report, we divide commercial space into three categories:

1. Retail and service. Retail (such as supermarkets, clothing stores, electronic stores, and hardware stores) and service businesses (such as restaurants, hair salons, movie rentals, and cafes) both tend to occupy accessible, visible grade level space, so the distinction between the two types of businesses is often blurred (for example a café, which is a service, might also sell retail goods). Therefore, we combine our forecast of demand for retail and service space. Our total retail and service demand forecast is broken into smaller categories based on trade area orientation (regional or local) and locational requirements (large floor plate versus small floor plate, automobile-oriented versus pedestrian-oriented). Dividing the retail and service demand estimate into categories allows us to comment on the likely geographic distribution of retail and service development within the City.

2. Office, including traditional office buildings in commercial areas (such as Downtown) and office space in business park settings.
3. Visitor accommodation, including hotels and motels.

We also analyze the potential for apartments, meaning multi-storey, multifamily development in low-rise or high-rise buildings.

1.5 Forecast Period

The forecast period for this commercial study is 2009 through to 2031, just over 20 years.

2.0 Overview of Red Deer‟s Current Situation

2.1 Location in a Regional Context

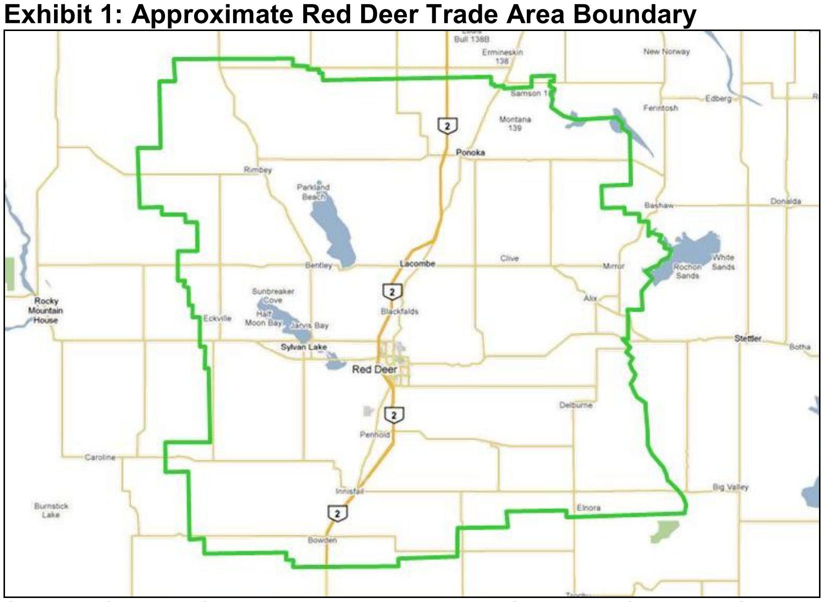
Red Deer is located on Highway 2, about 90 minutes from both Calgary (to the south) and Edmonton (to the north). It is the third largest city in Alberta and is growing rapidly.

2.2 Trade Area Definition

Based on its geographic location midway between Calgary and Edmonton, and the presence of major retailers in the surrounding communities, we identified Red Deer‟s principal regional trade area as roughly following the boundaries of its Census Division (CD), Alberta Division No. 8.

This regional trade area, shown on Exhibit 1, encompasses the counties of Red Deer, Lacombe and Ponoka. Red Deer‟s regional trade area is limited to the north and south by Calgary and Edmonton, as it is unlikely that most residents who live closer to one of these two major urban centres will chose to travel to Red Deer for the sole purpose of meeting their shopping needs. Although there are no major competitive centres to the east or west of Red Deer outside of the delineated trade area, significant drive times throughout the region make it likely that people will travel to Calgary or Edmonton instead of Red Deer. We understand that some people in the rural areas outside the trade area shown in Exhibit 1 prefer to shop in Red Deer because of its scale, even though Calgary or Edmonton may be closer. However, in our view the trade area shown in Exhibit 1 is the source of at least 90% of the retail/service spending in Red Deer stores. There will be some inflow from outlying areas and from travellers, but the main source of growth in demand is the illustrated trade area.

Exhibit 1: Approximate Red Deer Trade Area Boundary



Source: Coriolis Consulting, 2010 based on Statistics Canada, "South Alberta Census Division Maps" 2001 and Base Map (Google Maps as of February, 2010).

For the purposes of our market analysis, we divide Red Deer‟s trade area into two parts:

1. The City of Red Deer and immediately adjacent urban development (such as Gasoline Alley) is referred to as the primary trade area.
2. The remaining communities in Red Deer County, Lacombe County and Ponoka County (shown above in Exhibit 1) are referred to as the secondary trade area.

Together, the primary trade area and secondary trade area are referred to as the regional trade area.

2.3 Economic Base

Red Deer is the main urban centre serving several smaller communities in the larger surrounding geographic trade area. Red Deer meets many of the retail, office, medical, wholesale/distribution and light industrial needs of these surrounding communities. Major industrial activities in the regional economy include oil and gas production, petrochemical processing, agriculture, and food and beverage processing.[1] Based on a review of economic development documents, no major changes are anticipated in the Red Deer local economy during the forecast period.

During the last 2 years (late 2008 to the present), Red Deer has been in a period of economic slowdown, as has most of North America. This slowdown has affected the pace of development, sales, and leasing activity. We have tried to adjust for this recent downturn by looking at longer term trends, which tend to balance out periods of recession and rapid growth.

2.4 Commercial Development Pattern in Red Deer

Red Deer‟s current commercial pattern can be summarized as follows:

- Red Deer‟s Downtown contains a relatively large share of City total retail space, but its role as a retail centre has declined during the last decade. Downtown has experienced some retail growth and it does have the kinds of retail that would appeal to new residents (such as grocery stores), but its role as a regional retail centre has diminished because of the large regional centres south of Downtown. Downtown still has a dominant role as a business and government centre, which helps to support small retail and service businesses. While some seniors-oriented residential development has occurred near Downtown, there has been very little recent market residential activity in the central area.
- A very high share of Red Deer‟s total retail inventory is in the central Gaetz Avenue corridor which runs north-south through the entire City. This corridor can be divided into three components: southern, central, and northern. The southern section runs from the southern City boundary to near Downtown; this section has become the major retail centre in the entire

[1] City of Red Deer, "Municipal Development Plan." 2008

region, as it contains the City"s main enclosed regional shopping centre (Bower Place Mall) and a large concentration of big box retailers in Southpointe Commons. This southern section extends beyond the City limit into the Gasoline Alley part of the County, which includes a large inventory of retail space. The central section is part of Downtown. The north section runs from Downtown to the northern City limit and it includes retail space that mainly meets the needs of residents of the north half of the City, although there are some uses that are regionally-oriented.

- The Gaetz corridor also includes a considerable amount of office space, accommodating users attracted by high accessibility, surface parking, and lower rents (compared to Downtown).
- There are a few neighbourhood-oriented commercial centres, but the growth of these has been limited in part because the central Gaetz corridor is so close to almost all of the City"s residential development areas. This proximity and easy access means that the Gaetz corridor functions as a regional-oriented commercial node, drawing trade from the entire City and surrounding trade area, as an automobile strip, and as a neighbourhood shopping area for the large proportion of Red Deer residents that live within a few minutes" drive of the corridor. New residential development on the City"s urban fringe is happening in neighbourhoods that are further away from the Gaetz strip, creating opportunities for local commercial centres such as East Hills Shopping Centre (which is anchored by a supermarket and contains a mix of retail, service, and office uses), Eastview Centre, and Deer Park Co-op.

Recent commercial development in Red Deer has almost entirely been in the southern part of the City, firmly establishing it as the major retail/service centre for the whole trade area. New retail development has been predominantly single-storey and single-use, with large amounts of surface parking and suburban, automobile-oriented character.

Generally speaking, recent commercial development has not been planned with a strong relationship to multifamily residential development patterns. However, there is a growing interest in Red Deer in a more comprehensive approach to planning for commercial growth in order to produce a stronger link to residential patterns and a more urban and pedestrian-oriented character of development. The City is interested in encouraging a larger share of residential development in Downtown, though initiatives such as the development of the Riverlands and the Railyards Districts, and wants to encourage a more urban character in newly-developing neighbourhoods.

2.5 Current Planning Policy

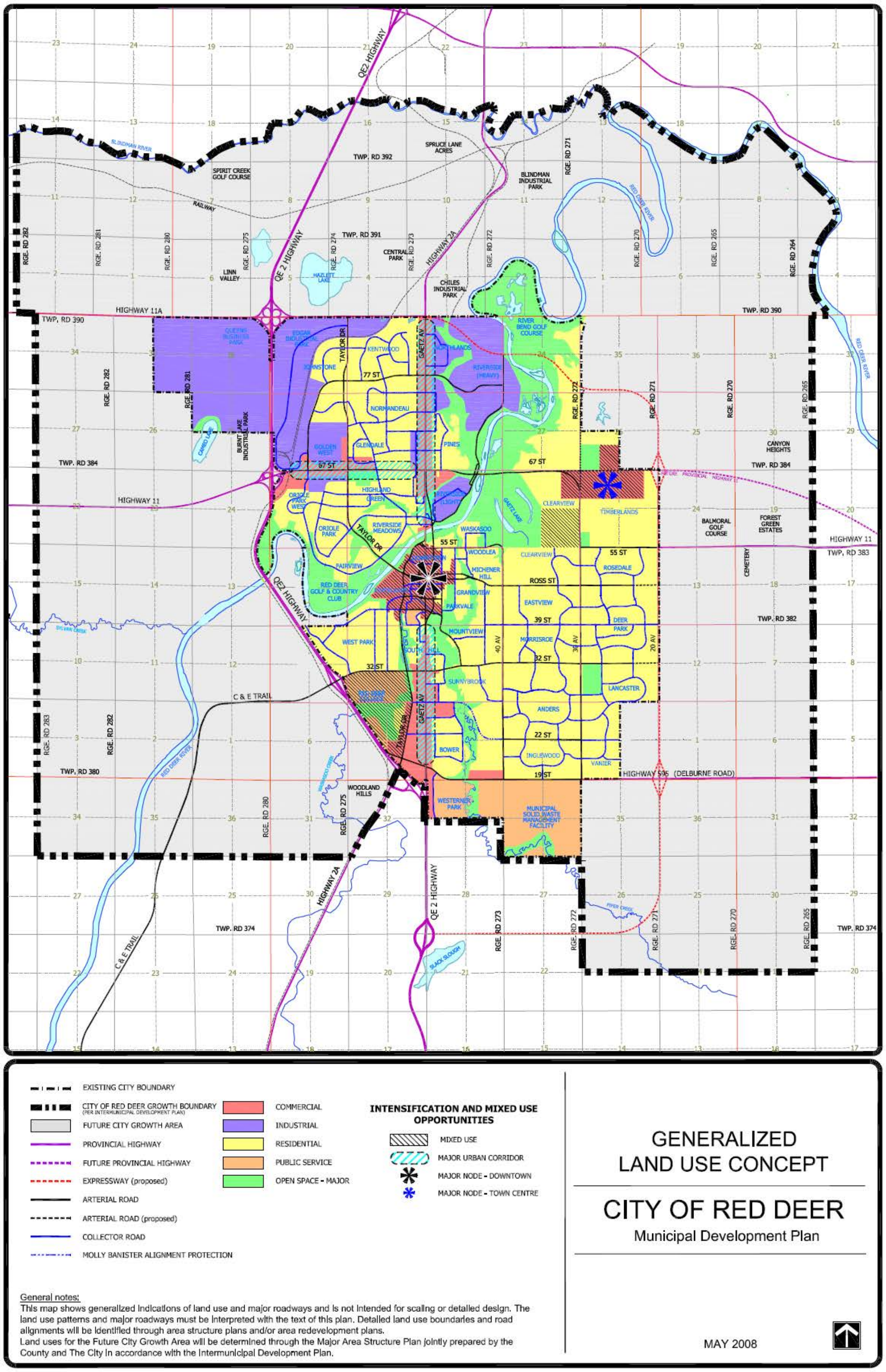
There are some key planning documents and initiatives that guide development in and around the City of Red Deer. This section provides an overview of these plans with a specific focus on those which influence commercial development in the City.

2.5.1 2008 Municipal Development Plan

The City of Red Deer"s Municipal Development Plan (MDP) is the overriding municipal planning document. All other statutory plans (including area structure plans and neighbourhood area structure plans) and the Land Use Bylaw are supposed to be consistent with the MDP and its policies.

The MDP presents the Generalized Land-Use Concept map for Red Deer which identifies major current commercial areas and locations where the City wants future commercial growth to be directed (Exhibit 2).

Exhibit 2: City of Red Deer, Municipal Development Plan Generalized Land-Use Concept



Source: City of Red Deer, "Municipal Development Plan." 2008

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The MDP sets out a commercial node hierarchy:

1. *Greater Downtown – consisting of commercial uses, residential uses, mixed uses and other uses developed at relatively high density and serving the city and region as the dominant commercial centre;*
2. *Town centres – consisting of commercial, residential and mixed uses developed in the form of a dense node and serving a large sector of the city and region;*
3. *Arterial commercial – consisting of mainly vehicle oriented commercial uses developed at relatively low density and serving the city and region;*
4. *District commercial – consisting of commercial uses and serving several neighbourhoods; and*
5. *Neighbourhood commercial – consisting of small scale commercial uses and serving one or two neighbourhoods.*

The Municipal Development Plan also provides policies for specific areas of the City and types of development. It stipulates that Red Deer‟s downtown is to "be the centre and heart of the region and primary office location."[2] Downtown should provide residential opportunities, cultural, recreational and entertainment activities and opportunities to shop and work all within an area that promotes walking and public transit. Policy 11.3 of the MDP specifically refers to office development with respect to the downtown, stating that:

> *The City shall continue to promote Greater Downtown Red Deer as the primary location for office space, subject to policy 12.6 including actively encouraging other orders of government to regard Greater Downtown as the focus of their activities.*[3]

Policy 12.6, however, allows for office development to a maximum of 125,000 square feet to be undertaken in each designated town centre, with each office building not exceeding 4 stories or 50,000 square feet of gross leasable area.

2.5.2 Intermunicipal Development Plan and Joint Planning Initiative

The Red Deer County and City of Red Deer Intermunicipal Development Plan guides the coordination of future growth beyond the City‟s current boundaries, including annexations and procedures for developing major area structure plans. The City and the County are currently undertaking a Joint Planning Initiative to plan the organized and sequential growth of the City outside of its current boundaries. This joint planning work anticipates that almost all urban development in the county will occur adjacent to the City‟s boundaries. For this reason, we have

[2] City of Red Deer, "Municipal Development Plan." 2008, page 8

[3] City of Red Deer, "Municipal Development Plan." 2008, page 33

defined Red Deer‟s primary trade area to include these adjacent areas that will export almost all of their commercial demand to the City.

2.5.3 Future Directions: Red Deer at 300,000

In December 2006 the “Future Directions: Red Deer at 300,000” growth strategy was developed. The document considers how the City might accommodate growth to a population of 300,000 over 45 to 75 years. The document was meant to guide future planning decisions and initiatives. It advocates:

- Retaining downtown as a vibrant mixed-use centre for the City.
- Allowing existing areas to mature and develop to meet the needs of the community.
- Developing the East Hill area to provide a mixed use residential and local employment centre.
- Developing new communities west of the City based around mixed use centres.
- Developing an open space system focused on the City‟s natural features.
- Retaining Red Deer College as a major urban education campus in Red Deer.
- Retaining Westerner Park as a multi-use facility serving Central Alberta.
- Retaining the employment uses in the Gasoline area to provide opportunities for employment and activity for both Red Deer residents and the travelling public.
- Developing Burnt Lake as a major employment area.
- Developing residential communities north of the City, south of the Blindman River, with employment areas along Highway 2A and a mixed use centre at Taylor Drive and Highway 11A.

2.5.4 Position Paper: Future City Growth

In January 2008, the City produced an Administration Position Paper on areas for future City growth. This document generally builds on, and to some extent supersedes, the older Intermunicipal planning work and the Red Deer 300,000 work.

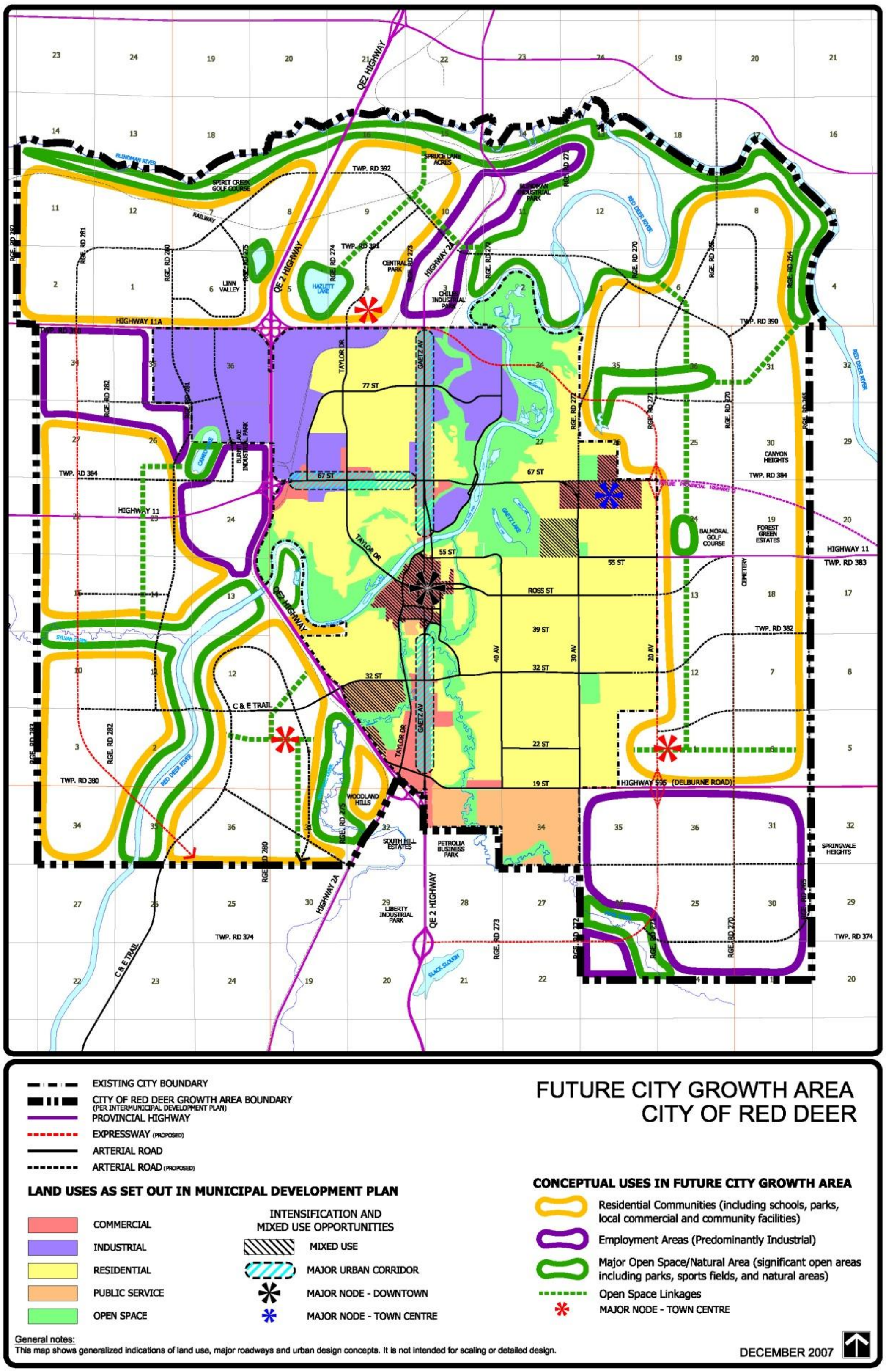
This position paper suggests a long range land use and urban development plan that:

- Envisages the protection and enhancement of open spaces and natural areas, particularly in the river valleys;
- Encourages the efficient use of land and infrastructure through the careful distribution of uses and the encouragement of increased densities;
- Supports existing areas, such as Greater Downtown and the Gaetz Avenue corridor, as planned, central areas of activity;

- Encourages reduction in the need to travel, by providing opportunities for employment, commercial, and residential uses in all future sectors of the city; and
- Creates the opportunity for mixed-use centres or town centres in all future quadrants of the city to provide focal points for the provision of a range of services and uses.

Exhibit 3 shows the long-term land use concept that is included in the position paper.

Exhibit 3: City of Red Deer, Future City Growth Area



Source: City of Red Deer, "Administration Position Paper Future City Growth Area." 2008

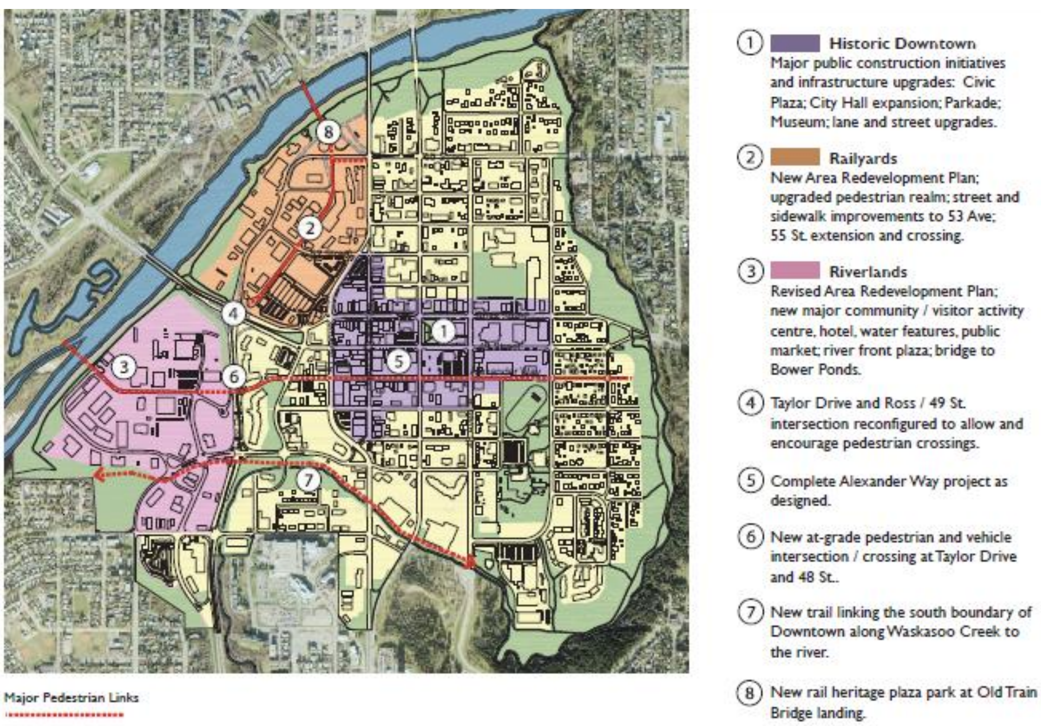
2.5.5 Downtown Plan

Red Deer‟s updated Greater Downtown Action Plan, entitled Progress and Potential, was developed in 2008. The document seeks to guide development in downtown Red Deer over the next 10 to 20 years. The plan focuses on three districts:

- the Historic Downtown, which is proposed to remain the focal area for Red Deer‟s offices, retailers, and public buildings,
- the Riverlands, which is envisioned as a medium density housing area with commercial development including hotel/convention facilities and retail.
- the Railyards, which is envisioned to be a higher density mixed-use urban area near downtown.

The map below illustrates some of the key objectives of the priorities and planning initiatives of the plan.

Key Planning Initiatives of the Greater Downtown Action Plan, 2008



Source: City of Red Deer, "Progress and Potential: Red Deer's Greater Downtown Action Plan 2008 Update." 2008.

The plan emphasizes creating a pedestrian-first environment with riverfront public spaces, and higher density residential development.

Objectives for the Historic Downtown District include:

- Ensure the health and vitality of the area.
- Encourage new residential development in the area.

- Slow down traffic in the core.
- Create urban public spaces.
- Continue to develop heritage and public art.

Objectives for the Riverlands District include:

- Develop a Public Market and Art Studio complex in one of the City of Red Deer‟s buildings.
- Develop a major public and visitor activity centre.
- Develop accommodation and convention facilities.
- Improve all transportation connections between districts.
- Develop a riverwalk connecting downtown to the river‟s edge.
- Develop public water and ice features.
- Develop a "Green Technology" zone.

Objectives for the Railyards district include:

- Recognize the area‟s rail heritage.
- Allow and encourage mixed-use residential development.
- Connect the area to park and river trails.
- Bury overhead power lines.
- Established improved transportation connections between the Railyards and the rest of the Greater Downtown Area.

As part of the implementation of this overall Downtown vision, the City has developed an ARP for the Riverlands District. This ARP shows a detailed concept for the area, including a land use plan, road network, and open space system that includes a riverfront park. This ARP creates significant capacity for new multifamily development in Red Deer‟s core.

2.5.6 Regional Planning Initiatives

In October 2009 the Alberta Land Stewardship Act was proclaimed. The Act enabled the Province to launch a province-wide regional planning process to manage future growth. Work on the Red Deer Region Plan has yet to begin.

3.0 Population Trends and Projections

3.1 Existing Population and Historic Trends

The 2006 Canada Census estimated the population in Red Deer‟s regional trade area to be 175,337 people. With a 2006 population of approximately 82,772 people, the City of Red Deer accounted for about 47% of the regional trade area population.

Exhibit 4 shows the historic census populations and average annual growth rates for the City of Red Deer, Census Division No. 8 (the regional trade area) and the Province of Alberta for 1996, 2001 and 2006. This data illustrates that the City has been growing at a higher annual rate than either the Census Division or the Province as a whole.

Exhibit 4: Historic City of Red Deer, Census Division and Provincial Population Growth

	1996	2001	2006
City of Red Deer			
Population	60,075	67,829	82,772
Average Annual Growth Rate		2.46%	4.06%
Alberta Census Division #8			
Population	133,592	153,049	175,337
Average Annual Growth Rate		2.76%	2.76%
Province of Alberta			
Population	2,696,826	2,974,807	3,290,350
Average Annual Growth Rate		1.98%	2.04%

Source: Statistics Canada, "Census of Canada." 1996, 2001 and 2006

At 2.5 persons per household in 2006,[4] average household size in Red Deer is below the provincial average of 2.6, but on par with that of Calgary and higher than Edmonton‟s 2.4 (Exhibit 5). Average household size has been declining in Red Deer and the Province for the past decade.

Exhibit 5: Historic City of Red Deer, Census Division and Provincial Persons per Household Estimates

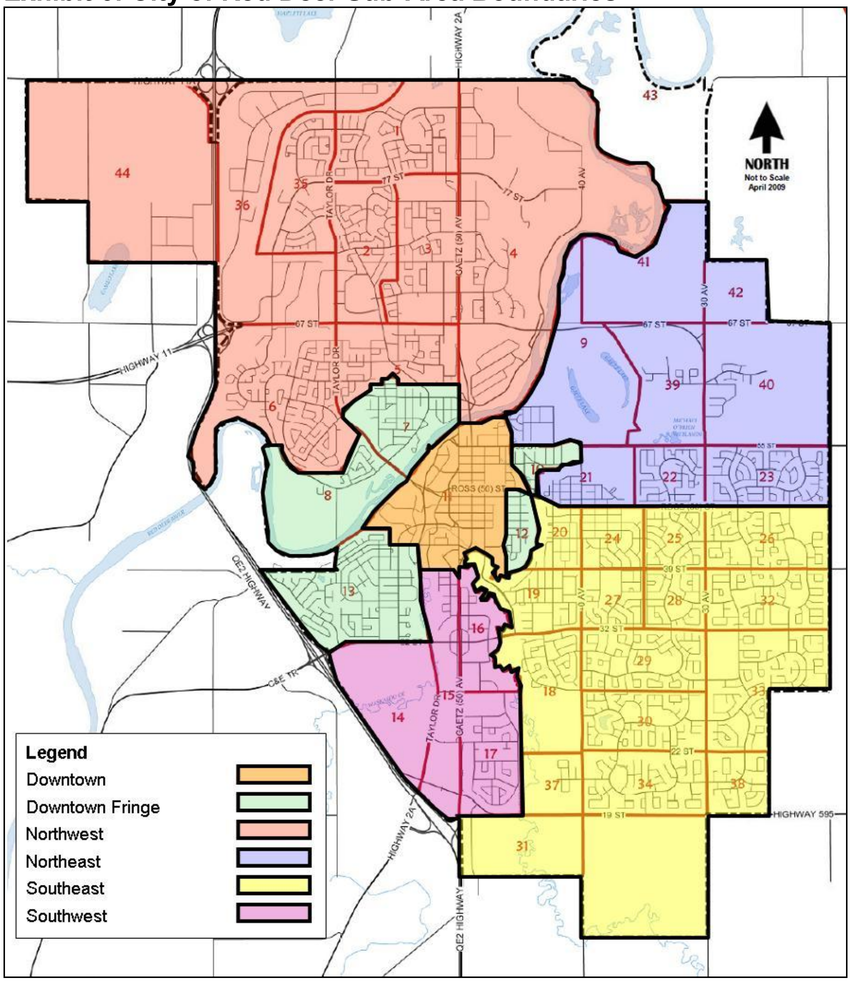
	1996	2001	2006
Red Deer	2.6	2.6	2.5
Census Division No. 8	2.7	2.7	2.6
Province of Alberta	2.7	2.7	2.6

Source: Statistics Canada, "Census of Canada." 1996, 2001 and 2006

In order to develop a clearer understanding of where recent growth in the City has been taking place, we split the City into six sub-areas. These sub-areas, shown on Exhibit 6, were defined based on our observations of current development patterns and on the boundaries of the municipal census neighbourhoods.

[4] Statistics Canada, "2006 Census." 2006.

Exhibit 6: City of Red Deer Sub-Area Boundaries



Source: Coriolis Consulting, 2010 based on City of Red Deer, "Municipal Census Report: Census Divisions Map." 2009

Municipal Census population estimates for each of these sub-areas, as well as for the municipality as a whole are shown in Exhibit 7. The Municipal Census clearly shows that most of the population growth in the City over the past ten years has been in the Southeast sub-area, followed by the Northwest. These are the areas in which the extension of road and services networks has enabled urban development to occur. Relatively little growth has taken place in the Downtown, Downtown Fringe, Southwest, or Northeast. The Northeast has not been experiencing significant growth, mainly because it does not have sufficient servicing capacity to support development. The City expects to extend trunk services into this area in the next few years, so development activity can occur.

Exhibit 7: Historic Population Growth in the City of Red Deer by Sub-Area

Sub Area	1999	2009	% Growth Over Period	Average Annual Growth
Downtown	2,969	3,097	4%	0.4%
Downtown Fringe	9,259	11,025	19%	1.8%
Northeast	7,318	7,873	8%	0.7%
Northwest	19,536	25,765	32%	2.8%
Southeast	19,851	36,886	86%	6.4%
Southwest	5,007	5,245	5%	0.5%
Total City of Red Deer	63,940	89,891	41%	3.5%

Source: City of Red Deer, "Municipal Census Reports." 1999 through to 2009

The City‟s 2010 Municipal Census indicates that there was almost no population growth during the previous year.

3.2 Forecasts of Future Population Growth

This section examines the population forecast scenarios available for the City of Red Deer and suggests a realistic lower and upper bound on future population growth for the City and its regional trade area for the purpose of forecasting commercial development potential.

3.2.1 City of Red Deer‟s Population Projections

In 2006, on behalf of the City, Schollie Research and Consulting developed three population growth scenarios. Schollie‟s projections, illustrated in Exhibit 8, included Low, Baseline and High growth scenarios.

Exhibit 8: City of Red Deer 2006 Municipal Population Projections Based on Three Growth Scenarios

Growth Scenario	2006 Actual	2009	2011	2016	2021	2026	2031
Low Growth Projections	**82,971**	**93,231**	**98,774**	**108,065**	**113,296**	**121,241**	**136,502**
Forecasted Change		10,260	5,543	9,291	5,231	7,945	15,261
% Growth over period		12.4%	5.9%	9.4%	4.8%	7.0%	12.6%
Average Annual Growth		4.0%	2.9%	1.8%	0.9%	1.4%	2.4%
Baseline Growth Projections	**82,971**	**94,357**	**100,941**	**112,290**	**119,486**	**131,049**	**151,182**
Forecasted Change		11,386	6,584	11,349	7,196	11,563	20,133
% Growth over period		13.7%	7.0%	11.2%	6.4%	9.7%	15.4%
Average Annual Growth		4.4%	3.4%	2.2%	1.3%	1.9%	2.9%
High Growth Projections	**82,971**	**97,095**	**105,888**	**123,072**	**135,881**	**154,599**	**184,945**
Forecasted Change		14,124	8,793	17,184	12,809	18,718	30,346
% Growth over period		17.0%	9.1%	16.2%	10.4%	13.8%	19.6%
Average Annual Growth		5.4%	4.4%	3.1%	2.0%	2.6%	3.6%

Source: Schollie Research and Consulting, "City of Red Deer Population Projections 2007-2031." 2006

When the 2006 projections were developed, it was assumed that the City"s population growth would closely match the Baseline Growth Scenario. However, Red Deer"s 2009 Municipal Census population of 89,891 people is significantly lower than all three of the growth scenarios, indicating that recent population has been slower than previously anticipated (in fact the 2010 Municipal Census shows virtually no growth in 2009). City staff now anticipate that the Lower Growth Scenario is more reflective of potential future growth than the Baseline Scenario.

We generated three modified growth forecasts for the City (shown below in Exhibit 9). These forecasts utilize the same growth rates between 2009 to 2031 that are implied by the 2006 Schollie projections, but the rates are applied to the actual (lower) 2009 Municipal Census population.

Exhibit 9: Modified City of Red Deer Population Projections Based on Three Growth Scenarios

Modified City of Red Deer Growth Scenario	2006 Actual	2009 Actual	2011	2016	2021	2026	2031
Modified Low Growth Scenario	**82,971**	**89,891**	**95,195**	**104,143**	**109,142**	**116,782**	**131,497**
Actual/Forecasted Change		6,887	5,304	8,948	4,999	7,640	14,715
% Growth over period		8.3%	5.9%	9.4%	4.8%	7.0%	12.6%
Average Annual Growth		2.7%	2.9%	1.8%	0.9%	1.4%	2.4%
Modified Basline Growth Scenario	**82,971**	**89,891**	**96,183**	**106,955**	**113,800**	**124,839**	**144,064**
Actual/Forecasted Change		6,920	6,292	10,772	6,845	11,039	19,225
% Growth over period		8.3%	7.0%	11.2%	6.4%	9.7%	15.4%
Average Annual Growth		2.7%	3.4%	2.1%	1.2%	1.9%	2.9%
Modified High Growth Scenario	**82,971**	**89,891**	**98,071**	**113,959**	**125,811**	**143,173**	**171,235**
Actual/Forecasted Change		6,920	8,180	15,888	11,852	17,362	28,062
% Growth over period		8.3%	9.1%	16.2%	10.4%	13.8%	19.6%
Average Annual Growth		2.7%	4.5%	3.0%	2.0%	2.6%	3.6%

Source: Coriolis Consulting Corp., 2010 based on Schollie Research and Consulting, "City of Red Deer Population Projections 2007-2031" 2006 and City of Red Deer, "2009 Municipal Census Report" 2009

As shown in Exhibit 10 these modified growth scenarios would result in a total 2031 City population that is about 3.8% to 7.4% lower than in each of the 2006 scenarios. The modified low growth projection would still see the City"s population increase by 46% between 2009 and 2031 (or by 41,606 people), while the medium and high scenarios would see increases of 60% and 90% respectively.

Exhibit 10: 2006 Municipal Growth Projections Compared with Modified Growth Projections Based on Three Growth Scenarios

City of Red Deer Growth Scenarios	2006 Projection			Modified Projection			Difference in Growth Between 2006 Projection and Modified Projection	
	2009	2031	Growth	2009	2031	Growth	Actual Difference	Percent Difference
Low Growth Scenario	93,231	136,502	43,271	89,891	131,497	41,606	1,665	3.8%
Baseline Growth Scenario	94,357	151,182	56,825	89,891	144,064	54,173	2,652	4.7%
High Growth Scenario	97,095	184,945	87,850	89,891	171,235	81,344	6,506	7.4%

Source: Coriolis Consulting Corp., 2010 based on Schollie Research and Consulting, "City of Red Deer Population Projections 2007-2031" 2006 and City of Red Deer, "2009 Municipal Census Report" 2009

3.2.2 Provincial Forecasts for Census Division #8 (Red Deer‟s Regional Trade Area)

The City of Red Deer‟s regional trade area roughly matches the boundaries of Census Division (CD) 8 in Alberta. As shown below in Exhibit 11 this CD grew at approximately 2.76% annually between 1996 and 2006.

Exhibit 11: Historic Population Growth in Alberta Census Division #8 (1996 – 2006)

	1996	2001	2006
Population	133,592	153,049	175,337
Actual/Forecasted Change		19,457	22,288
% Change over period		14.56%	14.56%
Compound Annual Growth Rate		2.76%	2.76%

Source: Statistics Canada, "Census of Canada" 1996, 2001 and 2006

In 2009 the Alberta Ministry of Finance and Enterprise produced a set of low, medium and high population forecasts through to 2026 for each of the province‟s census divisions.[5] The projections for CD 8 are shown below in Exhibit 12. Unlike the projections for the City, the Provincial forecasts are conservative in nature, especially when compared to recent growth trends (shown above in Exhibit 11).

[5] The original Province of Alberta's population forecasts were adjusted for undercount (approximately 3.4% in 2006). The forecasts were adjusted to make them comparable to Red Deer‟s municipal projections, which do not make an adjustment for undercount. The original provincial forecasted growth rates were applied to the unadjusted 2006 Census of Canada population for the CD.

Exhibit 12: Adjusted Provincial Population Forecast for Alberta Census Division #8 (2006-2026)

Adjusted Growth Scenario (1)	2006 Actual	2009	2011	2016	2021	2026
Adjusted Low Growth Scenario	**175,337**	**186,208**	**188,815**	**194,479**	**199,341**	**202,929**
Actual/Forecasted Change		10,871	2,607	5,664	4,862	3,588
% Growth over period		6.2%	1.4%	3.0%	2.5%	1.8%
Average Annual Growth		2.0%	0.7%	0.6%	0.5%	0.4%
Adjusted Medium Growth Scenario	**175,337**	**188,312**	**195,280**	**207,387**	**219,208**	**230,168**
Actual/Forecasted Change		12,975	6,968	12,107	11,821	10,960
% Growth over period		7.4%	3.7%	6.2%	5.7%	5.0%
Average Annual Growth		2.4%	1.8%	1.2%	1.1%	1.0%
Adjusted High Growth Scenario	**175,337**	**189,539**	**197,879**	**218,656**	**239,647**	**260,257**
Actual/Forecasted Change		14,202	8,340	20,777	20,991	20,610
% Growth over period		8.1%	4.4%	10.5%	9.6%	8.6%
Average Annual Growth		2.6%	2.2%	2.0%	1.9%	1.7%

Note: The original Province of Alberta's population forecasts were adjusted for undercount (approximately 3.4% in 2006). The forecasts were therefore adjusted to make them comparable to the municipal projections, which do not make an adjustment for undercount. The original provincial forecasted growth rates were applied to the unadjusted 2006 Census of Canada population for the CD.

Source: Alberta Ministry of Finance and Enterprise, "Province Population Growth Forecasts by Census District" (2009) modified by Coriolis Consulting Corp.

3.2.3 Total Trade Area Population Forecast

Given the conservative nature of the Province"s forecast for Census Division #8, we developed an alternative forecast to show a more likely growth scenario for Red Deer"s regional trade area. This section outlines this forecast and how it was developed.

Exhibit 13 illustrates the population growth that took place in Red Deer in comparison to some of the other communities in the trade area between 1996 and 2006.

Exhibit 13: Recent Population Growth in the Trade Area Communities

Community	1996	2001	2006	Average Annual Growth Rate (1996 to 2006)	Percentage of Total Growth (1996 - 2006)
Blackfalds	2,001	3,116	4,571	8.6%	6.2%
Innisfail	6,116	6,943	7,316	1.8%	2.9%
Lacombe	8,018	9,384	10,742	3.0%	6.5%
Penhold	1,625	1,729	1,961	1.9%	0.8%
Ponoka	6,149	6,355	6,576	0.7%	1.0%
Red Deer	60,075	67,829	82,772	3.3%	54.4%
Rimbey	2,106	2,154	2,252	0.7%	0.3%
Sylvan Lake	5,178	7,503	10,208	7.0%	12.0%
Other Trade Area	42,324	48,036	48,939	1.5%	15.8%
Total Trade Area	133,592	153,049	175,337	2.8%	100.0%

Source: Statistics Canada, "Census of Canada" 2006

As shown in Exhibit 13, communities outside of Red Deer accounted for about 45% of total regional trade area population growth between 1996 and 2006. The high recent growth rates in Blackfalds and Sylvan Lake are of particular interest as these communities will likely continue to experience higher-than-average growth due to their close proximity to Red Deer (14 minutes and 25 minutes drives from Red Deer respectively). The growth rates in Blackfalds and Sylvan Lake also suggest that future growth in the trade area that does not occur in Red Deer will concentrate in the smaller communities near the City.

Our forecasts of future trade area population growth are based on the following main assumptions:

1. Given recent trends, it is unlikely that Red Deer will achieve the growth rates projected in the high growth scenario. Therefore, we assume that the City‟s population growth will fall in the range indicated by our modified low growth and modified baseline growth scenarios.
2. The average historic share of growth in the trade area that can be attributed to the communities outside of Red Deer (in the secondary trade area) is 45%, with the remaining 55% occurring in the City. Given that growth outside of Red Deer has been fairly steady and these surrounding communities have capacity for future growth, we projected future overall trade area growth by grossing-up the population projections for the City of Red Deer, assuming that the surrounding communities continue to account for 45% of trade area growth to 2031.
3. For the purpose of this analysis, we have assumed that any residents of Gasoline Alley/Liberty Crossing are part of Red Deer‟s primary trade area and will have similar shopping patterns to Red Deer residents.

As shown in Exhibit 14, the Lower Growth Scenario would see Red Deer‟s total regional trade area population increase from approximately 188,000 people in 2009 to 264,000 people in 2031, an increase of nearly 76,000 people. The Upper Growth Scenario would see the trade area population increase by about 98,000 people to approximately 286,000 people in 2031. This information is also presented as a graph in Exhibit 15. Although these scenarios were not developed using the provincial population projections for Census Division #8 the resulting population forecasts are comparable.[6] Both scenarios would see the vast majority of growth in the trade area focus in and adjacent to Red Deer, solidifying its role as the dominant regional centre.

[6] The provincial population forecasts do not include estimates for 2031; however by extending the projected growth rates an estimated population can be developed based on the Province‟s work.

Exhibit 14: Summary of Lower and Upper Growth Scenarios for Red Deer's Trade Area Population

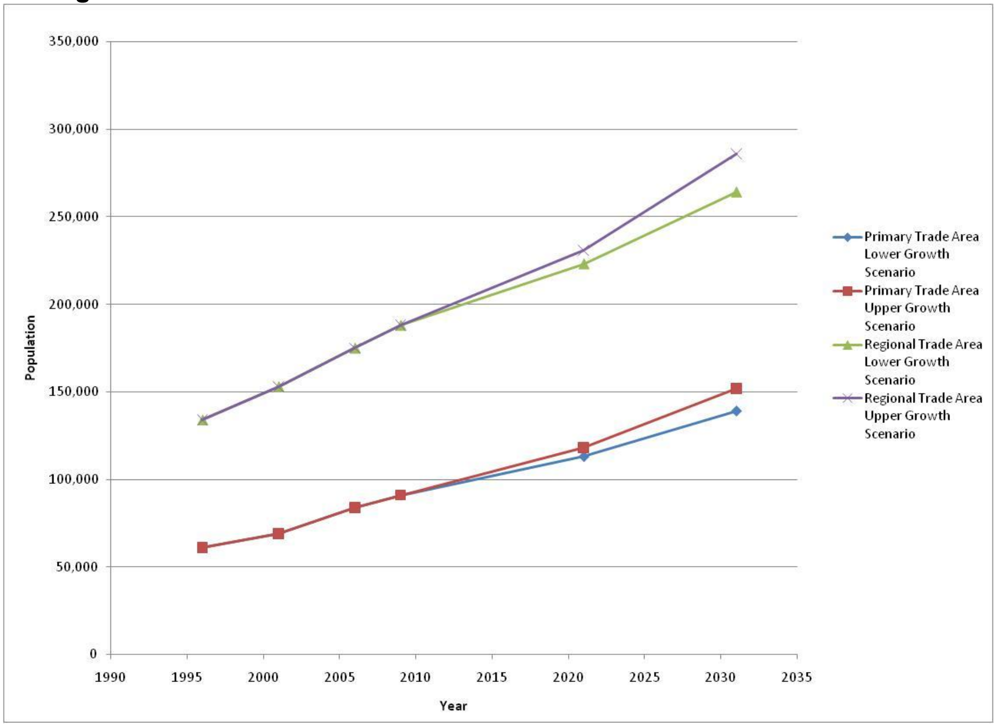
Trade Area Growth Scenario		2009	Forecast Population 2021	2031	Total Growth 2009-2031
Lower Growth Scenario	Red Deer	89,891	109,142	131,497	41,606
	Gasoline Alley	683	4,000	8,000	7,317
	Subtotal Primary Trade Area	*90,574*	*113,142*	*139,497*	48,923
	Secondary Trade Area	97,345	109,779	124,069	26,724
	Total Regional Trade Area	**187,919**	**222,921**	**263,566**	**75,647**
Upper Growth Scenario	Red Deer	89,891	113,800	144,064	54,173
	Gasoline Alley	683	4,000	8,000	7,317
	Subtotal Primary Trade Area	*90,574*	*117,800*	*152,064*	61,490
	Secondary Trade Area	97,345	113,590	134,351	37,006
	Total Regional Trade Area	**187,919**	**231,390**	**286,415**	**98,496**

Source: Coriolis Consulting estimates based on Statistics Canada, "Census of Canada." 1996, 2001 and 2006; City of Red Deer "Municipal Census Report." 2009; Schollie Research and Consulting, "City of Red Deer Population Projections 2007 – 2031." 2006

In Exhibit 14, the Gasoline Alley forecast is based on work by the County, which identifies a capacity for growth rather than an actual forecast. Because this capacity estimate is not an actual forecast, but does anticipate residential growth in this area, we include these numbers as part of the trade area forecast. However, in order to avoid "double-counting (i.e. over-estimating regional growth by adding in these Gasoline Alley capacity estimates), we deduct this number of people from expected growth in the secondary trade area. So, if Gasoline Alley develops less quickly than implied by these figures, the overall pace of growth in the total trade area will be essentially the same as indicated in Exhibit 14 (although some of this Gasoline Alley potential would occur elsewhere in the region or in the City if it does not develop in Gasoline Alley).

For the purposes of our market study, the location or timing of the "arrival" of these 4,000 to 8,000 people does not have much impact on total demand for retail space, but it would have implications for the distribution of the portion of retail/service space that meets the needs of local neighbourhoods. For the purpose of estimating demand, we leave this Gasoline Alley population capacity in our forecast. When we come to anticipating the distribution of development, we reconsider the impact of whether this Gasoline Alley capacity is taken up at the indicated pace.

Exhibit 15: Historic and Projected Lower and Upper Population Growth Scenarios for Red Deer and its Regional Trade Area



Source: Coriolis Consulting Corp, 2010 based on Statistics Canada, "Census of Canada" 1996, 2001 and 2006; City of Red Deer "Municipal Census Report" 2009; Schollie Research and Consulting, "City of Red Deer Population Projections 2007 – 2031" 2006

3.3 Population Forecasts Used in Analysis

The following table (Exhibit 16) outlines the population forecasts that are used for the analysis in the remainder of this report.

Exhibit 16: Summary of Population Forecasts to be used in all Further Analyses in this Report

Trade Area Growth Scenario		2009	Forecast Population 2021	Forecast Population 2031	Total Growth 2009-2031
Lower Growth Scenario	Red Deer and Gasoline Alley (Primary Trade Area)	90,574	113,142	139,497	48,923
	Secondary Trade Area	97,345	109,779	124,069	26,724
	Total Regional Trade Area	187,919	222,921	263,566	75,647
Upper Growth Scenario	Red Deer and Gasoline Alley (Primary Trade Area)	90,574	117,800	152,064	61,490
	Secondary Trade Area	97,345	113,590	134,351	37,006
	Total Regional Trade Area	187,919	231,390	286,415	98,496

Source: Coriolis Consulting Corp, 2010 based on Statistics Canada, "Census of Canada." 1996, 2001 and 2006; City of Red Deer "Municipal Census Report." 2009; Schollie Research and Consulting, "City of Red Deer Population Projections 2007 – 2031." 2006

4.0 Retail and Service Commercial Development Prospects

4.1 Current Retail and Service Commercial Space Inventory

Drawing on data provided by the City of Red Deer and our own fieldwork, we estimated total existing retail and service space in Red Deer (and adjacent parts of the County). Exhibit 17 shows our estimates of the breakdown of current retail and service space by sub-area. With over two million square feet of retail and service space each, the Southwest and Northwest sub-areas combined account for almost 65% of all space in the City. With approximately 22% of retail and service space in the City, Downtown is the third largest concentration of retail and service space.

Exhibit 17: Current Retail and Service Space Inventory in Red Deer by Sub-Area (Square Feet)

Assessment Code Use	Supermarkets	Large Format Retailers	All Other Retail and Service	Grand Total	Percentage of Total Space
Downtown	220,227 (3 stores)		1,233,561	1,453,788	21.8%
Downtown Fringe			85,794	85,794	1.3%
Northwest	131,682 (3 stores)	230,489	1,718,659	2,080,830	31.2%
Northeast			2,820	2,820	0.0%
Southwest	42,630 (1 store)	856,992	1,344,562	2,244,184	33.6%
Southeast	77,682 (3 stores)		197,408	275,090	4.1%
County North of the City			14,000	14,000	0.2%
County West of the City			13,600	13,600	0.2%
County South of the City		342,400	157,740	500,140	7.5%
Grand Total	**472,181**	**1,429,881**	**4,768,184**	**6,670,246**	**100.0%**

Source: Coriolis Consulting Corp., 2010 estimates of the breakdown of commercial space within the City of Red Deer's assessment database

Comparing the ratio of retail and service space per capita in different municipalities is a useful tool for putting a community"s commercial space inventory in perspective. It can give an indication of whether a community is underserved compared to other similarly sized communities or if it is functioning as a centre that serves a large regional trade area. In order to make a comparison, it is useful to split the inventory into two categories of retail and service uses. The first category includes regionally-oriented uses, such as enclosed shopping malls and power centres. The second category, locally-oriented retail and service uses, includes uses that are more convenience or neighbourhood oriented in nature (such as supermarkets, hair salons, coffee shops, and drycleaners). It is important to note, however, that this split does not use these terms in the same way as they may be referred to in planning documents such as Red Deer"s Land Use Bylaw.

Based on our research in other communities we estimate that residents of larger urban centres generally support about 45 square feet of retail and service space per capita. From previous research we also know that residents support about 20 square feet per capita of locally-oriented space (i.e. distributed among residential neighbourhoods),[7] while the remaining 25 square feet is mainly regional-oriented in nature (i.e. in large regional centres or in arterial strips)[8].

We estimate that Red Deer has approximately 74 square feet of retail and service space per capita, which is high for a city of Red Deer‟s size and confirms substantial retail sales inflow from the surrounding areas. As shown below in Exhibit 18, with the exception of Red Deer and Medicine Hat, the other communities are within the 39 sq.ft./capita and 47 sq.ft./capita range. The higher than average space per capita ratios of Red Deer and Medicine Hat can be attributed to the regional-serving nature of their commercial inventory. Both cities act as regional retail destinations for the smaller surrounding communities.

Exhibit 18: Comparison of Retail and Service Space per Capita in Red Deer (2010)

	Red Deer	Edmonton	Medicine Hat	Vancouver	Victoria	Saskatoon	Winnipeg
Total Retail and Service Floorspace per Capita (1)	73.6	43.9	59.4	45.8	47.2	39.9	39.1

Source: Coriolis Consulting Corp., 2010 based on data from the different jurisdictions.

Note: Data is from 2006 for Edmonton CMA, 1997 for Vancouver (GVRD), 1998 for Winnipeg (City), 1997 for Saskatoon (City), 2008 for Medicine Hat and 2001 for Victoria (CRD).

Although Red Deer has a relatively high ratio when compared with the other communities in Exhibit 18, this is consistent with what we know about the regional-serving role it plays for the surrounding communities. This can be confirmed using our knowledge of the typical split between regional-oriented and local-oriented uses.

For illustration, we assume that Red Deer is able to capture:

- 90% of the regionally oriented space supported by all trade area residents (i.e. 10% is captured by centres in Edmonton and Calgary),
- 100% of locally-oriented space supported by residents of the City of Red Deer and Gasoline Alley, and
- 10% of the locally-oriented space supported by residents in the rest of the trade area.

Based on these assumptions, we would expect the city to have a retail and service space inventory of approximately 6,230,000 square feet.

Based on the City‟s assessment database we know that the actual inventory is closer to 6,670,000 square feet, but some of this would be vacant and some would be supported by

[7] Edmonton residents support about 19.9 sq.ft per capita of locally oriented retail and service space, while residents of South Surrey support about 20.7 sq.ft. and Langley residents support approximately 20 sq.ft. per capita.

[8] Residents of Edmonton support about 24 sq.ft of regionally-oriented retail space per capita while residents of the GVRD support about 25 sq.ft per capita of regionally-oriented retail space.

travelers so the two figures are reasonably consistent. Based on this illustrative calculation, we conclude:

- Red Deer retains almost all of the retail/service spending of its residents, with at most 5% to 10% leaking out to larger centres.
- Red Deer imports almost all of the regional-oriented spending of the secondary trade area.
- Red Deer also imports some of the local-oriented potential from nearby communities too small to support their own full local retail inventory.

4.2 Presence of Major Retailers

One of the indicators of the regional significance of a retail centre is the number of major retail chain outlets that have a presence in the trade area. To gauge Red Deer"s relative significance as a retail centre in Central Alberta, Exhibit 19 lists the major large format chain retailers that have an outlet in Red Deer, compared to other similarly-sized retail communities in Alberta and Saskatchewan. The Exhibit also lists the presence of these national chains in Edmonton, Calgary, Vancouver, and Toronto to illustrate the upper limit that a regional retail centre can expect to achieve in terms of retail chain presence. This comparison is useful for indentifying any significant chains not yet represented in the City that might be future candidates for Red Deer.

Exhibit 19: Large Format Retailers in Red Deer and Nearby Communities

	Red Deer, AB ****	Swift Current, SK	Moose Jaw, SK	Grand Prarie, AB	Medicine Hat, AB	Lethbridge, AB	Regina, SK	Saskatoon, SK	Edmonton, AB **	South Edmonton Common	Calgary, AB	Cross Iron Mills	Vancouver (CMA), BC	Toronto (CMA), ON
Population*	90,574	14,946	32,132	50,227	61,097	85,492	179,246	202,340	902,600	-	1,065,455	-	2,116,581	5,113,149
Food Retailers:														
Real Canadian Superstore/Loblaws	■		■	■	■	■	■	■	■	■	■		■	■
Buy Low Foods											■		■	
Sobey's / IGA / IGA Marketplace	■		■		■	■	■	■	■		■		■	■
Safeway	■	■	■		■	■	■	■	■		■		■	
Save on Foods	■			■		■			■				■	
Co-Op	■	■	■	■	■		■	■			■		■	
Costco	■			■	■	■	■	■	■		■		■	■
Furniture/Home:														
Home Outfitters							■	■	■	■	■		■	■
HomeSense	■						■	■	■		■	■	■	■
Home Depot	■			■	■	■	■	■	■	■	■		■	■
Ikea									■	■	■		■	■
JYSK	■			■	■	■	■	■	■		■		■	
Lowes												■***		■
Michaels	■				■	■	■	■	■	■	■		■	■
Pier One	■					■	■	■	■	■	■		■	■
Rona Home and Garden Centre									■		■		■	
The Brick	■	■	■	■	■	■	■	■	■		■		■	■
United Furniture Warehouse	■			■	■	■	■	■	■		■		■	■
Electronics:														
Best Buy	■			■			■	■***	■	■	■		■	■
Future Shop	■			■	■	■	■	■	■		■		■	■
Drug:														
London Drugs	■			■	■	■	■	■	■	■	■		■	
Shoppers Drug Mart	■	■	■	■	■	■	■	■	■		■		■	■
Pharmasave		■	■		■	■	■	■			■		■	■
Office:														
Grand and Toy									■		■		■	■
Office Depot						■	■		■		■		■	■
Staples	■	■	■	■	■	■	■	■	■	■	■		■	■
Sporting Goods:														
Sport Chek	■		■		■	■	■	■	■		■	■	■	■
Sport Mart	■				■	■	■	■	■		■		■	■
Pets:														
Petcetera							■	■	■		■		■	
PetSmart	■				■	■***	■	■	■		■		■	■
Department Store:														
The Bay	■				■	■	■	■	■		■		■	■
Sears	■		■	■	■	■	■	■	■		■		■	■
Miscellaneous:														
Canadian Tire	■	■	■	■	■	■	■	■	■		■		■	■
Chapters / Indigo Books	■					■	■	■	■	■	■	■	■	■
Cineplex	■		■	■	■	■	■	■	■	■	■		■	■
Giant Tiger			■	■	■	■	■	■	■		■			■
Mountain Equipment Coop									■		■		■	■
Old Navy	■						■	■	■	■	■		■	■
Toys R Us	■					■	■	■	■		■	■	■	■
Wal-Mart	■	■	■	■			■	■	■		■		■	■
Wal-Mart Supercentre					■	■		■	■	■	■		■	■
Winners	■				■	■	■	■	■		■	■	■	■
Zellers	■		■	■	■	■	■	■	■		■		■	■
COUNT	31	8	15	19	26	30	35	35	39	13	41	6	41	35

Sources:
* 2009 population data for Alberta communities from Alberta Municipal Affairs, "Official 2009 Population List" (www.municipalaffairs.gov.ab.ca).
* 2006 population data for Saskatchewan communities from Saskatchewan Bureau of Statistics (http://www.stats.gov.sk.ca/).
* 2006 population data for Toronto (CMA) and Vancouver (CMA) from Statistics Canada 2006 Census (http://www.statcan.gc.ca/).
** Edmonton population also includes the populations of neighbouring St. Albert and Sherwood Park
*** Opening in early 2010
**** Red Deer's 2009 population figure includes an estimate of the current population in Gasoline Alley
Retailer locations as per store listings on each retailer's website.

Exhibit 19 shows that Red Deer is well served by a wide variety of national chains and is similar to Lethbridge in terms of the presence of major retailers in the City. Red Deer is not far behind Regina and Saskatoon in its roster of retailers. There are, however, several retailers who do not have a presence in the City yet. Based on Red Deer‟s current and projected population it is possible that the following retailers may have an interest in opening an outlet in the City:

1. Pharmasave, which already has a presence in some of the smaller communities included in Exhibit 19.

2. Office Depot, which, although mainly located in larger centres, has a presence in Lethbridge and may consider Red Deer an appropriate location for a new store.
3. Giant Tiger, which is present in communities of varying sizes, but not in Red Deer.
4. Walmart Supercentre, which could be achieved through the expansion of an existing store. It is our understanding that an application has been made for a 30,000 square foot expansion to the southern Walmart store in Red Deer. This could indicate that the company is considering changing it into a Supercentre.

Looking only at a retailer"s presence in a market, however, can be a deceptive measure of its regional significance. In larger centres, many retail chains will open more than one outlet to meet demand. Exhibit 20 shows an analysis designed to determine if, based on the current population, there are any gaps that would indicate that an existing chain may consider opening an additional outlet in Red Deer.

Exhibit 20 presents the number of outlets of selected retailers in each city and then using city-wide population estimates determines the average population per outlet. Two summary columns are also presented, an average population per outlet in small to medium sized communities and an average population per outlet for all communities examined. This was done to avoid skewing the population per outlet averages for smaller communities because outlets in larger centres tend to serve larger populations than their counterparts in smaller cities. This is often the case because retailers need to accept smaller trade area populations if they want to have a presence in a small community. This is of particular importance when considering the potential for additional outlets in Red Deer, as it is projected to remain a medium sized centre over the study period (2009-2031).

Exhibit 20: Presence of Large Format Retailers by Number of Outlets and Population per Outlet

	Red Deer, AB ****	Swift Current, SK	Moose Jaw, SK	Grand Prarie, AB	Medicine Hat, AB	Lethbridge, AB	Regina, SK	Saskatoon, SK	Average Small to Mid Sized Cities	Edmonton, AB **	Calgary, AB	Vancouver, BC (CMA)	Toronto, ON (CMA)	Average All Cities
Population*	90,574	14,946	32,132	50,227	61,097	85,492	179,246	202,340		902,600	1,065,455	2,116,581	5,113,149	
Real Canadian Superstore	1		1	1	1	1	2	2		6	10	12	11	
Population Per Retail Outlet	90,574		32,132	50,227	61,097	85,492	89,623	101,170	69,957	150,433	106,546	176,382	464,832	131,793
Costco	1			1	1	1	1	1		4	3	7	12	
Population Per Retail Outlet	90,574			50,227	61,097	85,492	179,246	202,340	115,680	225,650	355,152	302,369	426,096	209,741
Home Depot	1			1	1	1	2	2		10	6	11	33	
Population Per Retail Outlet	90,574			50,227	61,097	85,492	89,623	101,170	77,522	90,260	177,576	192,416	154,944	111,423
Ikea										1	1	2	4	
Population Per Retail Outlet										902,600	1,065,455	1,058,291	1,278,287	1,076,158
Rona Home & Garden Centre										3	4	1		
Population Per Retail Outlet										300,867	266,364	2,116,581		894,604
Best Buy	1						1	1***		4	4	8	18	
Population Per Retail Outlet	90,574						179,246	202,340	190,793	225,650	266,364	264,573	284,064	237,039
Future Shop	1			1	1	1	1	1		6	6	12	22	
Population Per Retail Outlet	90,574			50,227	61,097	85,492	179,246	202,340	115,680	150,433	177,576	176,382	232,416	146,134
Canadian Tire	2	1	1	1	1	2	3	2		9	9	16	45	
Population Per Retail Outlet	45,287	14,946	32,132	50,227	61,097	42,746	59,749	101,170	51,724	100,289	118,384	132,286	113,626	75,150
Wal-Mart	2	1	1	1			3	2		2	8	6	13	
Population Per Retail Outlet	45,287	14,946	32,132	50,227			59,749	101,170	51,645	451,300	133,182	352,764	393,319	176,532
Wal-Mart Supercentre					1	2		1		5	1	2	14	
Population Per Retail Outlet					61,097	42,746		202,340	102,061	180,520	1,065,455	1,058,291	365,225	425,096
Winners	1				1	1	1	1		10	9	15	37	
Population Per Retail Outlet	90,574				61,097	85,492	179,246	202,340	132,044	90,260	118,384	141,105	138,193	127,015
Zellers	1		1		1	1	2	3		11	7	11	31	
Population Per Retail Outlet	90,574		32,132		61,097	85,492	89,623	67,447	67,158	82,055	152,208	192,416	164,940	103,046

Sources:
* 2009 population data for Alberta communities from Alberta Municipal Affairs, "Official 2009 Population List" (www.municipalaffairs.gov.ab.ca).
* 2006 population data for Saskatchewan communities from Saskatchewan Bureau of Statistics (http://www.stats.gov.sk.ca/).
* 2006 population data for Toronto (CMA) and Vancouver (CMA) from Statistics Canada 2006 Census (http://www.statcan.gc.ca/).
** Edmonton population also includes the populations of neighbouring St. Albert and Sherwood Park
*** Opening in early 2010
**** Red Deer's 2009 population figure includes an estimate of the current population in Gasoline Alley
Retailer locations as per store listings on each retailer's website.

Exhibit 20 illustrates that there are population thresholds that chains require before they open additional outlets in a market. Given that most of the major retailers listed in Exhibit 20 have a presence in Red Deer, there do not appear to currently be any significant gaps that would warrant an additional outlet at the present time. The table gives an indication of when these chains may want to open an additional outlet and when demand for larger commercial sites may materialize based on future population growth.

4.3 Geographic Distribution of Space

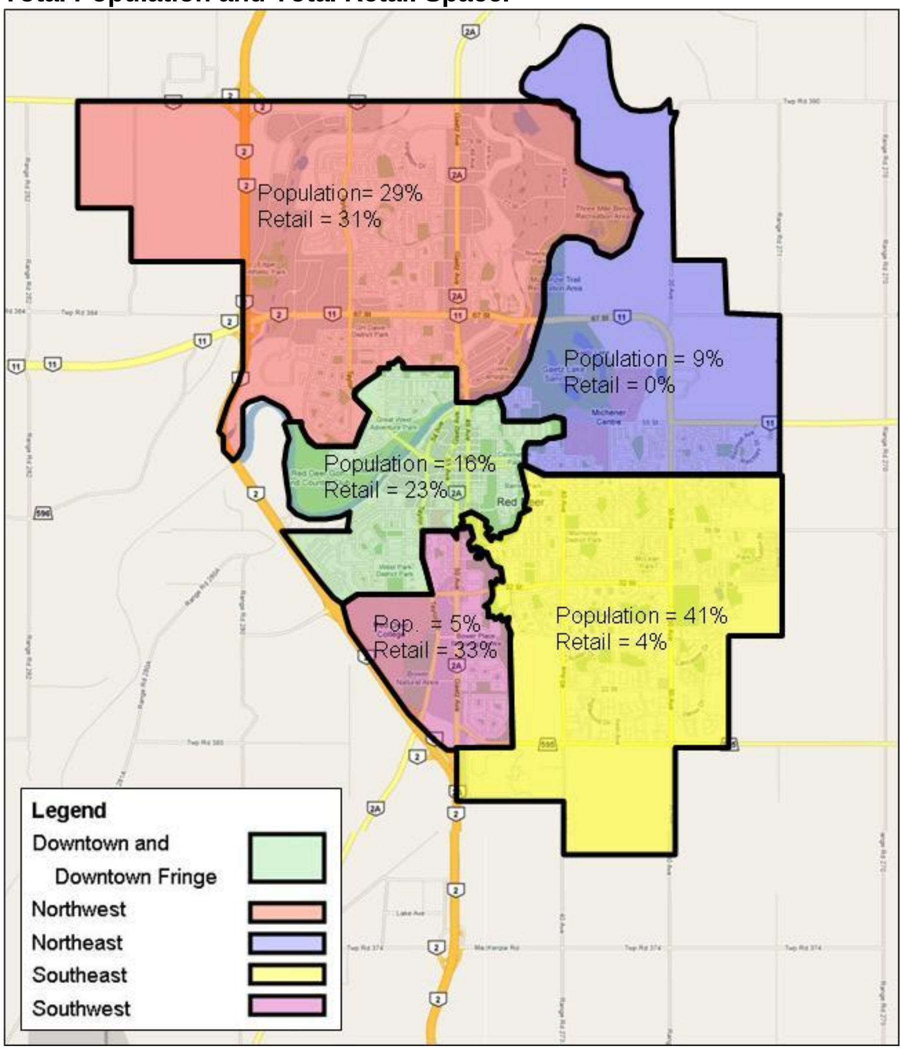
The following section considers how retail space in Red Deer is distributed geographically and in relation to residential populations. First, the distribution of the whole inventory is considered, followed by an examination of the distribution of large format retail space and supermarket space.

4.3.1 Distribution of Total Inventory

Exhibit 21 illustrates the distribution of population and retail space in Red Deer by sub-area. The Downtown and Downtown Fringe sub-areas have been combined for this comparison. Downtown is home to only 16% of Red Deer‟s population but houses approximately 23% of its retail space. This suggests that it draws customers from throughout the City and that some Downtown retail is supported by Downtown‟s employment. The Southwest sub-area has a disproportionate relationship between population and retail space. This relationship (5% of population and 33% of retail space) is an indication of the region-serving nature of the commercial facilities in southern

Red Deer and Gasoline Alley. The Northwest sub-area has approximately 30% of population and 30% of the retail and service space, indicating that it is likely being appropriately served. The two eastern sub-areas of Red Deer appear to be severely underserviced, with approximately 50% of the population and only 4% of the retail and service space in the City. This reflects the rapid residential development in this area and the fact that neighbourhood commercial centre development has not kept pace with recent housing development.

Exhibit 21: Distribution of Population and Retail Space in Red Deer by Sub-area as a Percent of Total Population and Total Retail Space.



Source: Coriolis Consulting, 2010 based on City of Red Deer "Municipal Census Report." 2009, store locations as per retailers' websites and Base Map (Google Maps-image, February 2010).

4.3.2 Major Retail and Service Centres in Red Deer

The main commercial locations in Red Deer are:

- Bower Place Shopping Centre. Located at the intersection of Gaetz Avenue and Molley Banister Drive, this shopping centre is Red Deer‟s main enclosed shopping mall. It contains approximately 594,000 square feet of retail and service space, including Zellers, Sears, Hudson‟s Bay Company, and Toys „R‟ Us.[9]

- Parkland Mall. This mall houses approximately 472,000 square feet of retail and service space including a Wal-Mart, SportCheck, Staples and Safeway.[10] It is located in the Northwest sub-area on the Southeast corner of 67th Street and Gaetz Avenue.
- Southpointe Common (and the next phase, Southpointe Junction). Southpointe is a concentration of large format retailers in southern Red Deer which is expected to house some 700,000 square feet of retail and service space when complete. Current tenants include, Wal-Mart, Home Depot, Best Buy, and Winners/Homesense.[11]
- Downtown Red Deer. According to the City‟s assessment data there is approximately 1.5 million square feet of retail and service space in Downtown Red Deer. Of this, approximately 329,000 square feet is located along Gaetz Avenue, the major retail and service corridor running through the City. While the majority of space in Downtown is made up of smaller units, there are some larger floor plate retailers including three chain supermarkets (the Real Canadian Superstore on 51st Avenue, the Safeway on 50th Avenue and the Co-op on 47th Avenue).

4.3.3 Distribution of Large Format Retailers

Exhibit 22 gives further insights into the large format retailers in Red Deer, by mapping the locations of national chains that tend to have larger stores. The map shows that large format retailers in Red Deer have concentrated in the southern part of the City, especially with the development of Southpointe Common. More generally, they have tended to congregate along the City‟s main thoroughfare, Gaetz Avenue.

4.3.4 Distribution of Supermarkets

Exhibit 22 also shows the distribution of supermarket chains in the City (shaded in red). As supermarkets traditionally anchor neighbourhood oriented retail centres, the congregation of supermarkets along Gaetz Avenue suggests that some perimeter areas of the City are being underserved.

Based on the 2009 population estimates and the inventory of commercial space provided by the City, we know that across Red Deer there is approximately 5.2 square feet of supermarket space

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[9] Source: City of Red Deer Assessment Database, 2009; Store information as noted on Bower Place‟s Website at http://www.bowerplace.com/#map as of March 9, 2010.

[10] Source: City of Red Deer Assessment Database, 2009; Store information as noted on Parkland Mall‟s Website at http://www.parklandmall.ca/store_directory.php?method=1 as of March 9, 2010.

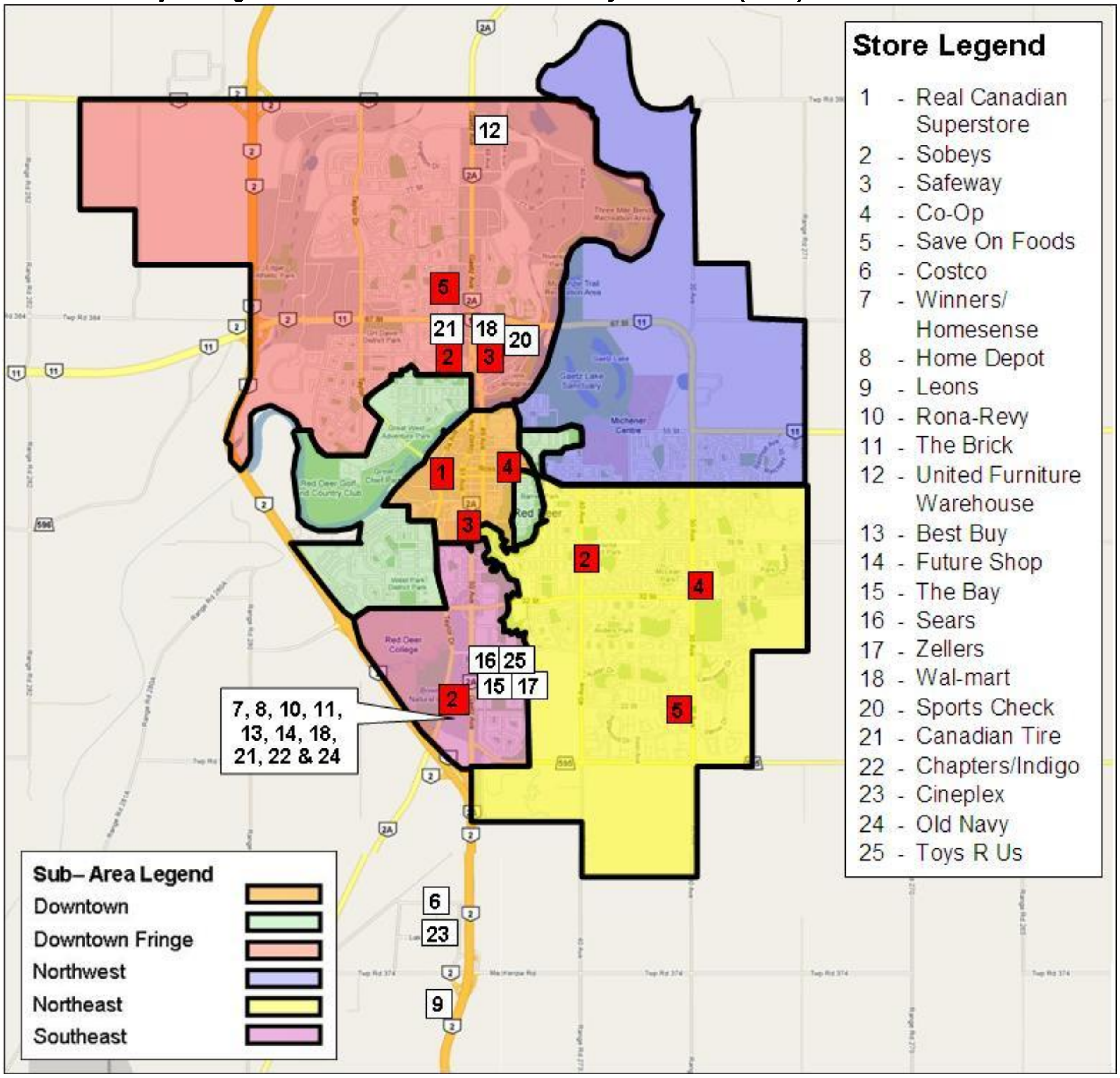
[11] Source: City of Red Deer Assessment Database, 2009; Power Centre information as noted on Southpointe Common‟s Website at http://www.qualicocommercial.com/southpointe1.html as of March 9, 2010.

per capita. However, as Exhibit 22 illustrates, this space is spread inconsistently throughout the City. Some areas are oversupplied while others are undersupplied. Using our sub-area boundaries as a reference point we have these observations about the distribution of supermarket space in Red Deer:

1. For the approximately 14,100 people living in the Downtown and the Downtown Fringe sub-areas there is approximately 220,000 square feet of supermarket space, or about 15.6 square feet per capita. Based on the average of 5.2 square feet per capita across the municipality as a whole this represents an oversupply of some 147,000 square feet, meaning that these stores are drawing trade from downtown employees and from residents of peripheral neighbourhoods that are underserviced.
2. The Northeast sub-area currently has a population of approximately 7,850 people for whom there should be about 41,000 square feet of supermarket space. There are currently no supermarkets in this sub-area.
3. The Northwest sub-area has approximately 132,000 square feet of supermarket space for its 25,750 people. This is roughly speaking an appropriate ratio of space to population.
4. The Southeast sub-area, with approximately 77,800 square feet of space, is facing a shortfall of approximately 115,000 square feet for its population of 36,900 people.
5. Finally, with approximately 43,000 square feet of space, the Southwest sub-area currently has an oversupply of approximately 15,000 square feet of supermarket space for its 5,350 residents.

Indicators of oversupply do not imply a problem; they simply mean that some existing stores are drawing trade from outside the immediate area. Indicators of undersupply mean that some residents do not have a convenient nearby grocery store.

Exhibit 22: Major Large Format Retailers in Red Deer by Sub-Area (2010)



Source: Coriolis Consulting, 2010 based on store locations as per retailers' websites and Base Map (Google Maps-image, February 2010).

4.3.5 Summary

- Red Deer has a major regional shopping node at the southern end of the City. This node is made up of the large concentration of big box stores in the Southpointe Commons area, as well as the Bower Place enclosed shopping mall. Red Deer also has two smaller regional centres in Downtown and the Parkland Mall enclosed shopping centre.
- The eastern half of Red Deer is underserved by all types of retail and service uses.

- The current distribution of supermarket space in Red Deer has created a situation in which residents in the eastern half of the City are underserviced. Although they are currently able to travel to other supermarkets in the City to shop, this is not an ideal situation.

4.4 Current Market Conditions

4.4.1 Vacancy

There is no detailed inventory of vacant retail and service space in Red Deer. However, based on our fieldwork and discussions with leasing agents, overall vacancy is currently relatively low and tends to be concentrated in specific buildings. It is our understanding that the space at Parkland Mall formerly occupied by the Sears Department Store is still vacant and that due to the recent economic climate there have been some difficulties filling the large space. However, even with this in mind, the low overall vacancy indicates that Red Deer does not have an oversupply of space.

4.4.2 Development Trends

As shown below on Exhibit 23, largely due to the development of Southpointe Common and some of the adjacent commercial sites, the majority of retail and service commercial development in Red Deer over the past seven years has occurred in the Southwest sub-area. No development has occurred in the Northeast sub-area, because services are not in place and zoning does not currently allow commercial development.

Exhibit 23: Square Feet of Retail and Service Commercial Space Developed in Red Deer Between 2002 and 2009 by Sub-Area

Area	2002	2003	2004	2005	2006	2007	2008	Total Issued Between 2002-2009	% of Total Space Issued Permits
Downtown	4,588	10,443	26,874	4,300	6,997		5,050	58,251	5%
Downtown Fringe					19,389		2,280	21,669	2%
Northwest	65,969	153,973	17,704	17,990	20,452	34,346	8,965	319,399	29%
Southeast	53,357	35,425				12,000	4,020	104,802	10%
Southwest	84,971		225,474	43,638	15,235	150,000	68,536	587,854	54%
Total	208,885	199,841	270,052	65,928	62,073	196,346	88,851	1,091,975	**100%**

Source: City of Red Deer, Historic Commercial Permit Data, 2002-2009

Exhibit 23 indicates a pace of development of about 155,000 square feet per year on average.

Exhibit 24 shows the distribution of commercial space approved between 2002 and 2009 by retail categories and sub-areas. Exhibit 24 shows that the Southwest is dominated by the general retail and restaurant categories. This supports our observation that the types of uses that locate in southern Red Deer tend to serve regional-level or city-wide retail needs. Permits for other types of retail and service commercial uses (such as supermarket or service space) have been more evenly distributed throughout the City.

Exhibit 24: Square Feet of Retail and Service Commercial Permits Issued in Red Deer Between 2002 and 2009 by Sub-Area and Retail Categories

Area	Beer, Wine & Liquor Stores	Gas Bar	Restaurant	Retail	Service	Supermarket	Total Issued 2002-2009	% of Total Space Issued Permits
Downtown		454	11,100	27,662	19,036		58,251	5%
Downtown Fringe		3,062	4,268	7,009	7,330		21,669	2%
Northwest	3,583	2,244	14,560	235,944	20,228	42,840	319,399	29%
Southeast	6,770	600	3,000	51,131	4,944	38,357	104,802	10%
Southwest	3,000		15,868	501,573	24,413	43,000	587,854	54%
Total	**13,353**	**6,360**	**48,796**	**823,319**	**75,951**	**124,197**	**1,091,975**	**100%**

Source: City of Red Deer, Historic Commercial Permit Data (2002-2009)

Note: In some cases the City's database only indicated that a permit had been issued for a commercial retail unit without providing details as to the specific types of uses. Where possible we have tried to determine the end tenants of the space through the addresses listed on the permits. As a result, the retail space category may be overstating the actual amount of general retail space that was approved in the last seven years.

4.4.3 Current Development Proposals

In 2009 and 2010, permits were issued for approximately 85,500 square feet of retail and service commercial space (see Exhibit 25). The majority of this was made up of retail developments in the Southwest sub-area, including a 31,705 square foot addition to the existing Wal-Mart store, further concentrating large scale retail development in southern Red Deer.

Exhibit 25: Development Permits Issued in 2009 and 2010 for New Retail and Service Commercial Space by Retail Category and Sub-Area

Area	Bank/Service	Gas Station	Restaurant	Retail	Grand Total
Downtown		3,703		6,000	9,703
Northwest	13,218		5,279		18,497
Southwest				57,344	57,344
Grand Total	13,218	3,703	5,279	63,344	85,544

Source: City of Red Deer, Development Permits Issued in 2009-2010

In addition to the commercial developments which have already been issued development permits or building permits by the City, there are several larger proposed commercial developments including:

- Southpointe Junction, a 350,000 square foot extension of Southpointe Common in southern Red Deer.
- Liberty Crossing, a residential development just south of the City in Gasoline Alley, which is proposed to be focused around a small mixed use commercial centre.

- Commercial development on sites owned by the City and by Melcor in the northeast part of the City.
- Proposals for commercial development in east and southeast Red Deer.

4.5 Regional Factors

Red Deer is currently the focus of regional-level shopping within the trade area. Although there are many factors that can influence a community‟s retail significance, in the case of Red Deer, the most significant external influences will likely come from Calgary or Edmonton. Any additional retail development in these two centres, particularly additions to the major commercial centres in northern Calgary (Cross Iron Mills) and southern Edmonton (South Edmonton Commons), will affect Red Deer‟s ability to draw consumers from a wider area. Red Deer does not appear to be losing much retail spending to the larger centres in Calgary and Edmonton, but further growth in Calgary and Edmonton may shrink Red Deer‟s secondary trade area. However, it is worth noting that even if Red Deer were to lose all spending on home furnishings, clothing, shoes and accessories to speciality outlets Edmonton or Calgary, it would only represent 10% of the estimated total annual retail spending by Red Deer‟s trade area residents.[12]

The only other commercial development in the trade area that may impact Red Deer‟s drawing power is in Sylvan Lake, where a site is planned to be developed with approximately 310,000 square feet of commercial uses, anchored by a Wal-Mart and a Canadian Tire. However, as Wal-Mart has already been operational on the site for some time it is unlikely that the development of the rest of the site will significantly affect Red Deer‟s current market share. In addition Red Deer continues to have the widest complement of retail stores in the region and smaller centres with one or two large retailers are unlikely to be able to compete on the same level. Red Deer will continue to draw a large share of the region‟s spending power.

4.6 Trends in Shopping Centre Formats

Over the past decade or so, suburban retail development outside major downtown core areas has been focused in four main formats. These include:

1. Power centres. Power centres are geared towards automobile-oriented retail traffic. They are often anchored by large national chains with significant building footprints. Although they are usually dominated by big box retailers, power centres often incorporate smaller spaces in their offerings. Generally, new power centres locate outside of downtowns and existing commercial nodes, opting for cheaper lands on the outskirts of a municipality or in industrial areas. Southpointe Common is an example of this type of centre.

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[12] Based on Statistics Canada, “Retail Trade.” Q4 2009, which is discussed in more detail in section 4.7.2.

2. Town centres and pedestrian-oriented developments. Town centres are generally mixed-use areas that include commercial, civic, and residential uses. Pedestrian-oriented environments usually include design features such as trees, wide sidewalks, and a wide range of smaller shops which add to the visual interest of the area and make it an enjoyable place for pedestrians. There are no examples of this type of centre in Red Deer. There are examples in Calgary (such as Kensington and the area around SAIT) and Greater Vancouver (such as Burnaby‟s Metrotown).
3. Lifestyle centres. Lifestyle centres attempt to bridge the gap between the automobile dependant power centres and smaller more intimate fabric of pedestrian-oriented developments. They are usually anchored by large national chains. Building design and the public realm are carefully controlled in order to develop a site that is both accessible by car and provides a unique and enjoyable pedestrian experience once people arrive. This is usually done by focusing the centre on a pedestrian “main street” and having parking hidden behind buildings or incorporated into buildings through structured parking.
4. Neighbourhood shopping centres. Neighbourhood shopping centres serve the day to day needs of nearby residents. These centres are typically anchored by a food store, pharmacy, and liquor store, but also include a wide range of other services, such as cafes, restaurants, banks, salons, delis, and service stations. New neighbourhood centres usually require a trade area of roughly 7,000 to 8,000 people in order to support a mid-sized grocery store. An example in Red Deer is East Hills Shopping Centre.

4.7 Forecast

We projected future demand for retail and service space in Red Deer using two different approaches:

1. Forecast based on retail and service space per capita.
2. Forecast based on potential retail and service sales.

These two forecasts were then compared to produce the range within which we expect future commercial development to occur. We then developed a more detailed forecast that examined the potential for locally-oriented and regionally-oriented retail and service uses.

4.7.1 Space Per Capita Approach

Using a space per capita approach to forecast potential future demand for retail and service space in a community is an established and widely accepted methodology. It draws upon the existing per capita space ratios for the community and uses the ratio of approximately 45 square feet per capita (20 sq.ft. locally-oriented, 25 sq.ft. regionally oriented) to estimate future space potential.

To forecast potential demand for retail and service space in Red Deer, we applied an estimate of the supportable space per capita to the projected 2031 population. We then deducted the estimated existing retail and service space to calculate potential additional demand between 2009 and 2031. We completed this estimate for total retail and service space and for supermarket space.

Red Deer supermarkets rely on demand mainly from the local/neighbourhood population. Although there may be some inflow from outside of Red Deer we have assumed that population growth in Red Deer will be the main driver for supermarket space demand in the City. Currently, we estimate that there is about 5.2 sq.ft. of supermarket space in Red Deer per primary trade area resident (residents of Red Deer and Gasoline Alley).[13] We applied this ratio to the projected 2031 primary trade area population to estimate future demand for supermarket space in Red Deer and Gasoline Alley.

Our projected retail and service demand based on the per capita forecasting methodology is shown in Exhibit 26.

Exhibit 26: Potential Future Warranted Commercial Space Based on Per Capita Analysis (2009-2031)

		2009 (sq. ft.)	2031 (sq. ft.)	Potential Growth (sq. ft.)
Low Growth Scenario	Supermarkets	470,000	725,000	255,000
	Other Retail/Service Space	6,200,000	8,655,000	2,455,000
	Total Retail/Service Space	**6,670,000**	**9,380,000**	**2,710,000**
High Growth Scenario	Supermarkets	470,000	795,000	330,000
	Other Retail/Service Space	6,200,000	9,405,000	3,200,000
	Total Retail/Service Space	**6,670,000**	**10,200,000**	**3,530,000**

Note: Figures may not add due to rounding (floor space figures are rounded to the nearest 5,000 square feet).

Source: Coriolis Consulting estimates based on current assessment data.

As shown in Exhibit 26, the low scenario would see Red Deer‟s retail and service space inventory increase by about 2.7 million square feet, while the Upper Growth scenario would see the inventory increase by about 3.5 million square feet.

Supermarket space in Red Deer could potentially increase by between 255,000 square feet to 320,000 square feet. Assuming an average store size of about 40,000 sq.ft., this could translate into 6 to 8 new supermarkets being developed in the City by 2031.

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[13] Based on our analysis we think 5.4 sq.ft per capita of supermarket space is an appropriate estimate of the current and future potential for supermarket space in Red Deer. It is consistent with data we have from other communities which ranges from 4.6 sq.ft per capita in Langley to 6.4 sq.ft. per capita in Lethbridge. It is also consistent with supermarket expenditure patterns in Alberta (see Section 4.7.2). Alberta residents spend approximately $2,600 in supermarkets annually. Assuming average sales per square foot performance rates of between $450 and $550 (to account for older and newer stores), this would suggest that Albertans can support between 4.7 and 5.7 sq.ft of supermarket space per capita.

4.7.2 Retail Sales Approach

Our demand projection based on retail and service sales follows these steps:

1. We estimated total retail and service spending per capita in Red Deer and the regional trade area.
2. We estimated (by retail category) the share of expenditures by residents of the surrounding trade area that are likely captured by Red Deer retail and service businesses. We also estimated inflow spending from residents outside the regional trade area.
3. We used the preceding steps to estimate total retail and service spending in Red Deer in 2009 and in 2031.
4. We applied average sales per square foot estimates (by retail category) to total estimated Red Deer sales to calculate the supportable retail and service floorspace in the City in 2031.
5. We compared the estimate of supportable space in 2031 with existing floorspace to estimate potential additional demand.

<u>Spending per Capita</u>

On average, Albertans spend approximately $17,714 on retail and service goods annually. However, because automotive retail spending has little relationship to the amount of automotive retail floor space developed, it can be excluded from the analysis, reducing average annual per capita retail expenditures in Alberta to $11,961.

Exhibit 27: Estimated Average Provincial Per Capita Expenditures on Retail Trade and Services (2009)

	Per Capita Expenditures
Estimated Average Per-Capita Spending	**$17,714**
Retail trade expenditures	$15,934
Automotive related expenditures	$5,753
Retail trade expenditures less automotive related expenditures	$10,181
Estimated spending on services that typically occupy ground floor retail space	$1,780
Estimated average per-capita spending less automotive related expenditures	$11,961

Source: Statistics Canada, "Retail Trade" Q4 2009; Statistics Canada, "Survey of Household Spending" 2009.

We compared incomes in Red Deer with the Provincial average to determine whether an adjustment to the provincial retail and service expenditure data is required in order to compensate for differences in spending power. In the case of Red Deer, both the per capita income and household income ratios are near provincial averages, so an adjustment to the expenditure data is not necessary (see Exhibit 28). Locations with higher incomes likely have higher housing costs, suggesting that Red Deer residents have average retail spending patterns even though their incomes are a little below average.

Exhibit 28: 2005 Before Tax Per Capita Income Ratios

	Per Capita Income	Ratio to the Province	Average 2005 household income	Ratio to the Province
City of Red Deer	$30,709	95.1%	$77,761	92.2%
Alberta Census Division No. 8	$29,717	92.1%	$78,657	93.2%
Province of Alberta	$32,276	100.0%	$84,368	100.0%

Source: Statistics Canada, 2006 Census of Canada

Capture Rates from Surrounding Trade Area

In order to account for the localized nature of certain types of retailing and for some inflow of trade area expenditures to Red Deer, capture rates were estimated for the City of Red Deer. These rates represent estimates of the proportion of total expenditures secondary trade area residents (regional trade area residents living outside of Red Deer) will make in the City. They range from 5% for highly localized retail categories (such as convenience stores) to 95% for regional serving uses (such as department stores). Overall, we have assumed that the City captures approximately 60% of the expenditures of trade area residents living outside of Red Deer.

Exhibit 29: Estimated Capture Rates for Spending by Trade Area Residents Living Outside of Red Deer

Retail Category	Estimated Total Provincial Per Capita Expenditures	Estimated City of Red Deer Capture Rate
Supermarkets	$2,607	5%
Furniture stores	$348	95%
Home furnishings stores	$271	95%
Home electronics and appliance stores	$621	95%
Home centres and hardware stores	$713	95%
General merchandise stores	$1,998	70%
Computer and software stores	$58	75%
Convenience and specialty food stores	$313	5%
Beer, wine and liquor stores	$489	5%
Pharmacies and personal care stores	$670	5%
Clothing stores	$686	75%
Specialized building materials and garden stores	$199	75%
Shoe, clothing accessories and jewellery stores	$220	75%
Sporting goods, hobby, music and book stores	$474	75%
Miscellaneous store retailers	$419	75%
Service Retailers	$1,780	5%
Total All Other Retail/Service Space	$9,260	n/a
Total Retail Trade (Less New and Used Auto Sales and Gasoline Sales)	$11,868	n/a

Source: Coriolis Consulting Corp., estimates, 2010 based on Statistics Canada, "Retail Trade Data." Q4 2009 and Statistics Canada, "Survey of Household Spending." 2009.

In addition, we assume that inflow spending (excluding supermarkets) from outside the regional trade area will average about 5% of total retail and service spending in Red Deer. This inflow ratio is used to account for potential spending by individuals that are visiting or traveling through Red Deer. (Note that an inflow calculation was not used in the floorspace per capita approach as inflow is implicitly implied by the current inventory).

Sales per Square Foot

Drawing on the estimates in the preceding steps, we estimated total 2009 retail and service spending in Red Deer and calculated the existing average productivity rates (sales per square foot) at Red Deer businesses.

Exhibit 30 shows the estimated 2009 retail and service sales in Red Deer and the estimated productivity rates.

Exhibit 30: Estimated 2009 Retail and Service Sales in Red Deer

	2009 Retail/Service Inventory (sq. ft.)	Estimated Total 2009 Retail/Service Expenditures	Estimated Sales per Square Foot (2009)
Supermarkets	472,181	$248,843,947	$527
Other Retail/Service Space	6,198,065	$1,391,058,796	$224
Total Retail/Service Space	**6,670,246**	**$1,639,902,744**	**n/a**

Source: Coriolis Consulting Corp., estimates, 2010 based on City of Red Deer Assessment Database, Statistics Canada, "Retail Trade Data" Q4 2009 and Statistics Canada, "Survey of Household Spending" 2009.

After the total expenditure potential for the City from all trade area residents is determined, the current retail and service space inventory is used to develop sales-per-square-foot performance estimates for different retail categories. These rates are applied to the previously determined expenditure potential over the study period, providing an estimate of the amount of additional space that can be supported in the City.

Projected Retail and Service Spending and Supportable Space

Exhibit 31 summarizes our estimated future warranted retail and service space.

Exhibit 31: Potential Future Warranted Commercial Space Based on a Potential Sales per Capita Analysis (2009-2031)

		Estimated Additional Future Sales (2009 to 2031)	Sales Per Square Foot in 2031	Estimated 2031 Inventory (sq.ft.)	Potential Growth (sq.ft)
Lower Growth Scenario	Supermarkets	$131,040,848	$527	250,000	720,000
	Other Retail/Service	$616,396,547	$224	2,745,000	8,945,000
	Total	**$747,437,395**	**n/a**	2,995,000	9,665,000
Upper Growth Scenario	Supermarkets	$165,147,212	$527	315,000	785,000
	Other Retail/Service	$792,571,734	$224	3,530,000	9,730,000
	Total	**$957,718,945**	**n/a**	3,845,000	10,515,000

Source: Coriolis Consulting estimates based on Statistics Canada, "Retail Trade Data" Q4 2009; Statistics Canada, "Survey of Household Spending" 2009; and Coriolis Consulting projected population estimates for the City of Red Deer and its trade area.

4.7.3 Comparing the Two Forecasting Approaches and Choosing a Projection

As shown on Exhibit 32A the two different approaches result in similar overall growth projections.

Exhibit 32A: Summary Forecasts for High and Lower Growth Scenarios by Forecasts Approach (2009-2031)

		Potential Growth	
		Square Foot Per Capita Ratio Analysis (sq.ft.)	Sales Based Analysis (sq.ft.)
Lower Growth Scenario	Supermarkets	255,000	250,000
	Other Retail/Service	2,455,000	2,745,000
	Total	**2,710,000**	**2,995,000**
Upper Growth Scenario	Supermarkets	330,000	315,000
	Other Retail/Service	3,200,000	3,530,000
	Total	**3,530,000**	**3,845,000**

Source: Coriolis Consulting Corp., 2010

Because the two forecasts are similar and because the sales approach may be aggressive due to the assumption about inflow, we have elected to use the per capita projection. As the primary purpose of this analysis is to provide an input to land use planning, we use the upper estimate for the rest of the analysis. If population growth is slower, the upper bound can be thought of as a 25 year projection rather than 20 year.

Exhibit 32B: Estimated Future Retail and Service Growth in Red Deer (2009-2031)

	2009 (sq.ft.)	2021 (sq.ft.)	2031 (sq.ft.)	Potential Growth (sq.ft.)
Supermarkets	470,000	615,000	795,000	330,000
Other Retail/Service Space	6,200,000	7,525,000	9,405,000	3,200,000
Total Retail/Service Space	**6,670,000**	**8,140,000**	**10,200,000**	**3,530,000**

Source: Coriolis Consulting Corp., 2010

Our commercial growth projections can be summarized as follows:

- Total retail and service floorspace growth potential to 2031 is about 3.5 million sq.ft. Assuming typical suburban site coverage of 35% and single level development, this would require about 230 acres of commercial land.
- Our forecasts indicate that there will be demand for up to 8 new supermarkets by 2031, suggesting an opportunity for up to 8 new neighbourhood-oriented shopping centres. These centres could be in new residential communities. The demand for one of these centres is based on the Gasoline Alley population capacity estimates. If that residential development does not materialize, one less District Centre would be needed.

The forecast of 3.5 million feet is consistent with recent growth. The pace of 155,000 square feet per year during the last decade would produce 3.1 million square feet over 20 years.

4.8 Likely Geographic Distribution of Future Retail and Service Space Development and Land Requirements

The first step in developing a detailed breakdown of future retail and service space development and land requirements is to break the forecast down into different types of retail space. For the purposes of our analysis we first broke the forecast into regionally-oriented and locally-oriented retail and service uses. We then further broke it down by where the space is likely to locate.

4.8.1 Regional Retail and Service Space

Regionally-oriented retail and service uses can take a number of different forms (for example, space in an enclosed regional centre, space in a power centre, or a stand-alone location) and can locate in a wide variety of areas (for example, in power centres or along arterial strips). Residents are assumed to support approximately 25 sq.ft. of regionally oriented retail and service space. We completed estimates for three different categories of regionally oriented retail and service space (shown in Exhibit 33), including users likely to locate in a regional centre, retail uses likely to locate along arterial strips, and all other regional retail and service space, using this approach:

1. Retailers in Red Deer who locate in regional centres draw demand from residents of the entire regional trade area. Currently, there is about 7.6 sq.ft. of large format retail space in Red Deer per resident of the entire regional trade area.[14] Other than the existing Walmart site in Sylvan Lake, there are no other significant retail centres in the rest of the regional trade area (and none planned). Therefore, regional centre retailers in Red Deer should continue to draw strong demand from the rest of the trade area. We applied this existing ratio to the projected 2031 regional trade area population to estimate future demand for large format regional centre space in Red Deer (and Gasoline Alley).
2. Red Deer currently has approximately 650,000 square feet of automotive retail uses (i.e. uses such as car/truck sales, onto repair, service statics). Although some automotive uses will serve the local population, the majority of these uses are likely to locate in regional serving areas, so we include automotive uses in our regional space forecast.
3. Other regional-serving retail and service space includes non-automotive uses which are automobile-oriented and will tend to locate along arterials or even in industrial areas. Some of these businesses will be specialized and will be able to retain a regional draw without clustering in a regional centre or along an arterial route. These include restaurants, boat sales, motel/hotel, and fast food chains.

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[14] We believe that this is a reasonable estimate of Red Deer"s current and future potential for large format retail uses. As discussed in Section 4.2 most major retailers already have a presence in Red Deer suggesting that there is not an undersupply of retail space in the City. In addition there are no significant vacancies that would suggest an oversupply of large format retail space.

As shown below in Exhibit 33, we anticipate demand for additional regional-oriented retail and service space to be up to about 2.35 million square feet including:

- About 1,500,000 square feet of space in regional centres.
- About 450,000 square feet of automotive related retail and service space.
- About 400,000 square feet of other regional-serving retail and service space.

Together these regional oriented retail and service uses could require approximately 155 acres of land (100 acres for regional centres and 55 acres for automotive and other uses). Note that this is an upper estimate based on the high population growth scenario.

Demand for new regional oriented retail and service space will go to locations that offer a combination of:

1. Convenient access to much of the regional trade area population.
2. Visibility and exposure to high traffic volumes.
3. Large vacant sites that can accommodate surface parking and the large format stores that will anchor future projects.

In recent years, most regionally oriented retail and service development has been focused in the south end of the City along Gaetz and in Gasoline Alley.

Exhibit 33: Detailed Retail and Service Space Forecast (sq. ft.) by Type of Space (2009-2031)

	2009 to 2021	2022 to 2031	Potential Growth 2009-2031
Regionally Oriented Space			
Regional Centre	650,000	850,000	1,500,000
Regional Automotive	200,000	250,000	450,000
Other Regionally-Oriented Retail and Service Space	100,000	300,000	400,000
Subtotal Regionally Oriented Space	950,000	1,400,000	2,350,000
Locally Oriented Space			
District Centres			
Supermarkets	150,000	180,000	330,000
Other District Centre (1)	250,000	250,000	500,000
Subtotal District Centres	400,000	430,000	830,000
Other Locally-Oriented Retail and Service Space	150,000	270,000	420,000
Subtotal Locally Oriented Space	550,000	700,000	1,250,000
Total Growth Forecast	1,500,000	2,100,000	3,600,000

Notes: (1) Assumes 4 District Centres are built between 2009 and 2021 and 5 District Centres between 2022 and 2031. (2) Figures are rounded to the nearest 50,000 square feet.

Source: Coriolis Consulting Corp., 2010

4.8.2 Locally Oriented Retail and Service Space

Locally-oriented retail and service space includes supermarkets and other retail and service businesses that serve the day to day needs of the local community. Residents generally support approximately 20 square feet of locally-oriented retail and service space (including supermarkets, convenience stores, hair salons, dry cleaners, beer and wine stores, and other similar types of uses). We completed estimates for two categories of locally-oriented retail and service space: District Centre space (including supermarkets) and all other retail and service space (shown in Exhibit 33 in Section 4.8.1).

Based on our estimate, each resident of Red Deer supports approximately 20 square feet of locally oriented retail and service space. Neighbourhood oriented shopping centres typically require a trade area population of about 7,000 to 8,000 to support a mid-sized supermarket (about 40,000 square feet or so).

Based on expected population growth, we anticipate demand for up to 8 new District Centres by 2031. Assuming that District Centres average about 100,000 square feet of retail and service space (including a 40,000+ square feet supermarket), these new centres would account for about 830,000 square feet of our projected demand (see Exhibit 33). If some of these centres are larger, fewer would be required.

Demand for these new centres will be linked to the geographic distribution of the future population growth in the City and influenced by the large areas in the east part of the City that are under-serviced with neighbourhood retail space. If the portion of the County to the south of Red Deer (Liberty Crossing) sees total population growth of about 8,000 by 2031, we anticipate demand for one District Centre in this area. Several centres should be located in the eastern half of the city (which is currently underserved) to meet current and future demand.

We also anticipate that there will be demand for approximately 420,000 square feet of locally-oriented retail and service uses. This could include, for example, space located in small convenience plazas or service stations. These uses could be located at or near a neighbourhood shopping centre or in small convenience centres.

Based on our analysis of locally oriented retail and service space we have assumed that there is demand for:

- Approximately 1,250,000 square feet of additional locally oriented retail and service space in Red Deer, including up to 330,000 square feet of supermarket space which could anchor up to 8 supermarkets (or fewer if some stores are larger than 40,000 square feet) and up to 830,000 square feet of District Centre retail and service space.[15]
- Up to 420,000 square feet of other types of locally oriented retail and service space.

[15] (at an average of 100,000 sq.ft. per centre, including 40,000 sq.ft. of supermarket space in each)

Together these locally-oriented retail and service uses could require about 80 acres of land (at typical suburban density), of which approximately 55 acres will be accounted for in District Centres and about 25 acres will be accounted for by other locally-oriented uses. It is important to note that these estimates are based on the typical size of District Centres and will have to be adjusted based on the actual size of approved projects. District Centres should respond to the needs of the surrounding community and be sized accordingly.

As shown earlier in Exhibit 33 we expect there to be demand for up to 4 new District Centres by 2021 and up to an additional 4 between 2021 and 2031, based on the high population forecast.

Demand for new locally-oriented retail and service space will go to locations that offer a combination of:

1. Convenient access to the local/neighbourhood area population.
2. Visibility and exposure to higher traffic volumes.

District Centres will likely locate on vacant sites that can accommodate surface parking and the supermarkets that will anchor the centres.

4.9 Prospects for Future Retail and Service Commercial Development

This section summarizes the main conclusions of the market study regarding prospects for future retail and service development in Red Deer.

Broadly speaking, future retail/service development potential in Red Deer can be divided into six categories:

- Regionally-oriented chain retailers with large store sizes that will prefer large sites that are highly accessible (by car) for the whole trade area and that have high exposure. Such businesses tend to be relatively large (such as home improvement, electronics, department stores), such that there are only a few such stores in the trade area and they draw shoppers from the whole region. They tend to be heavily automobile-oriented in character because their customers come from a large geographic area and because, for many of these retailers, customer purchases (e.g. building supplies, housewares, electronic devices) tend to be bulky, necessitating travel by automobile. These retail uses have a market tendency to concentrate in some kind of large regional centre, such as a power centre (as in the case of Southpointe Commons).
- Regionally-oriented chain retail with smaller footprints who tend to specialize in fashion or housewares. In the past, many of these retailers tended to locate in a traditional regional shopping centre (i.e. an enclosed mall anchored by one or two major department stores, such as Bower Place Mall). The current trend, however, is for these uses to concentrate in power centres or in projects called lifestyle centres, consisting of a variety of retailers on individual

pads or in adjacent stores with individual exterior access. Because these are chains with expectations about store size and quality, as well as a high propensity to want to locate together, they do not tend to locate in Downtowns unless there is a major Downtown land assembly and redevelopment that creates an urban shopping centre. This type of redevelopment would add retail strength to Downtown, but at the cost of redeveloping original buildings and, usually, causing local independent retailers to be moved aside. The demand for this type of specialty chain retailer will not be large in Red Deer (because of the size of the trade area and the proximity of large centres to the north in Edmonton and the south in Calgary). There will be a tendency for these chains to want to locate in the power centres developed with the large floorplate retailers (for example, Southpointe Commons has Old Navy, Jysk, and Reitmans). However, these retailers can form part of a more urban commercial environment than is usually achievable in a power centre anchored by home improvement stores, discount department stores, and other very large retailers.

- Automotive uses, including new and used car/truck sales, automotive parts and repair service, and fuel stations. These uses tend to locate linearly on major roads, given the obvious requirement for high auto accessibility and exposure.
- Other uses, such as chain restaurants, fast-food outlets, motel/hotel and boat sales that serve the entire region (and travelers) and that are strongly automobile oriented. Many of these tend to locate in linear strips along major roads because of the need for individual access and exposure. The similarity in site requirements between these uses and the automotive uses gives rise to what are called commercial strips such as the one along the Gaetz Avenue corridor through the centre of Red Deer.
- Specialized (usually independent rather than chain) retail uses that seek locations in areas such as Downtown, small older commercial districts, or light industrial areas if they permit some retail use. Examples would include musical instrument stores, specialty book stores, antique stores…uses which are destination-oriented, do not need to be near an anchor store, do not need expensive, high visibility space, and for which only one or a few stores serve the whole trade area in a small city. There is not a need to designate new lands for these uses, as growth will tend to take the form of infill and intensification in existing areas.
- Neighbourhood-oriented retail and service uses that meet the day-to-day needs of residents, such as food stores, branch banks, pharmacies, dry cleaners, and hair care. These tend to be uses that people visit frequently and so they seek locations that are convenient and accessible to residential neighbourhoods, except that in Red Deer the central Gaetz corridor has captured much of this demand for a long time. The Gaetz corridor was central and convenient, but as the urbanizing edge of the City pushes out, there are opportunities for new neighbourhood-scale commercial areas nearer to these residential areas (such as East Hills Shopping Centre).

The market study indicates that there will be growth in all six of these categories during the forecast period.

By 2031 there will be demand for up to about 100 acres of additional land for regional centre development, including big box retail, lifestyle retail, and associated uses. Of this total, just over 40 acres is warranted by 2021. The recently approved Southpointe Junction development, adjacent to Southpointe Common at the south entrance to the City, includes about 30 acres of land for commercial development on large pads in a single-storey configuration, so this project can meet most of the demand for regional-oriented use in the coming decade (although all of this inventory is controlled by a single party, which does not create a very competitive land market). There is a need to designate up to an additional 60 to 70 acres of land to accommodate potential to 2031 for regional retail. This additional land could be concentrated in one location or possibly divided into two different sites.

There is also a need for additional automotive and automobile-oriented lands, which should be on sites with frontage on appropriate major roads. These lands will accommodate automotive commercial uses and also the regional-oriented uses that require frontage on main roads for accessibility and visibility. Some of these “strip” uses can locate in a regional centre or even in Downtown, but most will prefer locations on main roads. The form of development tends to be very low density, single storey, and single use with surface parking.

Downtown will see limited retail growth over the next two decades (likely a maximum of about 5% to 10% of total retail growth). This is partly because only a small portion of future residential development is likely to occur in the core and partly because of land availability. There will be small incremental increases to the Downtown retail inventory as a result of the small growth in the Downtown resident population, growth in the day-time office population, and increased opportunities for small, independent, specialty retail and service businesses as the entire trade area grows. Residential development in Riverlands and Railyards will generate some retail demand, but even an extra 5,000 people would only support 100,000 square feet of local commercial space.

There is an opportunity for up to 8 District Centres (in most cases anchored by grocery stores) to meet the needs of existing neighbourhoods that are under-served and the needs of anticipated residential growth in Red Deer. In rough terms, there will demand for about 4 of these centres over the next 10 years and then 4 in the subsequent decade. This demand for local-oriented retail/service space could be accommodated in smaller centres or some of it could be incorporated into a larger regional centre, depending on location. If this demand takes the form of free-standing neighbourhood shopping centres, a typical centre is likely to be on the order of 100,000 to 150,000 square feet, anchored by a supermarket of say 40,000 square feet, and on a site of say 9 to 13 net acres (for the retail component), in addition to land for other possible uses such as fuel stations. These centres can also accommodate some types of office use and can serve as focal points for multifamily residential and some civic uses (e.g. library). Depending on the size of the local trade area, the retail component could be larger, provided it retains a walkable pedestrian scale and contains neighbourhood-oriented (not regional) uses.

There will also be demand for small convenience-retail sites in individual neighbourhoods (convenience stores, gas stations, fast food, coffee shops).

4.10 Commercial Development Policy

4.10.1 Objectives

We understand that the City wants to accommodate all of its future commercial development potential, because it brings jobs, investment, and non-residential tax base. Therefore, policies and regulations that govern commercial development must reflect market realities. At the same time, the City wants to try to influence commercial development patterns to achieve a higher quality urban environment and to achieve planning goals including:

- Strengthen Downtown.
- Create a more urban and pedestrian-oriented character in commercial development in suburban locations.
- Achieve more integration of commercial and residential development patterns, to facilitate the creation of centres that encourage densification, are more walkable, and are more attractive living environments than typical suburban development forms.

The planning challenge is to find ways to achieve these objectives without deflecting market interest away from the City. This means finding a reasonable balance between the preferences and requirements of the commercial market and the land use and urban design objectives of the City.

4.10.2 Scope of Commercial Development Policy

In order to accommodate future commercial development prospects and try to achieve the City"s objectives for the character of commercial and community development, there is a need for policy in these main areas:

- Hierarchy of commercial locations.
- Location and character of regional centres.
- Location and character of District Centres.
- Downtown development.
- Location of automobile-oriented development.

The following sections address each of these policy areas. The City"s objectives for suburban development, including the integration of commercial and residential planning, require multifamily development policies as well. These are addressed in Section 7.0.

4.10.3 Heirarchy of Commercial Locations

The City‟s MDP currently outlines a hierarchy of commercial locations as follows:

- Greater Downtown (commercial, residential, mixed-use, and other uses at relatively high density serving the city and region as the dominant commercial centre).
- Town Centres (commercial, residential, and mixed-uses, developed in the form of a dense node and serving a large sector of the city and region).
- Arterial Commercial (mainly vehicle-oriented commercial uses developed at relatively low density and serving the city and region).
- District Commercial (commercial uses serving several neighbourhoods).
- Neighbourhood Commercial (small scale commercial uses serving one or two neighbourhoods).

This hierarchy does not completely accurately reflect the existing pattern of commercial development or the outlook for commercial development potential over the next 20 years.

We have made a detailed comparison between current policy and the actual market situation. This comparison is presented in the following five bullets and is illustrated with some photographs at the end of the bullets.

- Downtown is Red Deer‟s business and government centre, but it is not the trade area‟s dominant retail centre. The Gaetz corridor south of Downtown (which contains Bower Place Mall and the Southpointe area) has become the dominant retail centre based on total amount of retail floorspace. Downtown‟s role as a business and government centre should be emphasized.
- Red Deer has large retail nodes that are regional shopping centres, but they do not fit the MDP description of a Town Centre. Photos 1 and 2 show examples of high density mixed-use development in an urban setting. Red Deer‟s existing regional centres (Bower, Parkland, and Southpointe) are large concentrations of regional-oriented space but they do not include mixed-use development of the type shown in Photos 1 and 2. The projects have nearby multifamily residential land use, but not in the sense articulated in the MDP Town Centre description. Most future regionally-oriented retail potential will tend to be low density and automobile oriented with limited prospects for true mixed-use, higher density, urban-character development, based on the market outlook. Photos 3 through 6 show a recent example of a regional centre (Burnaby, BC) in which there has been an emphasis on landscaping, pedestrian-friendly parking, and the relationship of buildings to roads. However, the project is still entirely suburban in character because of the fundamental nature of these retail uses.

  There is a need for two changes to the regional Town Centre part of the existing hierarchy in the MDP.

First, in our view the hierarchy should be complete, in the sense that all existing and future commercial locations have a place in the hierarchy. Currently, neither Bower Place, Parkland, nor Southpointe Commons "fit" in the hierarchy, being neither Town Centres nor arterial commercial. Consequently, the MDP and the Land Use Bylaw are not aligned. As the MDP expresses the intent of having MDP policy reflected in the LUB, the MDP should be adjusted. The hierarchy should include a regional shopping centre category for (at least) Bower Place, Parkland, and Southpointe Commons.

Second, the hierarchy should anticipate the likely future character of regional-oriented retail. In our view, it is likely that most future regional retail of the large floorplate variety will locate in low density projects. The hierarchy should anticipate the fact that future commercial growth is likely to include additional regional shopping centre locations which will not be Town Centres as currently defined in the MDP.

- Red Deer does have large, linear arterial commercial areas, primarily in the central Gaetz corridor, that serve the entire city and region. There will be more demand for this type of location in the future, so the existing Arterial Commercial category should be retained in the MDP.
- There are a few projects in Red Deer that could be considered District Centres (i.e. commercial uses serving several neighbourhoods) or Neighbourhood Centres such as East Hills Shopping Centre. The MDP policy statement makes no reference to multifamily residential or civic use being part of a District or Neighbourhood Centre and the City‟s neighbourhood planning guidelines do not call for a strong relationship between residential planning and commercial planning for these centres. There will be demand for more local-oriented commercial development of the District Centre or Neighbourhood Commercial type as Red Deer‟s fringe develops with residential use. These will create an opportunity for more integration with multifamily residential and possibly office and civic use. Whether these are called "district" or "neighbourhood" centres is not important; the key is defining their role and character. Photos 7 through 14 show examples of neighbourhood centres that have a strong relationship with multifamily residential. The commercial and residential projects face each other and are oriented to local streets, rather than having residential back onto commercial development. In contrast, Photo 15 is an aerial view of Red Deer‟s East Hills Shopping Centre which shows residential use backing onto commercial.
- There are scattered small commercial projects, usually containing convenience retail and service uses. There will be opportunities for more of these small convenience projects in developing residential neighbourhoods, so a category along the lines of the existing Neighbourhood Commercial should be retained in the MDP.

Photo 1

Photo 2

Photo 3

Photo 4

Photo 5

Photo 6

Photo 7

Photo 8

Photo 9

Photo 10

Photo 11

Photo 12

Photo 13

Photo 14

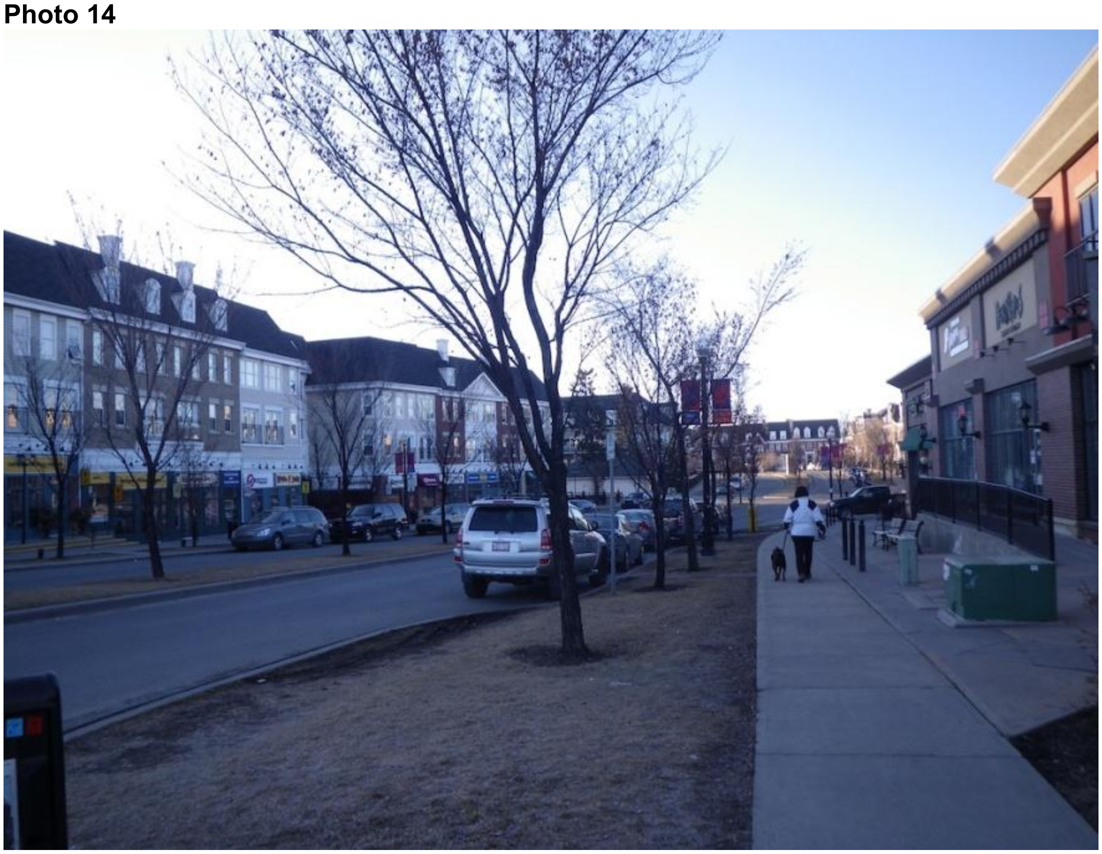


Photo 15

In order to create a better fit between the City‟s objectives and market prospects, we suggest that Red Deer re-tool its policy on commercial location hierarchy along these lines (and using language as similar as possible to the existing MDP policy 12.2):

- Greater Downtown: the dominant business and government centre in the City, consisting of office uses, retail/service uses, residential uses, government offices, institutional uses, and other uses developed at a relatively high density with strong urban character. Downtown is the preferred location for all major government, cultural, arts, and civic uses such as the main library. Downtown is also the preferred location for higher density office development that accommodates businesses of a head office or region-serving nature. High density residential and mixed-use development are also encouraged.

- Regional Town Centre: This is a dense urban node outside Downtown that contains retail of a regional scale, residential, mixed-use, and small or specialty retail uses in a dense, pedestrian-oriented node. A Regional Town Centre can also include hotel/motel and office uses. (Note: there are no existing nodes that match this description and there are not likely to be any proposed development of this sort during the forecast period for this study).

- Regional Shopping Centre: this is a regional oriented shopping centre with large floor plate retailers in a relatively low density form. Bower Place is a Regional Shopping Centre, although in a traditional enclosed mall format with a department store anchor and many small retailers. Southpointe Commons is a Regional Shopping Centre. Southpointe Junction does include some multifamily residential use that is adjacent to the commercial component, but the commercial space is single storey, single-use, low density and not pedestrian-oriented. There will be demand for more large scale regional-oriented retail (we estimate a requirement for up to 70 more acres in the forecast period) so there will be a need to designate additional Regional Shopping Centre(s). Because new Regional Shopping Centres will be low density, they should only include large floor plate users. Setting a minimum store size of say 10,000 square feet would limit the centres to mainly regional uses that are not pedestrian-oriented and would require that smaller more specialized retail retailers be located in Downtown, Bower Place, Parkland, or smaller mixed use centres. A Regional Shopping Centre would not have to include residential and should not include office use (in contrast to a Regional Town Centre).

- Arterial Commercial: vehicle-oriented uses fronting on major roads, developed at a relatively low density and serving the city and region. This category remains the same as in the current MDP.

- District Centre: a local-oriented shopping centre anchored by a grocery store and containing a mix of retail, service, and locally-oriented office uses, and serving as a focal point for multifamily housing and civic uses. This is a re-working of the existing MDP categories for District Centre and Neighbourhood Centre. The existing MDP distinguishes between District and Neighbourhood Centres based on the number of neighbourhoods served, although the distinction is not crisp.

  We propose a single category for local/neighbourhood oriented commercial nodes that serve suburban residential neighbourhoods, contain a supermarket and other convenience retail, serve as a focal point for multifamily development, and that could include some local-oriented office uses (e.g. medical/dental, insurance, real estates).

  East Hills Shopping Centre illustrates this kind of centre to some extent.

  These centres do not have to include vertical mixed use, but they should include a land-use mix of retail, housing, office, and possibly community uses (e.g. daycare, branch library).

  In round numbers, about 7,000 to 8,000 people are needed to support a typical supermarket (say 30,000 to 40,000 square feet), so the local trade area for a District Centre is about this size. We understand that a typical quarter section of new community development in Red Deer has a total capacity of about 1,000 housing units, or about 2,500 people. This suggests a pattern in which there is a District Centre for every 3 or 4 quarter sections of residential development.

- Convenience Commercial: a small local-oriented commercial project containing convenience retail and service uses meeting the day-to-day needs of nearby residents and containing uses such as convenience store, hair care, food/beverage, movie rental, and small retail. In rough terms, there would be one of these in each quarter section of new development. This category would replace the existing Neighbourhood Commercial category in the MDP.

4.10.4 Location and Character of Regional Centres

As previously noted, demand for regionally-oriented retail will require the designation of up to about 70 acres of additional land for regional retail uses by 2031, based on the high forecast. The already-approved Southpointe Junction can accommodate near-future demand, but the City should decide on the preferred location(s) of the next regional centre(s), that will be needed in 5 to 10 years.

The City has been anticipating that the next major regional centre will be the form of a Town Centre (as defined in the current MDP), with mixed use development (including residential), some parking in structure (to reduce the land allocated to surface parking), urban character, and pedestrian orientation. The difficulty with this view is that it is inconsistent with the nature of the major retailers that will seek a regional shopping centre location. The next regional centre will need to accommodate demand for large floor plate users, such as discount department store, home improvement, and electronics as well as the kinds of retailers likely to locate in a lifestyle centre (such as housewares and fashion). Essentially, the next regional centre is likely to have much in common with the form of development currently occurring in the Southpointe area. This form of development is single use, single storey, heavily automobile-oriented, and not pedestrian oriented (shoppers may walk between retailers within the project once they arrive, but virtually all customers travel to the project by car). This form is not consistent with the City"s current view of a regional town centre, but it is consistent with the nature of the retailers involved. Generally, these retailers can be characterized as:

- Having one or two outlets that will serve the entire trade area, such that virtually all customers will arrive by car.
- Requiring relatively large floor plates that are easily accommodated in a large new development but very difficult to accommodate in an established urban area.
- Selling goods that are large and bulky, which requires automobile access.
- Sensitive to the customer preference in small communities to park in surface lots rather than parking garages, because of vehicle size, perceived convenience, and perceived ease of parking.

Experience shows that in most Western Canadian communities, these retailers will prefer large sites on major roads in order to maximize convenience for regional trade area shoppers. Only in extraordinary circumstances can these uses be found in higher density mixed-use developments with structured parking. This tends to occur in the core of large urban regions, where large sites are difficult to assemble, land is very expensive, and the customer base is so concentrated that a significant proportion of customers do walk or come by transit (note that a high proportion of such customers live in high density residential environments meaning that the nature of their purchases tends to be different and there tends to be a greater reliance on delivery of bulky items). In Greater Vancouver, for example, only in the highest density areas can one find big box stores in dense projects; most big box stores in the region are still being accommodated in typical power centre and lifestyle centre environments (see photos 3 to 6). This will change over time, due to pressures from land values and pressure for reduction of carbon footprints, but at least for the next two decades Red Deer should assume that regionally-oriented large format retailers will want to locate in a power centre environment. Trying to force these retailers into a model they do not think is viable in a small community may result in them seeking locations just outside the City.

We suggest that the City consider designating a location for the next regional centre and we suggest that this will likely take the form of a Regional Shopping Centre as defined in our proposed hierarchy.

Drawing 1 shows locations for regional-scale retail development.

- Location A is the already-approved Southpointe development, included for reference. This is the largest existing concentration of major retailers and it has the capacity to absorb demand for all of the regional centre type growth over the next 5 to 10 years.
- Location B is in the vicinity of the City-owned site that has been under consideration for regional retail use. This site has the advantages of being readily available for development, already designated in plans, on the east side of the City (where most recent and near future residential development is located), on a major road, and near an intersection with the proposed future ring road. The Administration Position Paper shows a regional node in this location.
- Location C is not currently designated for regional retail, but it has significant advantages for this use. The location is at major intersection and provides excellent accessibility and exposure from a trade area perspective. The site is at the north end of town (balancing Southpointe at the opposite side), which has the advantage of helping to maximize sales inflow from parts of the trade area north of Red Deer and minimizing outflow from northern parts of the trade area to the very large concentration of retail at the south end of Edmonton. The Administration Position Paper shows a regional node in this general area.

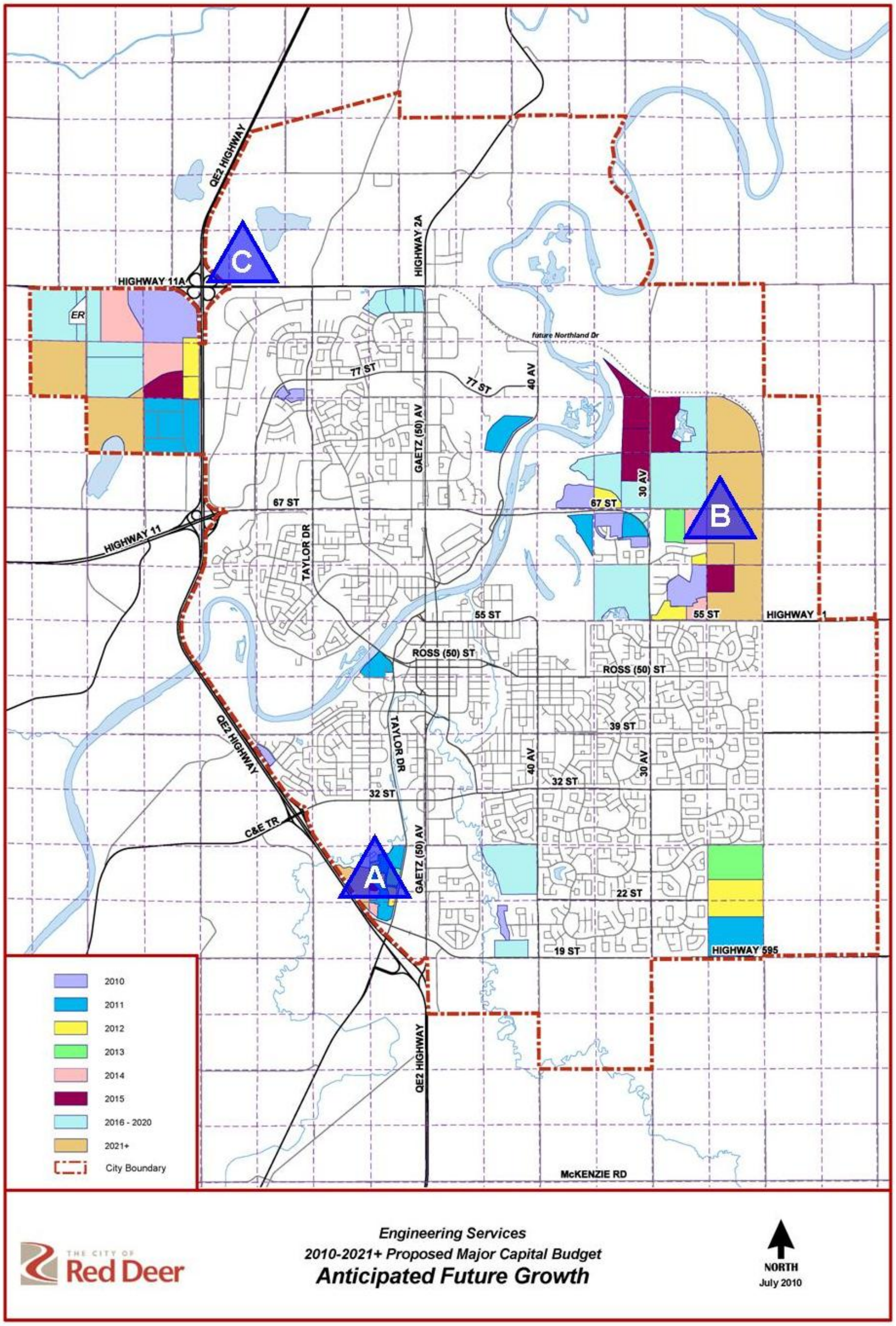
If location B is not developed for regional retail, an obvious alternative land use is residential. There is a proposed District Centre nearby, so there would be only limited demand for commercial on the City site in the absence of a regional centre. If Location C is not developed for a regional centre, It has residential potential and would, therefore, be possible candidate for a District Centre assuming the total size of the residential component is large enough.

The City could designate B or C for future Regional Shopping Centre, in order to provide market choice and to address the large retail shortfall on the east side of the City. Southpointe Junction can absorb retail demand for several years and it makes sense to allow this project to get closer to build-out before commencing development of a new Regional Shopping Centre. We suggest the City approach the designation of the next Regional Shopping Centre as follows:

- Designate one site to absorb regional demand to 2031 or so and a second site for longer term development.

- We lean toward C because of its location in the region and relative to A, although the City could have dialogue with major retail chains about this decision.

Drawing 1: Possible Locations for Regional Centres



Disclaimer: All locations are conceptual. They are based on input from City of Red Deer Land and Economic Development Department and are subject to detailed statutory land use planning.

As to the form and character of the next regional centre, the City should consider these guidelines for a Regional Shopping Centre:

- The retail uses are likely to be single storey and single-use. There is not much point in requiring vertically mixed-use development, because the larger retailers will have floor plates that are larger than a typical low-rise apartment building foot print.
- The size of retail and service uses should be regulated carefully. The purpose of the Regional Shopping Centre is to provide locations for large, regionally-oriented businesses not suitable for inclusion in Downtown or a District Centre. Uses should be large format retailers, generally with a floor area over about 10,000 square feet. Alternatively, if a developer makes a commitment to create a true Regional Town Centre (as defined in our proposed hierarchy), then smaller retailers can be included.
- Parking will be surface. In order to reduce the visual impact of large parking areas, pedestrian paths, medians, and landscaping can be used to break the parking into smaller areas. These smaller areas also create opportunities for pedestrian circulation.
- There is not much advantage in trying to integrate high density residential within the part of the Regional Shopping Centre occupied by large big box stores. While townhouse or apartment units could be located nearby (as in the Southpointe Junction project), the scale and character of the retail uses means that residents of the multifamily housing will not usually walk to shop anyway. There is a much greater chance of encouraging walking by locating apartments in Downtown or near neighbourhood-scale shopping centres.
- The retail development will be inherently automobile-oriented because the stores will draw on the whole trade area. Few customers will walk to the project. However, once at the project there is value in making it safe, convenient, and attractive to walk around. This can be achieved using design features such as: creating pedestrian pathways that are clearly marked (using different paving, concrete curbs, and/or landscaping), providing pedestrian-scale lighting as well as taller parking lot lighting, using landscaping to break up the parking into smaller sections, and siting the store pads to minimize walking distances (See Photo 3).
- It is difficult to create a truly urban streetscape character in a regional shopping centre, partly because of the large size of the retailers and the low overall density of development. Also, retailers strongly dislike double-fronted stores, so the main entrance is usually oriented to the main parking areas. Pushing the buildings out to the street frontage (in order to create built form along the street edge) can look better than having buildings set back a long way, but the building elevation along the street will often be a side or rear wall, so no street interest is really created. If the Regional Shopping Centre is located on a major road (or at a major intersection), there is not likely to be much pedestrian use of the street front anyway, so orienting buildings to the road is mainly a visual treatment not a functional one. A solution that works is to have at least some of the retailers mainly oriented to the street and the rest

oriented to interior parking areas. When the building elevations along street fronts are the side or rear of stores, these should be attractively landscaped (see Photo 5).

- If a developer aims to create a true Regional Town Centre, the best opportunity for mixed-use and pedestrian character would be in the part of the project occupied by the smaller lifestyle and housewares chains.

4.10.5 District Centres

The market analysis indicates potential for up to 8 neighbourhood-oriented commercial centres to meet the needs of residents of the developing communities on the City"s edges over the next 20 years. Some of these District Centres can also be located so as to address current deficiencies of retail, particularly on the east side of Red Deer.

The development of new District Centres is an excellent opportunity to create a much stronger relationship between commercial development and future multifamily residential development, because of the scale and character of retail use in a local-oriented centre.

A District Centre should be developed along these lines:

- A main retail site of about 10 to 15 acres, with additional land for office and multifamily residential.
- A supermarket anchor likely in the range of 25,000 to 50,000 square feet.
- Typically, a total of about 100,000 to 150,000 square feet of retail and service space to accommodate a wide variety of the uses that people use frequently within their neighbourhoods, such as groceries, pharmacy, hair care, movie rental, beer/wine/liquor, cafes and fast food, restaurants, cleaners, small specialty retailers (e.g. florist, gifts, books, bakery, butcher). Total size could be larger, depending on the trade area, provided that the scale remains walkable and the uses are neighbourhood-oriented, not regional in scale. A District Centre would not, for example, include a large home improvement store or automobile sales.
- Include neighbourhood-oriented office uses such as medical/dental, yoga studio, branch financial institutions, realty, insurance.
- Include local-oriented civic uses such as a branch library or some kinds of recreational facilities.
- Possibly include additional land for additional complementary uses such as a gas station.
- Surrounded by multifamily residential development (apartment and townhouse) with a well-designed network of road and pedestrian connections to make the area walkable.
- Include outdoor public space.

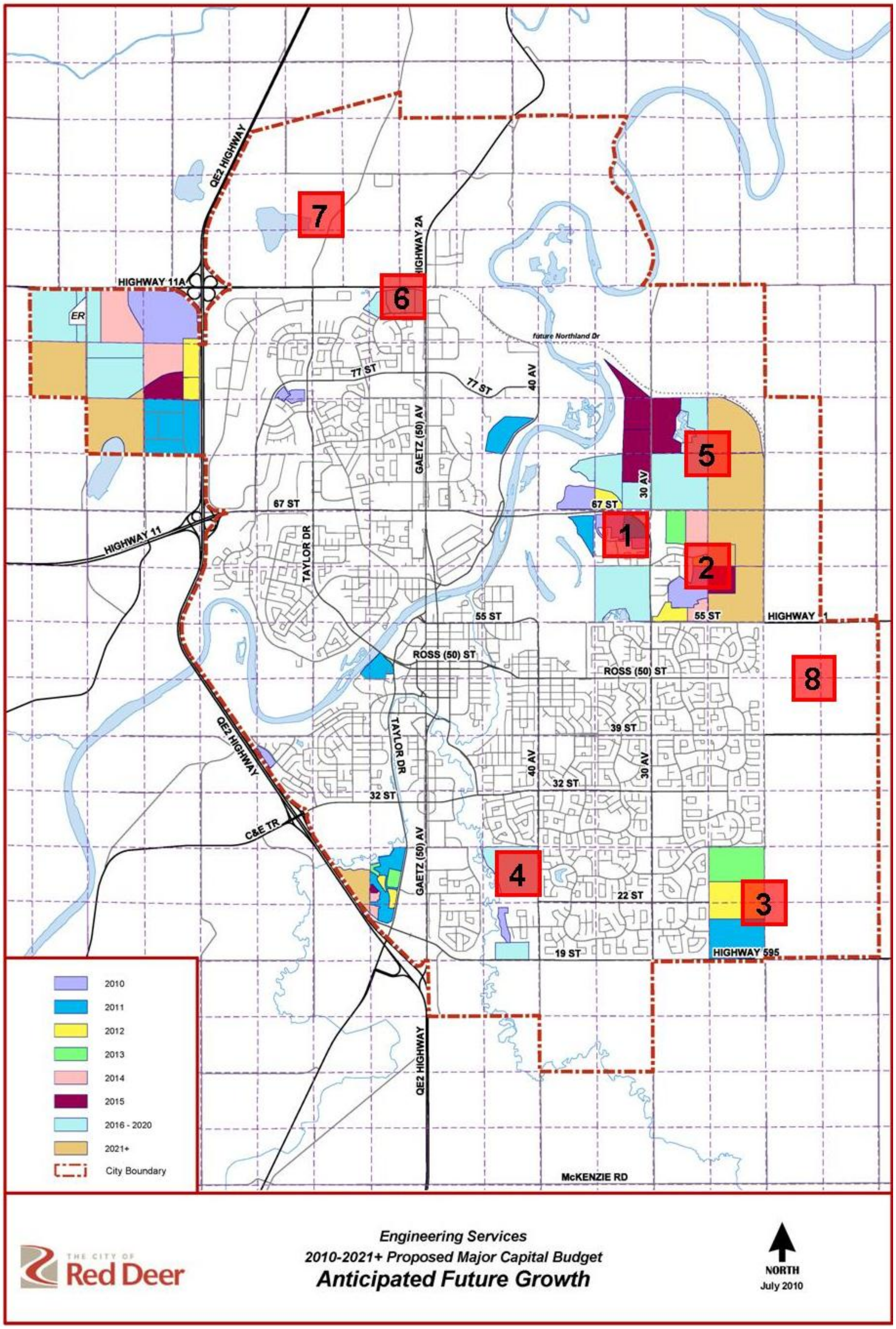
Drawing 2 shows (highly schematically) 8 potential locations for District Centres that are supportable during the next two decades or so based on planned residential growth.

These locations are based on a combination of existing under-served residential areas, actual development proposals, and the City"s current thinking about the timing of servicing and residential development of vacant lands. These locations are not definitive; they simply indicate areas in which future Area Structure Plans or Neighbourhood Structure Plans should consider the potential for including neighbourhood-oriented commercial centres and multifamily housing.

Sites for District Centres should be shown schematically in the MDP and then fixed during Area Structure planning, with refinement at the Neighbourhood Structure Planning phase.

These centres should be spaced to create local trading areas of about 8,000 to 10,000 people and to avoid concentrating this local-oriented development in too few locations, which would reduce the potential of these centres to provide pedestrian-oriented neighbourhood focal points.

Drawing 2: Possible Locations for District Centres



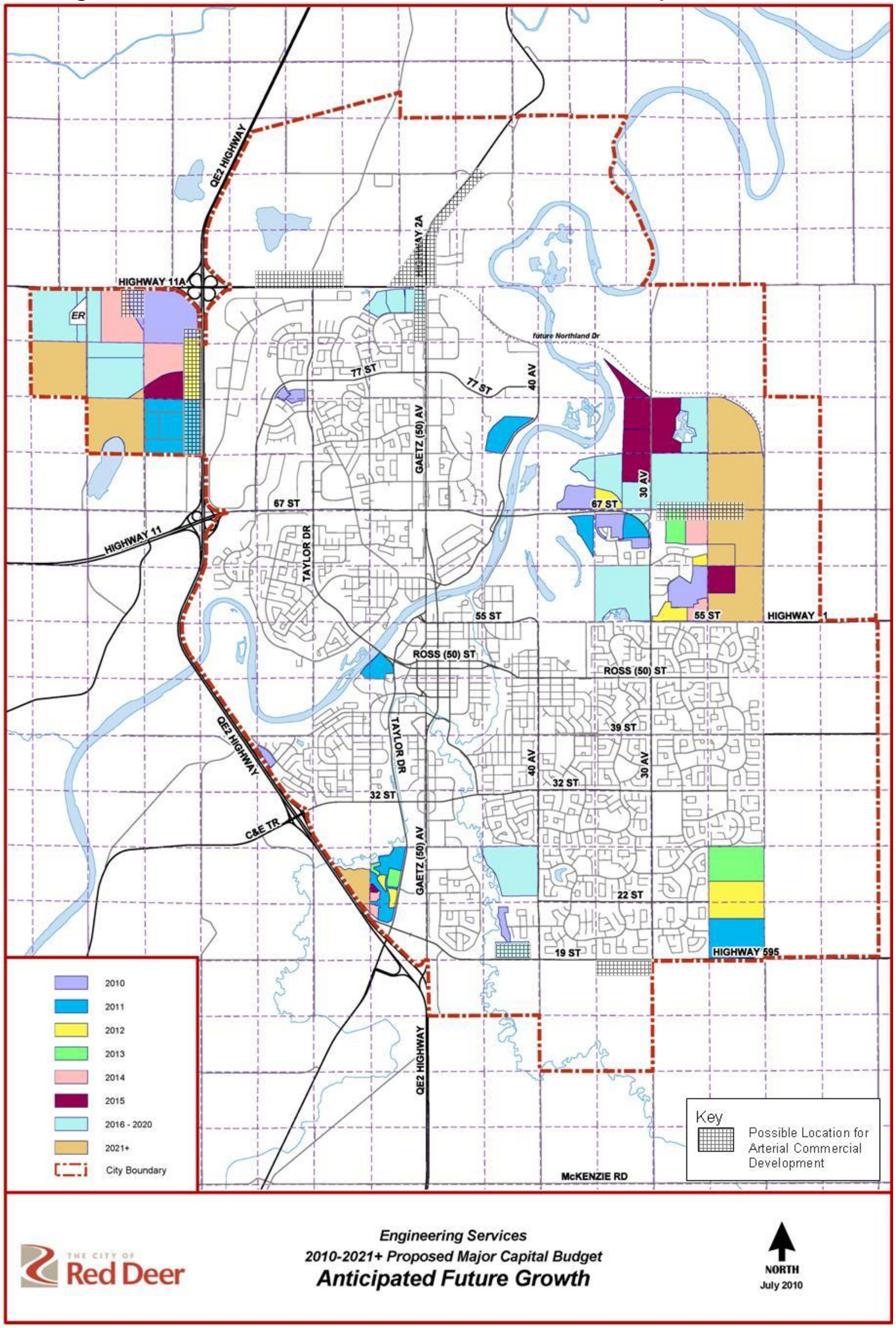
Disclaimer: All locations are conceptual. They are based on input from City of Red Deer Land and Economic Development Department and are subject to detailed statutory land use planning.

4.10.6 Arterial Commercial Development

There will be demand for automotive uses (e.g. service stations, auto/truck sales, auto/truck repair) and automobile oriented uses (e.g. motels, boat sales) that require sites with high accessibility and visibility. These uses are not appropriate for pedestrian-oriented locations (such as Downtown or District Centres), but they can be located on arterial or highway frontages near commercial centres.

Drawing 3 shows (schematically) some possible locations for future arterial commercial development. No significant changes are needed to existing MDP policies.

Drawing 3: Possible Locations for Arterial Commercial Development



Disclaimer: All locations are conceptual. They are based on input from City of Red Deer Land and Economic Development Department and are subject to detailed statutory land use planning.

4.10.7 Infill Development

There will also be potential for infill development at existing commercial centres if land use intensifies. This intensification should be encouraged as it uses land more efficiently and reduces the need for additional commercial lands in peripheral locations.

4.10.8 Downtown

Downtown should remain the dominant regional business and government centre and ideally will attract a significant share of future apartment development. Downtown will attract some specialty retail and some local-oriented retail but its total share of future retail growth will be small.

No significant changes are needed to existing MDP policies about Downtown.

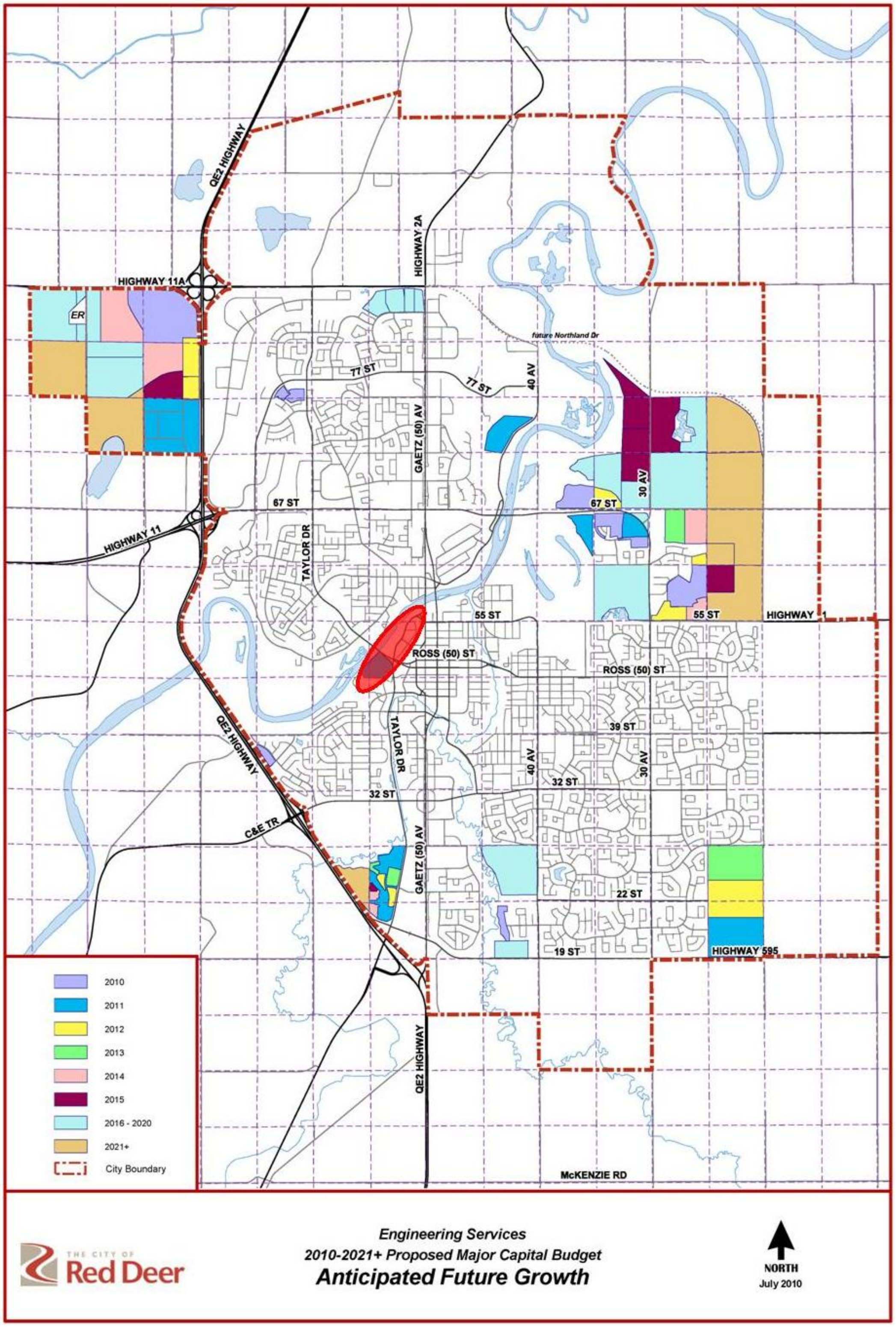
The Drawing 4 shows the location of lands in Riverlands and Railyards that are proposed for commercial, residential and mixed-use development. Some refinements may be warranted for the Riverlands and Railyards plans:

- There is likely not enough development potential for both of these areas to develop simultaneously, so the City needs a phasing strategy.
- In order to attract residential developers to these locations, the City should invest in services, roads, and public realm improvements so that development sites are truly development-ready.
- Plans should include provision for local retail to meet the needs of residents.
- We do not see an opportunity for a Public Market, as is suggested in current plans. We have extensive experience with Public Markets (e.g. Granville Island in Vancouver, Forks Market in Winnipeg, St. Lawrence Market in Toronto, and ByWard Market in Ottawa). In our view Red Deer"s trade area is not large enough or sufficiently densely developed to be viable for a full-time specialty food market.

There are some steps the City can take to encourage more Downtown retail development, including:

- Attracting multifamily residential development, which supports local retail.
- Concentrating public sector offices and civic facilities in the core.
- Concentrating regional-oriented office uses in the core.
- Creating an attractive core area public ream (attractive and well-maintained sidewalks, street lighting, landscaping).
- Encouraging and assisting the activities of BRZ type organizations.
- Identifying locations in which grade-level retail is a mandatory component of new development projects.

Drawing 4: Possible Location for Greater Downtown Mixed-Use Development



Disclaimer: All locations are conceptual. They are based on input from City of Red Deer Land and Economic Development Department and are subject to detailed statutory land use planning.

4.10.9 Stakeholder Comments

We reviewed our draft forecasts and policy directions with some participants in Red Deer‟s development and retail community, to see if their perspectives were consistent with ours. The input we received can be summarized as follows:

Trade Area

- Agreement with our regional trade area boundary as the main source of Red Deer retail potential, with the proviso that some trade is imported from areas further west and east.
- Agreement that there is not much retail leakage to Edmonton and Calgary.
- Observation that some regional residents come to Red Deer even though Edmonton or Calgary might be closer, because they are comfortable with Red Deer‟s scale.

Regional Retail

- Red Deer is well-served by regional uses and there are not likely to be many new big box chains in the short term.
- Regional retail growth will tend to occur in south Red Deer for the foreseeable future.
- Agreement that there is little potential for vertical mixed-used development in regional retail centres.
- Differing views on future regional retail. Some think the designated East Hill Town Centre area is a good location because of residential growth, but others are not convinced.

Supermarkets and District Centres

- Strong interest in locations on the east side.
- At least one grocery store is warranted around the designated Town Centre site and at least one further south. Possible potential for a store in Gasoline Alley.
- Possible opportunity in the northwest, but attention is currently focused on the east side.
- Agreement that more District Centre sites should be approved.

Downtown

- Has a good retail mix, but needs more residents to support more retail.
- With 3 supermarkets already, most new retail potential is for small retail and service.
- Major retail development in South Red Deer may have helped Downtown by holding more retail spending in the trade area.

5.0 Office Development Prospects

5.1 Current Inventory

Red Deer has an existing office inventory of about 1.4 million sq.ft. (including some space to the South of Red Deer in the County). As shown in Exhibit 34, over 74% of existing office space is located in the Downtown. The remainder is primarily spread along the Gaetz Avenue corridor to the north and south of Downtown.

Exhibit 34: Current Office Space Inventory in Red Deer by Sub-Area (Square Feet)

Sub Area	Total
Downtown	1,046,955
Downtown Fringe	33,461
Northwest	91,535
Northeast	3,352
Southwest	170,126
County South of the City	65,486
Grand Total	**1,410,915**

Source: City of Red Deer Assessment Database, 2010

5.2 Office Space per Capita

Based on data that we have for other office markets in western Canada, communities with office markets comprised primarily of businesses that serve the local community (such as medical tenants, local government, realty companies, local insurance agents, financial service companies, accountants, small law offices, social services) typically have between 8 and 10 sq.ft. of office space per capita. Communities with higher office space per capita ratios include businesses that serve broader markets (such as provincial, national or international markets).

Red Deer currently has about 15 sq.ft. of office space per capita, suggesting it includes a significant amount of office space occupied by businesses that serve a broader market area. However, based on our fieldwork, almost all office users in Red Deer appear to be businesses or organizations serving the local community (one notable exception is Nova Chemicals). Red Deer‟s relatively high office space per capita figure is, therefore, due to its role as the main office and service centre for a large regional trade area. Because of this role, much of the office space in Red Deer is supported by residents from other parts of the regional trade area. Overall, there is about 7.5 sq.ft. of office space per capita in Red Deer for each of the 188,000 residents of the regional trade area.

Demand for the existing 1.41 million sq.ft. of office can be divided approximately as follows:

1. Each resident of the primary trade area supports roughly 10 sq.ft. of locally oriented office space, resulting in demand for about 905,000 sq.ft. of the 1.41 million sq.ft.[16] of the existing office inventory.
2. Each resident of the secondary trade area likely support about 5 sq.ft.[17] of office space in Red Deer generating demand for the remaining 505,000 sq.ft. of existing space. Each resident of the secondary trade area also support a further 3 to 5 sq.ft. of office space in the other parts of the regional trade area.

Exhibit 35 summarizes our estimates sources of demand for office space in Red Deer (and Gasoline Alley).

Exhibit 35: Estimated Source of Office Space Demand in Red Deer (and Gasoline Alley)

	Primary Trade Area Residents (Red Deer and Gasoline Alley Residents)	Secondary Trade Area Residents	Total (Regional Trade Area)
Population	90,574	97,345	187,919
Office Space Per Capita Supported in Red Deer	10 sq.ft.	5.2 sq.ft.	7.5 sq.ft.
Total Office Space Supported in Red Deer	905,740 sq.ft.	505,175 sq.ft.	1,410,915 sq.ft.

Source: Coriolis Consulting Corp., 2010

5.3 Development Trends

Between 2002 and 2009 permits were issued for a total of 281,000 sq.ft. of new office space in the City of Red Deer, or an average of about 35,000 sq.ft. per year. Over this same period population growth averaged about 2,700 people per year.[18]

Exhibit 36 below shows the distribution of building permits issued for new office projects in Red Deer over this time frame. Office development has been focused in the Downtown (about 80% of recent development). Developments outside of the Downtown have tended to be smaller scale.

[16] 90,574 existing residents in Red Deer and Gasoline Alley x 10 sq.ft. per capita = 905,000 sq.ft.

[17] 505,000 sq.ft. / 97,344 residents in other parts of the trade = 5.2 sq.ft. per capita.

[18] Based on year-over-year population growth data available from Red Deer, “Municipal Census Report.” 1999 through 2009.

Exhibit 36: Office Building Permits Issued in Red Deer between 2002 and 2009 by Sub-Area (All Figures in Square Feet)

Sub-Area	2002	2003	2004	2005	2006	2007	2008	2009	Grand Total
Downtown	-	98,208	700	-	-	107,384	-	20,000	226,292
Downtown Fringe	-	-	-	-	3,780	-	-	-	3,780
Northwest	3,600	-	14,219	-	-	-	22,000	-	39,819
Southeast	-	9,200	-	-	-	-	-	-	9,200
Southwest	-	-	-	-	-	-	2,400	-	2,400
Grand Total	3,600	107,408	14,919	-	3,780	107,384	24,400	20,000	281,491

Source: City of Red Deer, Historic Commercial Permit Data (2002-2009)

5.4 Office Projects Under Construction or Planned

We are aware of four office projects in Red Deer that are either under construction or planned.

1. Executive Place is a 12 storey office building at 4900 Ross Street in Downtown that is currently under construction. This project includes about 102,000 sq.ft. of space, including retail at grade.
2. Riverlands Gate is a two storey 20,000 office building that is under construction, located at 4327 54th Avenue near the Red Deer Regional Hospital.
3. Skyway Professional Centre is planned medical office building that is preleasing, located at 5156 43rd Street, near the Red Deer Regional Hospital. The 8 storey building is planned to include up to 96,000 sq.ft. of space, including about 11,000 sq.ft. of grade level retail space. However, about half of this space may not proceed in the first phase.
4. The 5 Star Business Centre is a planned 40,000 sq.ft. two storey office building located in Gasoline Alley on Scott Drive. The project is currently preleasing.

In total, these projects could bring about 240,000[19] sq.ft. of new office and retail space to the market if they all proceed as planned. This would be equivalent to a 17% increase in the existing office inventory in Red Deer.

5.5 Financial Viability of New Office Development

The City is interested in encouraging office development in Downtown. Going forward, Downtown"s share of City-wide office development will depend largely on its competitive advantages and disadvantages relative to other locations that are able to absorb additional office development.

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19 This assumes that Executive Place and Skyway include a total of 18,000 sq.ft. of grade level retail space combined.

We analyzed the economic performance of office development to help determine the types of office projects and the locations that will be financially attractive for developers in the foreseeable future. Our analysis examined the following hypothetical office projects (shown in Exhibits B1 to B3 in Appendix B):

1. A 2 or 3 storey office project (0.6 FAR) with surface parking.
2. A high density office project (3.0 FAR), with parking primarily underground.

To help determine whether redevelopment in Downtown is financially attractive, the estimated land value supported by these different types of office projects was compared to the estimated value of existing low density commercial properties in Downtown (Exhibit B1), which might be considered candidates for redevelopment. For redevelopment to occur, the land value that is supportable by new office development needs to match or exceed the value supported by the existing use of the property. Otherwise, it is more attractive to retain the existing use.

Detailed assumptions about project value, costs and profit are included in the Exhibits. Revenue assumptions are based on lease rates at new office projects marketing in Red Deer in early 2010. Hard construction cost and soft cost estimates draw on a variety of sources of office construction costs in Alberta. Other assumptions (such as property taxes and municipal levies) are based on current City of Red Deer bylaws.

The results of our analysis can be summarized as follows:

1. Exhibit B1 shows that a typical older, low density (single storey with significant surface parking) existing commercial site in Downtown would have a total market value of at least $45 to $50 per square foot of site area based on its income potential.
2. This value is supported by our review of recent property sales and listings in the Downtown area. In order for redevelopment of this type of site to be financially attractive, the land value supportable by new office development would need to match or exceed this estimated value supported by the existing use of the property.
3. Exhibit B2 shows that a 2 or 3 storey office project with surface parking supports a land value of about $20 per sq.ft. of site area. Therefore, this form of development is financially attractive if sites can be acquired for $20 per sq.ft. or less. Vacant sites zoned for office use can be acquired at this value (or lower) outside of Downtown so this form of office development is financially viable on vacant sites. However, this form of development is not financially attractive on sites currently improved with a low density existing commercial building so redevelopment is not viable.
4. Exhibit B3 shows that a high density office project with underground parking supports little or no land value under current market conditions. Therefore, this form of development is not currently viable. Lease rates would need to rise by at least 10% in order for high density office development to be financially attractive on sites currently improved with a low density existing commercial building. Despite this result, there is one high density office project with

structured parking that is currently under construction, Executive Place (Skyway Professional Centre includes surface parking). This project was planned during a period of strong office market conditions, prior to the downturn that resulted from the economic recession in late 2008. Under current market conditions, this project may not have proceeded. However, our sensitivity analysis shows that rents do not have to increase much for this form of development to become viable. Red Deer can help improve viability by looking at ways to reduce costs (e.g. relaxing parking requirements).

Overall, our financial analysis indicates that office development in suburban locations with surface parking is viable under existing market conditions. High density office with structured parking is not currently viable. Office development cannot support the land value required to generate redevelopment of existing Downtown commercial properties, but this will change as the market strengthens.

Therefore, under existing market conditions, it is understandable that developers are interested in building lower density office projects on vacant sites outside of Downtown.

5.6 Regional Factors

Red Deer will continue to be the main office centre for the regional trade area for the long term. Office users that serve a national or international market are likely to continue to locate in the larger centres of Calgary and Edmonton so Red Deer‟s office market will continue to be comprised mainly of locally oriented office users that serve the residents and businesses of Red Deer and the regional trade area.

5.7 Forecast

We used two different approaches to forecast future office space demand in Red Deer:

1. An office space per capita approach, which forecasts demand based on the projected population growth.
2. An approach based on extending the historic rate of office growth.

5.7.1 Office Space Per Capita Forecast

As outlined in Section 5.2, we estimate that each resident of the primary trade area (Red Deer and Gasoline Alley) supports roughly 10 sq.ft. of locally oriented office space in the Red Deer office market. The residents of the secondary trade area support about 5 sq.ft. of office space in the Red Deer market.

Applying these estimated existing office space per capita ratios to our population growth scenarios produces the lower and upper office demand scenario shown in Exhibits 37 and 38.

The two forecasts result in an increase in the office space inventory in Red Deer of about 625,000 to 810,000 square feet by 2031.

Exhibit 37: Lower Growth Office Space Forecast (2009-2031)

	2009	2021	2031	Potential Growth
Red Deer and Gasoline Alley Population	90,574	113,140	139,497	48,923
Rest of Trade Area Population	97,345	109,780	124,069	26,724
Total Trade Area	187,919	222,920	263,566	75,647
Office Space in Red Deer Supported by Red Deer Residents (10 sq.ft./capita)	905,740	1,131,400	1,394,970	489,230
Office Space in Red Deer Supported by other Trade Area Residents (approx. 5 sq.ft./capita)	505,175	569,708	643,862	138,687
Total Red Deer Office Space	**1,410,915**	**1,701,108**	**2,038,832**	**627,917**

Source: Coriolis Consulting Corp., 2010 estimates based on City of Red Deer assessment database.

Exhibit 38: Upper Growth Office Space Forecast (2009-2031)

	2009	2021	2031	Potential Growth
Red Deer and Gasoline Alley Population	90,574	117,800	152,064	61,490
Rest of Trade Area Population	97,345	113,590	134,351	37,006
Total Trade Area	187,919	231,390	286,415	98,496
Office Space in Red Deer Supported by Red Deer Residents (10 sq.ft./capita)	905,740	1,178,000	1,520,640	614,900
Office Space in Red Deer Supported by other Trade Area Residents (approx. 5 sq.ft./capita)	505,175	589,480	697,221	192,046
Total Red Deer Office Space	**1,410,915**	**1,767,480**	**2,217,861**	**806,946**

Source: Coriolis Consulting Corp., 2010 estimates based on City of Red Deer assessment database.

5.7.2 Recent Trends Continued

Between 2001 and 2009, office space in Red Deer increased by an average of approximately 35,000 sq.ft. per year. This included some years with little or no office construction and some years with significant construction activity.

We used this information to produce a lower growth scenario which assumes continued demand for 35,000 sq.ft. per year on average and a upper growth scenario which assumes a slight increase in annual demand[20] to say 40,000 sq.ft. per year on average.

The lower demand scenario would result in an additional 770,000 square feet of office space between 2009 and 2031, bringing the total inventory to approximately 2,180,915 sq.ft. by 2031. In the upper growth scenario, the inventory would increase by 880,000 sq.ft. to a total of 2,290,915 sq.ft. by 2031.

[20] This upper growth scenario allows for the possibility that, as the City grows, Red Deer might attract some additional demand from office users that serve regional (or broader) markets, not just locally oriented office users.

5.7.3 Summary and Comparison of Office Space Forecasts

As the summary table below illustrates, the two different approaches result in similar estimates of total future office space demand. Overall, we anticipate total office space demand to range between about 625,000 and 880,000 square feet between 2009 and 2031.

Exhibit 39: Summary of Results of Different Office Space Forecasting Methodologies (2009-2031)

Forecasting Method	Forecast	Potential Growth 2009 to 2021	Potential Growth 2022 to 2031	Potential Growth 2009 to 2031	Potential 2031 Office Space Inventory
Per Capita Methodology	Lower Growth Scenario	290,193	337,724	627,917	2,038,832
	Upper Growth Scenario	356,565	450,381	806,946	2,217,861
Recent Trends Methodology	Lower Growth Scenario	420,000	350,000	770,000	2,180,915
	Upper Growth Scenario	480,000	400,000	880,000	2,290,915

Source: Coriolis Consulting Corp., 2010 estimates based on City of Red Deer assessment database.

Projects currently under construction or planned could bring a total of about 240,000 square feet of office space to the market. Therefore, our projected demand would result in a requirement for 385,000 to 640,000 square feet of new office space in addition to the projects that are already under construction or planned.

We anticipate a high share of this projected demand will prefer to go to office projects located outside of Downtown because of the competitive lease rates, lower occupancy costs, lower construction costs (due to surface parking and lower land costs) offered by projects outside of Downtown, and the large share of office demand that is locally-oriented.

5.8 Prospects for Future Office Development

The market study anticipates potential for up to about 640,000 square feet of new office development in Red Deer over the next 20 years. Under current market conditions, there will be pressure for this development to occur in suburban locations, in low-rise buildings with surface parking. Some development will occur Downtown, but the breakeven rent to support high-rise concrete development with structured parking is higher than current rents. As the economy shifts to recovery and local office market conditions improve, there will be opportunities for Downtown office development targeted at the portion of the market that wants a concrete, high density, core location. The City can improve Downtown office prospects through measures such as:

- Maintaining Red Deer as the dominant government and civic centre.
- Examining parking requirements to see if they can be reduced.
- Limiting office development in suburban locations to office space that is local-oriented.
- Ensuring the Downtown public realm (sidewalks, landscaping, small parks, lighting) is attractive and well-maintained.

5.9 Office Policy

To reflect office market conditions and to help create strong commercial centres, the MDP office polices in section 12.6 should be revised along these lines:

- Office development is only allowed in Downtown, a Regional Town Centre, or a District Centre (i.e. not in a Regional Shopping Centre or in Arterial commercial areas).
- The maximum amount of office space in a Regional Town Centre is 125,000 square feet.
- The maximum amount of office space in a District Centre is 50,000 square feet and uses must be neighbourhood-oriented (e.g. medical/dental, insurance, or realty but not specialized businesses or headquarters).
- Subject to the above limits there is no limit to the size of a single office building or to the number of floors in office use.

The City can improve Downtown‟s office prospects through measures such as:

- Maintaining Red Deer as the dominant government and civic centre.
- Examining off-street parking requirements to see if they can be reduced, in order to reduce construction costs.
- Limiting office development in suburban locations to office space that is local-oriented.
- Ensuring the Downtown public realm (sidewalks, landscaping, small parks, lighting) is attractive and well-maintained.

6.0 Prospects for Visitor Accommodation Development

The following section provides an overview of the current accommodation market in Red Deer and its growth prospects over the study period (2009-2031).

6.1 Existing Situation

There are currently about 2,300 hotel and motel rooms at 24 properties in Red Deer. Two new properties are expected to open in Gasoline Alley early this spring which will add an additional 226 rooms to the inventory, bringing it up to about 2,530 rooms. Accommodations in Red Deer cater to a wide variety of clientele as illustrated in Exhibit 40 below.

Exhibit 40: Room Demand in Red Deer by Source Group (2007)

Source of Room Demand	Percentage of Total Demand
Industrial Crews	34.2%
Business Travellers	33.8%
Tourists	14.3%
Convention Groups	6.0%
Other	9.2%
Tour Groups	2.5%

Source: Government of Alberta, Tourism, Parks and Recreation Department, "Alberta Accommodation Statistics." 2007.

In 2007 average occupancy rates in Red Deer were approximately 62%, slightly below those in the Province‟s major tourist destinations, but on par with those in Lethbridge and Medicine Hat.[21] This indicates that although there is demand for accommodations in Red Deer, there is no immediate shortage of rooms. Two new hotels will soon be added to the inventory, likely meeting any additional existing unmet demand.

The average room rate in Red Deer in 2007 was about $90 per night, which was higher than rates in Lethbridge or Medicine Hat but far below those in Calgary, Edmonton, Lake Louise or Banff.[22]

[21] Source: Government of Alberta, Tourism, Parks and Recreation Department, "Alberta Accommodation Statistics." 2007.

[22] Source: Government of Alberta, Tourism, Parks and Recreation Department, "Alberta Accommodation Statistics 2007." 2009.

Exhibit 41: Average Room Rates by Select Destinations in Alberta (2007)

Destination	Average Room Rate
Banff	$144.88
Calgary	$127.26
Canmore	$132.37
Edmonton	$109.43
Jasper	$143.24
Lethbridge	$82.91
Medicine Hat	$95.00
Red Deer	$89.77

Source: Government of Alberta, Tourism, Parks and Recreation Department, "Alberta Accommodation Statistics." 2007.

6.2 Historic Trends

Exhibit 42 compares the average annual increase in the number of hotel/motel rooms constructed with the increase in average number of rooms occupied annually between 1999 and 2007. This data shows that number of occupied room nights[23] grew on average by 3.0% per year in Red Deer over this time period.

Exhibit 42: Changes in Red Deer's Accommodation Room Inventory and Occupancy between 1999 and 2007

	Number of Rooms	Average Annual Occupancy Rate	Occupied Room Nights
1999	1,597	68.7%	400,456
2007	2,224	62.3%	505,726
Change 1999 - 2007	627	n/a	105,270
Average Annual Growth	4.2%	n/a	3.0%

Source: Government of Alberta, Tourism, Parks and Recreation Department, "Alberta Accommodation Statistics 2007." 2009; Government of Alberta, Economic Development Department, "Alberta Accommodation Statistics 1999." 2000.

Although this period represents a time of strong economic growth in Alberta, overnight stays in various forms of accommodation across the province decreased by 6.7% between 2000 and 2008. In Central Alberta overnight stays decreased by about 13% over the same period.[24] Overall, although we do not anticipate a decline in accommodation demand, it is unlikely that the strong growth rates seen in Red Deer between 1999 and 2007 can be sustained in the long-term.

[23] The measurement Occupied Room Nights represents the number of rooms multiplied by 365 days and the average annual occupancy rate.

[24] Source: Government of Alberta, Tourism, Parks and Recreation Department, "Tourism in Alberta: A Summary of 2008 Visitor Numbers and Characteristics." 2010; Government of Alberta, Economic Development Department, "Tourism in Alberta: A Summary of Visitor Numbers, Revenues, and Characteristics - 2000." 2002

6.3 Recent Trends

There have been recent additions to Red Deer�even's accommodation inventory including the 79-room Motel 6 and the 76-room Days Inn, both built in 2005, and the 92-room Best Western Red Deer Inn and Suites built in 2003. In addition, two new hotels are set to open in Gasoline Alley in 2010 (the Hampton Inn and the Holiday Inn).

Independent hotels and motels in Red Deer are also being bought by national chains and rebranded. The 217 room Capri Hotel, Trade and Convention Centre was recently bought out and will soon be branded as the Sheraton Hotel and Convention Centre. The new Econo Lodge was formerly the Holiday House Motel and the Ramada Inn was the Service Plus Inn.

These trends suggest that over the past decade the major national chains have been trying to establish a presence in Red Deer, either by building a new facility or buying an existing one. With the exception of a few of the higher-end names, most of the major national chains now have a presence in the City.

6.4 Outlook

There are many different factors that can influence demand for accommodation in a city, including:

1. Population growth.
2. The pace of growth in the commercial, office and industrial markets.
3. Local tourist attractions.
4. Local convention market.

As discussed earlier in Section 3 we expect to see Red Deer‟s population grow by 2% to 2.4% annually over the study period (2009-2031). Growth rates in the other indicators listed above are expected to be similar. In addition, we are not aware of any major upcoming changes to tourism attractions in the Red Deer area that would significantly influence the demand for accommodations in the City.

6.5 Projected Demand for Hotel/Motel Accommodation in Red Deer

Based on our review of recent trends in Alberta‟s tourism and accommodation industry and other factors that may affect demand, we expect to see the number of occupied room nights in Red Deer to increase by about 2% per year (unless there were to be a significant change in the tourist draws in Red Deer). We have also assumed a more sustainable target occupancy rate of 70% will be achieved by 2031. If the hotel inventory were to grow at this rate, it would increase the number of rooms by about 286 by 2021 and another 550 by 2031 for a total of 3,060 rooms (an increase of 836 rooms in total). The 226 rooms in two hotels due to open in 2010 will meet some of this forecasted demand and decrease the total future demand to 610.

About 10 to 13 acres of land would be required to accommodate the additional rooms assuming developers are able to achieve a floor space ratio of between 0.7 and 1.[25]

Future accommodation development is likely to occur in these locations:

- On major arterials and near regional centres, for highway-oriented operators.
- In Downtown for higher end properties.

The Riverlands plan includes a site for a possible hotel and convention centre on a riverfront site. In our view, in the process of refining the Riverlands plan the City should ask these questions:

- Assuming only one new convention-oriented hotel will be built in Downtown over the next decade or two, is there a site available in the Downtown core and, if so, what are the pros and cons of a Riverlands versus core location?
- Does the City anticipate convention facilities to be provided by the hotel or is it contemplating investing in a convention centre? If the latter, the City has considerable leverage in dictating the location and character of the hotel, but the City should conduct a feasibility study before deciding to invest in a convention centre.

[25] Based on an assumed room size of 500 square feet, parking space size of 400 square feet and parking space requirements set out by the City of Red Deer (1 space per guest room).

7.0 Review of Multifamily Development Prospects

Drawing on historic residential development trends and population and household projections, this section evaluates the potential demand for new apartment units in the City over the long term.

The financial feasibility of developing new apartment projects in different parts of the City is also examined to help evaluate the type of high density residential projects that are likely to be built in the foreseeable future and the locations that are financially attractive for new development.

7.1 Historic Residential Development Trends in the City of Red Deer

Exhibit 43 summarizes housing starts by type in Red between 2002 and 2009.

Exhibit 43: Historic CMHC Annual City of Red Deer Housing Start Data (2002-2009)

Year	Single Detached Dwellings	Percent Change Over Previous Year	Attached Dwellings	Percent Change Over Previous Year	Apartments /Other	Percent Change Over Previous Year	Total Housing Starts	Percent Change Over Previous Year	Multi-Family Share of Total Housing Starts
2002	948		286		251		1,485		17%
2003	779	-17.8%	182	-36.4%	163	-35.1%	1,123	-24.3%	15%
2004	789	1.3%	313	72.0%	241	47.9%	1,344	19.6%	18%
2005	886	12.3%	237	-24.3%	147	-39.0%	1,270	-5.5%	12%
2006	1,095	23.6%	322	35.9%	12	-91.8%	1,430	12.6%	1%
2007	974	-11.1%	166	-48.4%	418	3383.3%	1,557	8.9%	27%
2008	367	-62.3%	107	-35.5%	98	-76.6%	571	-63.3%	17%
2009	333	-9.3%	156	45.8%	8	-91.8%	497	-12.9%	2%
Total	**6,171**		**1,769**		**1,338**		**9,277**		14%

Source: Canadian Mortgage and Housing Corporation, "Housing Now Report." Q4 2002 through Q1 2010

The data shows that:

1. Over the entire 2002 to 2009 time period, total starts averaged 1160 units per year. Single family accounted for 67%, attached units accounted for 19%, and apartment units accounted for 14% of total starts.
2. Between 2002 and 2007 housing starts averaged 1368 units per year. Single family accounted for 67%, attached units accounted for 18%, and apartment units accounted for 15% of total housing starts. However, during 2008 and 2009 Red Deer experienced a significant drop in housing starts, with the average falling to 534 units per year.
3. Over the entire 2002 to 2009 time period, apartment starts averaged 167 units per year.

We also examined data in the Red Deer municipal census to gauge total growth in residential units (and apartment units) in the City between 1999 and 2009. The dwelling count data in the census indicates that residential growth averaged about 1199 units per year between 1999 and

2009, with about 204 new apartment units per year on average (or about 17% of total housing stock growth). The municipal census data indicates a similar level of total housing demand and total apartment demand as the CMHC starts data.

Overall, the available data indicates that apartment starts have averaged between about 165 and 205 units per year over the past decade or so, accounting for about 14% to 17% of total housing starts.

7.1.1 Geographic Distribution of New Apartment Projects in Red Deer

In order to examine the geographic distribution of apartment development in Red Deer we examined the building permits issued for new apartment projects in the City between 2002 and 2009. Specifically, we looked at the geographic distribution of apartment building permits issued by sub-area (shown on Exhibit 6 in Section 3).

As shown in Exhibit 44, the majority (55%) of new units have been in projects in the Southeast sub-area. Downtown experienced little apartment development, with permits being issued for 16 units (1% of total apartment units) over the entire time period. The shares for all other sub-areas ranged between 9% and 15%.

Exhibit 44: Apartment Units Permitted Between 2002-2009 by Sub-Area

Area	Number of Apartment Units	% of Total Apartment Units Permitted
Downtown	16	1.0%
Downtown Fringe	234	14.2%
Northeast	148	9.0%
Northwest	172	10.4%
Southeast	913	55.4%
Southwest	164	10.0%
Total	1647	100.0%

Source: City of Red Deer, Historic Building Permit Database, 2002-2009

Note: Number of units data was unavailable for a permit issued in 2003 for a seniors complex in the Southeast sub-area

Although Downtown experienced little apartment development, there was apartment development activity near Downtown. Projects in the neighbourhoods adjacent to Downtown (i.e., the Downtown Fringe) were responsible for about 10% of apartment building permits issued between 2002 and 2009. These projects were on highly under-utilized properties or vacant sites (some with attractive river views), not at sites that required demolition of existing commercial space.

In addition, there is one significant planned strata apartment project in Downtown Red Deer (Swerve Living). If it proceeds, this project would add 36 apartments in the Downtown core. There are also other non-profit/affordable housing projects being considered for Downtown.

There are some larger residential subdivisions being proposed both in the Southwest and Northeast. Although these developments, if approved, are largely expected to single-family detached dwellings, most of them are proposing to include multi-family units.

7.2 Outlook for Future Apartment Demand

We have two indicators of potential future apartment demand in Red Deer:

1. Over the long term, housing demand in Red Deer should closely match household growth. Based on our population scenarios, we estimate that total housing demand in Red Deer will average between 890 and 1130 new units per year between 2009 and 2031 as shown in Exhibit 45. We have also assumed that the average household size in Red Deer will decrease in line with trends being seen across Canada from 2.55 persons/household to approximately 2.4 persons/household.[26]

Exhibit 45: City of Red Deer Household Growth Projection

City of Red Deer Household Growth Projection – Lower Scenario	2009	2031	2009 to 2031
Population	89,891	131,497	41,606
Assumed Average Household Size	2.55	2.4	n/a
Estimated Total Households	35,251	54,790	19,539
Average Annual Growth	n/a	n/a	888
City of Red Deer Household Growth Projection – Upper Scenario	**2009**	**2031**	**2009 to 2031**
Population	89,891	144,064	54,173
Assumed Average Household Size	2.55	2.4	n/a
Estimated Total Households	35,251	60,027	24,775
Average Annual Growth	n/a	n/a	1,126

Source: Coriolis Consulting Corp.

Based on historic trends, we anticipate that apartment units will account for between 15% and 20% of total housing demand in Red Deer over the long term. Using the high end of this range applied to the low and high population growth scenarios yields an estimate of about 180 to 225 units per year on average over the forecast period. This estimate assumes a small increase in the apartment share of total housing development. However, we do not expect this share to rise as much in Red Deer as it has in larger urban centres for these reasons:

- Housing prices in Red Deer are relatively low so few people buy new multifamily units primarily for financial reasons.
- Families tend to not prefer apartment units in Red Deer.
- The whole community is geographically small, so people do not have to choose apartment living to avoid a long commute.

2. Historic development trends indicate that apartment demand has ranged between about 165 and 205 units per year over the past decade or so which is similar to our projection above.

[26] Household sizes (average persons/household) are expected to decrease in the coming year due to a variety of demographic trends which include, but are not limited to, declining birth rates and increases in single parent households.

Overall, we anticipate that apartment demand will average about 200 units per year in Red Deer between 2009 and 2031. The actual pace of development will vary from year to year for several reasons:

- Population growth is not linear. Based on our population growth outlook for 2009 to 2021 and 2022 to 2031, the pace of apartment development is likely to be 150 to 180 units per year during the first decade and 180 to 220 units per year in the second decade.
- The pace of residential construction is influenced by interest rates, economic conditions (e.g. employment, incomes, stock market), government housing policy and other factors in addition to household growth. These factors cause large swings in development activity (as illustrated by recent construction in Red Deer, which saw 12 apartment units started in 2006 and 418 started in 2007).

Our estimated average of 200 units per year is simply meant to suggest a total development of about 4500 units over the 22 year period. Actual annual development will fluctuate and the average during the first decade will be lower than in the second.

7.3 Factors Influencing the Future Distribution of Apartment Development

Based on the distribution of new apartment projects over the past several years, we would expect most future apartment demand to be met by new apartment projects on vacant (or highly under-utilized sites) outside of the Downtown core.

The City is interested in encouraging higher density residential development in Downtown. Going forward, Downtown‟s share of City-wide apartment development will depend largely on Downtown‟s competitive advantages and disadvantages relative to other locations that are able to absorb additional higher density multifamily residential development.

Based on our review of current conditions and recent trends in the residential market in Red Deer, we see two main factors that will heavily influence Downtown‟s share of the future multifamily market:

- The profile of multifamily purchasers and their degree of interest in Downtown.
- The economics of developing new apartment projects.

7.3.1 Market Interest

Based on recent development trends, developers seem to have little interest in creating new apartments in Downtown. Some development has concentrated in locations near Downtown with attractive river views. However, almost all recent new apartment construction has been in suburban locations. New projects have tended to be developed on large, vacant sites available at relatively low land cost.

Developers build projects where they think people want to buy units, so this focus on suburban multifamily development can be assumed to reflect purchaser preferences. We think several purchaser-related factors are at work:

- Red Deer is a geographically small city in which travel times are short between housing sites on the periphery and amenities/services in the community (e.g. shopping, health care, recreation/cultural facilities), so there is no congestion-related push to centralize.
- Red Deer does not have a history of urban, downtown-like living. Unlike in larger centres (such as Calgary or Edmonton) local people do not have much experience with high density, downtown, pedestrian-oriented living.
- New apartment prices are generally low in Red Deer, suggesting a market with few high end buyers. Suburban residential land tends to be lower priced than city centre land in most urban areas, so Red Deer developers appear to be trying to keep unit prices low in part by developing in areas with low land cost (and where some of the parking can be at surface). This is an important consideration in Red Deer as single family detached homes are already priced quite low and as a result, in order to be competitive, apartments need to be priced accordingly.
- Large urban centres tend to have several different kinds of multifamily unit buyers in high density locations. Some are pushed by high single family house prices, so shift to multifamily units. Some are pushed by long commuting times or high commuting costs, so shift to more transit-friendly compact centres. Some are pulled to high density urban neighbourhoods with a “downtown” lifestyle (entertainment, culture, proximity to work) or, in the case of seniors, a low-maintenance home (that can easily be left for extended times). Red Deer appears to have only some of these market segments and few buyers in the downtown-lifestyle category.

In order for Downtown to go from a very low share of new apartment construction to something significant, unit purchasers (and developers) are going to have to see some real advantages to Downtown living. In the long run, increasing fuel costs, strengthening real estate markets, increasing customer awareness, and improvements to Downtown may cause more people to consider living in or near the City centre.

7.3.2 Economics of New Apartment Development in Red Deer

We analyzed the economic performance of apartment development to help determine the types of apartment projects and the locations that will be financially attractive for developers in the foreseeable future, particularly whether redevelopment in Downtown is likely to be financially attractive. Our analysis examined the following hypothetical apartment projects (shown in Exhibits C1 to C6 in Appendix C):

1. Woodframe apartment project with parking primarily at surface (Downtown or suburban location).

2. Woodframe apartment project with parking primarily underground (Downtown or suburban locations).
3. Mixed-use woodframe apartment and retail project in Downtown with underground parking.
4. Mixed-use concrete apartment and retail project in Downtown with underground parking.

To help determine whether redevelopment in Downtown is financially attractive, the estimated land value supported by these different types of apartment projects was compared to the estimated value of existing low density commercial properties in Downtown (Exhibit C1), which might be considered candidates for redevelopment. For redevelopment to occur, the land value that is supportable by new apartment development needs to match or exceed the value supported by the existing use of the property. Otherwise, it is more attractive to retain the existing use.

Detailed assumptions about project revenues, costs and profit are included in the Exhibits. Revenue assumptions are based on actual sales and listing prices at new projects marketing in Red Deer in early 2010. Hard construction cost and soft cost estimates draw from a variety of sources for residential construction costs in Alberta. Other assumptions (such as property taxes, municipal levies, and parking requirements) are based on current City of Red Deer bylaws.

The results of our analysis can be summarized as follows:

1. Exhibit C1 shows that a typical older, low density (single storey with significant surface parking) existing commercial building in Downtown would have a total market value of at least $45 to $50 per square foot of site area based on its income potential. This value is supported by our review of recent property sales and listings in the Downtown area. In order for redevelopment of this type of site to be financially attractive, the land value supportable by apartment development would need to match or exceed this estimated value supported by the existing use of the property.
2. Exhibit C2 shows that a woodframe apartment project with surface parking supports a land value of about $45 to $50 per sq.ft. of site area. Therefore, this form of development is financially attractive and (if permitted) could be viable on vacant sites and sites currently improved with a low density existing building in Downtown.
3. Exhibit C3 shows that a woodframe apartment project with underground parking supports little or no land value. Therefore, under current market conditions, this form of development is only financially attractive on sites with very low existing values, so this form of development is not viable on non-vacant land in Downtown. A small increase in unit sales prices will have a significant impact on the supportable land value. For example, if unit prices increased by 5%, the estimated supportable land value would increase to about $10 per sq.ft. of site area, making development on vacant sites in suburban locations financially attractive. However, prices will have to increase substantially (over 20%) from current levels to make redevelopment of low density commercial properties in Downtown financially attractive. It is possible that we have under-estimated the sales price of a new unit with underground parking. A developer we interviewed suggested that purchasers will pay a premium for underground

parking because of Red Deer‟s climate. Still, it is telling that so little new development has occurred in Downtown and we are included to think that this is partly due to the cost and challenges of land assembly as compared to the ease of site acquisition in suburban locations.

4. Exhibit C4 shows that a mixed use woodframe apartment project with underground parking in Downtown supports no land value. Therefore, under current market conditions, this form of development is not financially attractive in Red Deer. Woodframe unit prices will have to increase substantially (over 20%) from current levels to make redevelopment of low density commercial properties in Downtown financially attractive.
5. Exhibits C5 and C6 (these vary in unit size assumptions) show that a mixed use concrete (mid or high-rise) apartment project with underground parking in Downtown supports little or no land value. Therefore, under current market conditions, this form of development is not financially attractive in Red Deer. Concrete apartment unit prices will have to increase by at least 10% from current levels to make redevelopment of low density commercial properties in Downtown financially attractive.

This financial analysis supports the following conclusions:

1. Low-rise woodframe apartment development is currently viable on vacant sites (in suburban or Downtown locations) if some of the required parking can be accommodate at surface.
2. Low-rise woodframe apartment development with underground parking is currently only viable (in either suburban or Downtown locations) if the land value is low. However, with a small increase in new woodframe apartment unit prices, this form of development will be increasingly attractive, but likely only on vacant sites (or sites with very low value improvements).
3. Adding a grade level retail component does not improve financial performance, especially if the retail parking is underground. Mixed-use development appears to be of little market interest.
4. Many improved Downtown properties (even with low site coverage, single storey, older, reasonable quality commercial buildings) are worth more in their current commercial use (if tenanted) than they are as redevelopment sites for mixed-use apartment and retail projects (woodframe or concrete). This means that only vacant properties with no existing or potential income from improvements are candidates for development in Downtown. Even sites that are earning daily or monthly off-street parking revenues may be too valuable to convert to residential development sites at present.

   Our analysis shows that high density, urban, concrete mixed use development is only viable if some key beneficial assumptions are made, including:

   - Low land cost and easy site assembly.
   - Reduced parking requirement.

- Residential purchasers are able to pay a premium (say 10% to 20%) over the current high end of the apartment market.
- Strong retail tenants willing to commit to the space and pay above the high end of current downtown lease rates.

7.4 Implications

We estimate potential for about 4,000 units over the next 20 years.

Most new apartment developments will be low-rise, wood-frame. There will be a tendency for apartment development to occur in suburban locations, where development sites are easier to acquire than in developed areas such as Downtown and where land values are lower.

Suburban apartment (and townhouse) development has been planned in accordance with City policy and Structure Plans, but these have favoured a wide distribution of multifamily development rather than clustering around commercial nodes. This will continue unless the policies are changed. Little multifamily development will occur in Downtown unless development sites become easier to acquire.

If the City wants to attract more development to Downtown and if the City wants to achieve suburban neighbourhoods that are more pedestrian-oriented, there are some significant policy and development factors that must be addressed:

- The City must realize that 4,000 units over 20 years is not very much. To achieve meaningful amounts of Downtown apartment development (i.e. enough to create neighbourhood ambience and support local retail) and to achieve suburban commercial/residential nodes that create the potential for walkable neighbourhoods with some urban feel, the City will have to concentrate apartment potential in selected locations.
- The City can examine the possibility of reducing off-street parking requirements (at the option of developers) as a way of reducing project cost.
- To attract apartment development Downtown, the best opportunity is to proceed with core area neighbourhood redevelopment initiatives such as Riverlands or Railyards.
- To create pedestrian-oriented commercial centres outside Downtown, apartment development should be located within or beside District Centres or Regional Town Centres.

Multifamily residential development presents an opportunity to locate new housing in compact sites close to commercial space. By coordinating the location of townhouse and apartment development with the location of commercial development, the City can:

- Increase the residential population of the Downtown area, which benefits Downtown retail/service businesses, allows some people to live near Downtown employment, locates housing in the part of the City with the highest level of transit service, and makes Downtown more interesting.

- Support the creation of neighbourhood-oriented centres, in which some people live close enough to retail/service uses (and possibly civic facilities) that they can walk instead of drive.
- Make higher density residential a more attractive form of housing for some people, by locating it with convenient access to amenities.

However, with potential for only about 200 units of apartment development per year on average, to obtain significant benefits from coordinated planning of commercial and apartment development it will be necessary to plan apartment sites carefully. The City may also want to allow some apartment development on infill sites outside the proposed locations. However, such infill sites should be approved on a case-by-case basis because the City will erode the potential to create pedestrian-oriented nodes if too much of the apartment market is allocated to scattered infill sites.

7.5 Policy

The City‟s policy should be to require future apartment development to locate:

- Downtown.
- In or near a District Centre (as defined in this report).
- In or near a Regional Town Centre (as defined in this report), if one is developed.
- In selected infill locations.

For suburban centres, this approach requires amendments to the City‟s Neighbourhood Planning Guidelines and Standards, as follows:

- The overall density requirement in section 1.2.1. should be revised so that it refers to a large planning area. The goal should be to have multifamily concentrated around District Centres.
- The policies in 1.2.8.1(a) regarding separation of commercial and residential uses should be revised to allow (and encourage) a strong relationship between adjacent commercial and multifamily uses. The ideal “boundary” is a local street with commercial fronting one side and residential the other. Multifamily sites should not “back” onto the commercial site (see Photos 7 and 11).
- The housing mix requirement in section 2.5 may need revision depending on the size and boundaries of the NASP. Again, with limited market potential for multifamily development, the aim should be to concentrate townhouse and apartment units in preferred locations, not distribute these units broadly throughout neighbourhoods.

To attract more apartments Downtown, we suggest these steps:

- There is not enough apartment potential to sustain development of Riverlands and Railyards simultaneously. The City needs a phasing strategy, presumably commencing with Riverlands.

- Riverlands is an opportunity for the City to provide zoned, serviced, subdivided development-ready sites to the market. This will make it much easier for developers to acquire land at acceptable cost. The City‟s development strategy, therefore, must include installation of roads, services, sidewalks and utilities before the sale of development sites.
- The City should invest in key public realm improvements early, such as riverfront walkways, sidewalks, street furniture so that the area begins to look like an attractive neighbourhood right from the start.

7.6 Stakeholder Input

We reviewed our draft apartment forecasts and policies with selected local participants in the development industry.

The comments we received can be summarized as follows:

- Our estimate of apartment demand is right.
- Most multifamily unit buyers are young singles, young couples, and seniors.
- Higher density units should be near commercial centres, but vertical mixed-use will not work in Red Deer.
- It will be difficult to encourage walking in neighbourhood-oriented centres because Red Deer‟s residents tend to drive everywhere.

8.0 Main Conclusions

1. Red Deer should amend the MDP hierarchy of commercial nodes to match market prospects and to create realistic opportunities for suburban commercial centres with pedestrian character.
2. Red Deer should designate one new location for a Regional Centre to accommodate demand to 2031.
3. Red Deer should designate District Centres as local nodes for commercial space and multifamily residential development.
4. Red Deer should revise its multifamily policies to primarily concentrate apartments in Downtown and District Centres.
5. Office development should be concentrated in Downtown, a Regional Town Centre if one is developed and District Centres (but only for locally-oriented office uses).
6. The development of Riverlands is crucial if the City wants to attract residential development to Downtown. To attract development the City must install necessary infrastructure and public realm improvements.
7. Downtown should remain the dominant government and business centre, but future retail growth will mainly be specialty retail and neighbourhood retail uses to serve new residents.

These recommendations are intended to accommodate all of the forecasted demand for retail/service, office, and apartment development over the next 20 years while improving the quality of urban development and encouraging more pedestrian orientation.

These recommendations are not likely to impose constraints that would make development potential flee Red Deer to locate outside the City boundary. The aim is to accommodate market potential while influencing its location and character. Generally these recommendations will enhance Red Deer"s attractiveness to businesses and residents. Some development will occur in the County because of site availability or land costs, but this is not likely to be a large share of regional potential and the City should not dilute reasonable policy to achieve small increases in development activity.

Appendix A: Detailed Annual Per Capita Retail and Service Spending Averages for the Province of Alberta

Exhibit A1:

Provincial Average Annual Per Capita Retail and Service Spending (Alberta, 2009)

Trade Group	Estimated Total Provincial Per Capita Expenditures
Retail trade spending	
New car dealers	$3,035
Used and recreational motor vehicle and parts dealers	$850
Gasoline stations	$1,795
Furniture stores	$348
Home furnishings stores	$271
Computer and software stores	$58
Home electronics and appliance stores	$621
Home centres and hardware stores	$713
Specialized building materials and garden stores	$199
Supermarkets	$2,607
Convenience and specialty food stores	$313
Beer, wine and liquor stores	$489
Pharmacies and personal care stores	$670
Clothing stores	$686
Shoe, clothing accessories and jewellery stores	$220
General merchandise stores	$1,998
Sporting goods, hobby, music and book stores	$474
Miscellaneous store retailers	$419
Total retail trade expenditures	$15,768
Total retail trade (less new and used auto sales and gasoline sales)	$10,087
Spending on services that typically occupy ground floor retail space	$1,780
Estimated total per capita spending	**$17,548**
Estimated total per capita spending (less new and used auto sales and gasoline sales)	**$11,868**

Source: Statistics Canada, "Retail Trade Data." Q4 2009.

Exhibit A2:

Estimated Average Annual Spending ($) in Alberta on Services that Typically Occupy Ground Floor Retail Space by Household and Per Captia (Based on the Survey of Household Spending in 2008)

		Average Expenditure Per Household ($)	Average Per Capita Expenditures ($)
15600	Food purchased from restaurants	$1,848.00	$716.28
23000	Veterinarian and other services	$188.00	$72.87
22300	Postal and other communication services	$71.00	$27.52
26900	Maintenance and repairs of furniture, carpeting and household textiles	$26.00	$10.08
27000	Maintenance and repairs of major household appliances	$26.00	$10.08
27100	Other maintenance and repairs of furniture and equipment	n/a	n/a
27200	Rental of heating equipment	n/a	n/a
27300	Other services related to furnishings and equipment	$11.00	$4.26
29720	Laundry and dry-cleaning service	$61.00	$23.64
29740	Laundromats and self-service dry cleaning	$44.00	$17.05
29750	Other clothing services	$27.00	$10.47
30700	Maintenance and Repair of Owned and leased Automobiles and Trucks	$640.00	$248.06
35700	Hair grooming	$469.00	$181.78
35800	Other personal care services	$97.00	$37.60
37720	Photographers' and other photographic services	$41.00	$15.89
38200	Rental, maintenance and repairs of recreational equipment	$7.00	$2.71
39500	Bicycle maintenance and repairs	$7.00	$2.71
39540	Recreational Vehicle maintenance and repair jobs	$25.00	$9.69
40500	Rental of videotapes and DVDs and video games	$92.00	$35.66
40600	Rental of home entertainment, computer and communications equipment and other services	n/a	n/a
40700	Maintenance and repair of audio, video, computer and communications equipment	$20.00	$7.75
41000	Movie theatres	$117.00	$45.35
41500	Single usage and membership fees and dues for sports and recreation facilities	$328.00	$127.13
45200	Alcohol Served on licensed premises	$369.00	$143.02
47100	Funeral services	$79.00	$30.62
Total average expenditures on services that would typically occupy ground floor space		$4,593.00	$1,780.23

Source: Statistics Canada, "Survey of Household Spending in 2008." 2009

Appendix B: Office Financial Analysis

Exhibit B1

Estimated Existing Downtown Redevelopment Site Value
Hypothetical Older Retail/Service Building Analysis - with surface parking
Value of Potential Redevelopment Site based on Existing Income

Assumed Site Size	21,780	sq.ft. or	0.50	acre
FSR	0.35	assumes low density single storey commercial building		
Project Size	7,623			
Rentable Area	100%	of gross area		
On-site parking	1	stall per	220	sq.ft. of gross building area
Total Stalls	35			
Parking Area	14,000	at	400	sq.ft. per stall
Footprint plus parking	21,623	sq.ft.		
Average Net Lease Rate	$12.00			
Operating Costs	$5.00			
Vacancy	5.0%			
Property Management	0.0%			
Structural Allowance	1.0%			
Assumed Net Parking Revenue	$0.00			
Capitalization Rate	8.00%			
Value				
Lease Revenue	$86,902			
Recovered Operating Costs	$36,209			
Parking Income	$0			
Total Gross Revenue	$123,111			
Less Operating Costs	$38,115			
Less Management	$0			
Less Structural	$869			
Net Operating Income	$84,127			
Capitalized Value	$1,051,593			
Value per sq.ft. of land area	$48			

Exhibit B2

Estimated Supportable Land Value

Hypothetical Lowrise Office Building Analysis - with surface parking

Assumes developer builds, leases and then sells to an investor and expects a % of profit on value

Assumed Site Size	21,780	sq.ft. or	0.50	acre				
FSR	0.60							
Project Size	13,068							
Rentable Area	100%	of gross area						
On-site parking	1	stall per	350	sq.ft. of gross building area				
Total Stalls	37							
Parking Area	14,800	at	400	sq.ft. per stall				
Footprint plus parking	21,334	sq.ft.						
Levies/Assessments	$0	in total						
Site Prep and Servicing (sidewalks, landscaping, etc)	$100,000	per acre						
Building Construction Costs (to base building - shell)	$130	per sq.ft.						
Parking Construction Costs	$5,000	per stall (assuming surface parking)						
Base Building Hard Construction Costs	$144	per sq.ft. buildable (including parking)						
Fit-up Allowance	$20	per rentable square foot						
Upfront Leasing Commissions	17%	of Year 1 revenue						
Soft Costs	15%	of hard costs						
Contingency	5%	of hard costs						
Interim Financing	7.0%	on 50% of all costs assuming a construction period of					1.25	years
Property Taxes During Development	1.574%	applied to land value in Year 1			$200,000			
		applied to 50% of gross value of building in Year 2					$1,898,687	
Average Net Lease Rate	$22.00	per sq.ft. of rentable area						
Operating Costs	$7.00	per sq.ft. of rentable area						
Vacancy	5.0%							
Property Management	0.0%	of lease revenue (included in operating costs)						
Structural Allowance	1.0%	of lease revenue						
Assumed Net Parking Revenue	$0.00	per stall per month						
Capitalization Rate	7.00%							
Profit Allowance	15.0%	of value						
Value								
Lease Revenue	$273,121							
Recovered Operating Costs	$86,902							
Parking Income	$0							
Total Gross Revenue	$360,023							
Less Operating Costs	$91,476							
Less Management	$0							
Less Structural	$2,731							
Net Operating Income	$265,816							
Capitalized Value	$3,797,374							
Total Value per sq.ft. buildable	**$291**							
Costs								
levies/assessments	$0							
Site Servicing	$50,000							
Hard Construction	$1,883,840							
Fit-Up	$261,360							
Upfront Leasing Commissions	$46,431							
Soft Costs	$282,576							
Contingency	$94,192							
Property Taxes during Development	$10,622							
Interim Financing	$115,020							
Total Costs Before Land and Profit	$2,744,040							
Total Costs per sq.ft. buildable	**$210**							
Profit	$569,606							
Land Residual Before Holding Costs	$483,728							
Less interim financing on land during approvals and development	$50,368							
Less property taxes during approvals	$1,574							
Less property closing costs	$4,318							
Residual Land Value	$427,467							
Value per sq.ft. buildable	$33							
Value per sq.ft. of land area	$20							

Exhibit B3

Estimated Supportable Land Value
Hypothetical Midrise Mixed Use Retail and Office Building with Underground Parking
Assumes developer builds, leases and then sells to an investor and expects a % of profit on value

Assumed Site Size	21,780	sq.ft. or	0.50 acre		
FSR	3.0				
Project Size	65,340	sq.ft.			
Rentable Area	100%	of gross area			
Retail Space	8,712	sq.ft.			
Office Space	56,628	sq.ft.			
On-site parking	1	stall per	1000	sq.ft. of gross building area	
Total Stalls	65				
Parking Area	n/a	all undergound parking			
Footprint plus parking	n/a				
Levies/Assessments	$0	in total			
Site Prep and Servicing (sidewalks, landscaping, etc)	$100,000	per acre			
Building Construction Costs (to base building - shell)	$180	per sq.ft.			
Parking Construction Costs	$35,000	per stall (assuming undergound parking)			
Base Building Hard Construction Costs	$215	per sq.ft. buildable (including parking)			
Fit-up Allowance	$20	per rentable square foot			
Upfront Leasing Commissions	17%	of Year 1 revenue			
Soft Costs	15%	of hard costs			
Contingency	5%	of hard costs			
Interim Financing	7.0%	on 50% of all costs assuming a construction period of		1.50	years
Property Taxes During Development	1.574%	applied to land value in Year 1	$200,000		
		applied to 50% of gross value of building in Year 2		$11,168,499	
Retail Lease Rate (with $20 TI)	$22.00	per sq.ft. of rentable area			
Office Lease Rate (with $20 TI)	$25.00	per sq.ft. of rentable area			
Average Net Lease Rate	$24.60	per sq.ft. of rentable area			
Operating Costs	$8.00	per sq.ft. of rentable area			
Vacancy	5.0%				
Property Management	0.0%	of lease revenue (included in operating costs)			
Structural Allowance	1.0%	of lease revenue			
Assumed Net Parking Revenue	$100.00	per stall per month			
Capitalization Rate	7.00%				
Profit Allowance	15.0%	of value			
Value					
Lease Revenue	$1,526,996				
Recovered Operating Costs	$496,584				
Parking Income	$78,000				
Total Gross Revenue	$2,101,580				
Less Operating Costs	$522,720				
Less Management	$0				
Less Structural	$15,270				
Net Operating Income	$1,563,590				
Capitalized Value	$22,336,998				
Total Value per sq.ft. buildable	**$342**				
Costs					
levies/assessments	$0				
Site Servicing	$50,000				
Hard Construction	$14,036,200				
Fit-Up	$1,306,800				
Upfront Leasing Commissions	$259,589				
Soft Costs	$2,105,430				
Contingency	$701,810				
Property Taxes during Development	$91,066				
Interim Financing	$973,922				
Total Costs Before Land and Profit	$19,524,817				
Total Costs per sq.ft. buildable	**$299**				
Profit	$3,350,550				
Land Residual Before Holding Costs	-$538,369				
Less interim financing on land during approvals and development	-$64,066				
Less property taxes during approvals	$1,574				
Less property closing costs	-$4,759				
Residual Land Value	-$471,119				
Value per sq.ft. buildable	-$7				
Value per sq.ft. of land area	-$22				

Appendix C: Apartment Financial Analysis

Exhibit C1:

Estimated Existing Downtown Redevelopment Site Value
Hypothetical Older Retail/Service Building Analysis - with surface parking
Value of Potential Redevelopment Site based on Existing Income

Assumed Site Size	21,780	sq.ft. or	0.50	acre
FSR	0.35	assumes low density single storey commercial building		
Project Size	7,623			
Rentable Area	100%	of gross area		
On-site parking	1	stall per	220	sq.ft. of gross building area
Total Stalls	35			
Parking Area	14,000	at	400	sq.ft. per stall
Footprint plus parking	21,623	sq.ft.		
Average Net Lease Rate	$12.00			
Operating Costs	$5.00			
Vacancy	5.0%			
Property Management	0.0%			
Structural Allowance	1.0%			
Assumed Net Parking Revenue	$0.00			
Capitalization Rate	8.00%			
Value				
Lease Revenue	$86,902			
Recovered Operating Costs	$36,209			
Parking Income	$0			
Total Gross Revenue	$123,111			
Less Operating Costs	$38,115			
Less Management	$0			
Less Structural	$869			
Net Operating Income	$84,127			
Capitalized Value	$1,051,593			
Value per sq.ft. of land area	$48			

Exhibit C2:

Estimated Supportable Land Value							
Hypothetical Woodframe Lowrise Condominium Project - with surface parking							
Major Assumptions							
Revenue and Value							
Average Sales Price Per Sq. Ft.	$260.00	per sq.ft. of net saleable residential space					
Site and Building Size							
Site Size	21,780	sq.ft. or	0.50	acre			
Assumed Density	1.60	FAR (4 storeys at 40% coverage as per R3 District outside DT)					
Total Space	34,848	sq.ft.					
Net Saleable Space	29,621	sq.ft. or	85%	of gross area			
Average Net Unit Size	1,150	sq.ft.					
Number of Units	26.0	units					
Number of Surface Parking Stalls	1.70	per unit or	44				
Construction Costs							
Site preparation and servicing allowance	$5.00	per sq.ft. of site area					
Hard Building Construction Costs	$110.00	per sq.ft. (includes costs for foundations so figure higher than with ug parking)					
Hard Parking Construction Costs	$5,000	per stall (assumes surface parking)					
Hard Construction Costs	$116.00	per gross sq.ft. assuming underground parking					
Soft Costs (Design, Engineering, Legal, Management, misc.)	10%	of site preparation, hard costs and parking					
Levies and Assessments	$0	in total					
Contingency	5%	on site prep, hard andsoft costs and assessments/levies					
Property Taxes During Development	0.684%	applied to land value in Year 1			$300,000		
		applied to 50% of gross value of building in Year 2				$3,850,704	
Interim Financing on construction costs	7%	on 50% of hard and soft costs assuming a construction period of				1.25	years
Other Costs and Allowances							
Marketing and Commissions	5%	of gross revenue					
Developer's Profit Allowance	15%	of gross revenue					
Analysis							
Revenue							
Gross Sales Revenue	$7,701,408						
Less Marketing and Commissions	$385,070						
Net Sales Revenue	$7,316,338						
Construction Costs							
Site preparation and servicing allowance	$108,900						
Hard Construction Costs	$4,042,368						
Soft Costs	$415,127						
Levies and Assessments	$0						
Contingency	$228,320						
Property Taxes During Development	$8,642						
Interim Financing	$209,769						
Total Construction Costs	$5,013,126						
Total Costs per square foot	$144						
Developer's Profit	$1,155,211						
Land Residual Before Holding Costs	$1,148,001						
Less interim financing on land (includes 6 mos of premarketing/planning)	$119,536						
Less property taxes during approvals/premarketing (6 mos)	$1,027						
Less property closing costs	$10,274						
Residual Land Value	$1,017,164						
Value per sq.ft. buildable	**$29.19**						
Value per sq.ft. of land	**$46.70**						

Exhibit C3:

Estimated Supportable Land Value							
Hypothetical Woodframe Lowrise Condominium Project - with underground parking							
Major Assumptions							
Revenue and Value							
Average Sales Price Per Sq. Ft.	$260.00	per sq.ft. of net saleable residential space					
Site and Building Size							
Site Size	21,780	sq.ft. or	0.50	acre			
Assumed Density	1.60	FAR (40% coverage at 4 storeys)					
Total Space	34,848	sq.ft.					
Net Saleable Space	29,621	sq.ft. or	85%	of gross area			
Average Net Unit Size	1,150	sq.ft.					
Number of Units	26.0	units					
Number of Surface Parking Stalls	1.70	per unit or	44				
Construction Costs							
Site preparation and servicing allowance	$5.00	per sq.ft. of site area					
Hard Building Construction Costs	$100.00	per sq.ft.					
Hard Parking Construction Costs	$35,000	per stall (assumes mainly underground parking)					
Hard Construction Costs	$144.00	per gross sq.ft. assuming underground parking					
Soft Costs (Design, Engineering, Legal, Management, misc.)	10%	of site preparation, hard costs and parking					
Levies and Assessments	$0	in total					
Contingency	5%	on site prep, hard andsoft costs and assessments/levies					
Property Taxes During Development	0.684%	applied to land value in Year 1			$300,000		
		applied to 50% of gross value of building in Year 2				$3,850,704	
Interim Financing on construction costs	7%	on 50% of hard and soft costs assuming a construction period of				1.50	years
Other Costs and Allowances							
Marketing and Commissions	5%	of gross revenue					
Developer's Profit Allowance	15%	of gross revenue					
Analysis							
Revenue							
Gross Sales Revenue	$7,701,408						
Less Marketing and Commissions	$385,070						
Net Sales Revenue	$7,316,338						
Construction Costs							
Site preparation and servicing allowance	$108,900						
Hard Construction Costs	$5,018,112						
Soft Costs	$512,701						
Levies and Assessments	$0						
Contingency	$281,986						
Property Taxes During Development	$15,231						
Interim Financing	$310,889						
Total Construction Costs	$6,247,819						
Total Costs per square foot	$179						
Developer's Profit	$1,155,211						
Land Residual Before Holding Costs	-$86,693						
Less interim financing on land (includes 6 mos of premarketing/planning)	-$10,316						
Less property taxes during approvals/premarketing (6 mos)	$1,027						
Less property closing costs	-$774						
Residual Land Value	-$76,629						
Value per sq.ft. buildable	**-$2.20**						
Value per sq.ft. of land	**-$3.52**						

Exhibit C4:

Estimated Supportable Land Value							
Hypothetical Mixed Use Retail with Woodframe Lowrise Condominium Project Above							
All Parking Underground							
Major Assumptions							
Revenue and Value							
Average Residential Sales Price Per Sq. Ft.	$260.00	per sq.ft. of net saleable residential space					
Average Retail Lease Rate (no TI allowance)	$20.00	per sq.ft. (assumes prime retail location in DT)					
Vacancy, Structural, Non-recoverable Allowance	6.0%	of lease revenue					
Capitalization Rate on Retail	7.0%						
Site and Building Size							
Site Size	21,780	sq.ft. or	0.50	acre			
Assumed Density	3.00	FAR (C1 District maximum)					
Total Space	65,340	sq.ft.					
Assumed Retail Space	12,000	sq.ft. or	0.55	FAR			
Gross Residential Space	53,340						
Net Residential Saleable Space	45,339	sq.ft. or	85%	of gross area			
Average Net Unit Size	1,150	sq.ft.					
Number of Units	39.0	units					
Number of Residential Parking Stalls	1.70	per unit or		66	stalls		
Number of Retail Parking Spaces	1 stall per	500	sq.ft.	24	stalls		
Construction Costs							
Site preparation and servicing allowance	$5.00	per sq.ft. of site area					
Hard Residential Building Construction Costs	$100.00	per sq.ft. (assumes woodframe)					
Hard Retail Construction Costs (base building)	$160.00	per sq.ft. (assumes concrete construction)					
Hard Residential Parking Construction Costs	$35,000	per stall (assumes mainly undergound parking)					
Hard Retail Parking Construction Costs	$35,000	per stall (assumes mainly undergound parking)					
Hard Construction Costs	$159.00	per gross sq.ft. assuming underground parking					
Soft Costs (Design, Engineering, Legal, Management, misc.)	10%	of site preparation, hard costs and parking					
Levies and Assessments	$0	in total					
Contingency	5%	on site prep, hard andsoft costs and assessments/levies					
Property Taxes During Development (blended res and comm)	0.848%	applied to land value in Year 1			$300,000		
		applied to 50% of gross value of building in Year 2				$5,894,070	
Interim Financing on construction costs	7%	on 50% of hard and soft costs assuming a construction period of				1.50	years
Other Costs and Allowances							
Marketing and Commissions	5%	of gross revenue					
Upfront leasing commissions on commercial space	17%	of Year 1 revenue					
Developer's Profit Allowance	15%	of gross revenue					
Analysis							
Revenue							
Gross Residential Sales Revenue	$11,788,140						
Value of Retail Space	$3,222,857						
Total Gross Value	$15,010,997						
Less Marketing and Commissions	$750,550						
Net Sales Revenue	$14,260,447						
Construction Costs							
Site preparation and servicing allowance	$108,900						
Hard Construction Costs	$10,389,060						
Soft Costs	$1,049,796						
Levies and Assessments	$0						
Contingency	$577,388						
Property Taxes During Development	$27,531						
Upfront Leasing Commissions	$40,800						
Interim Financing	$636,570						
Total Construction Costs	$12,830,045						
Total Costs per square foot	$196						
Developer's Profit	$2,251,650						
Land Residual Before Holding Costs	-$821,247						
Less interim financing on land (includes 6 mos of premarketing/planning)	-$97,728						
Less property taxes during approvals/premarketing (6 mos)	$1,272						
Less property closing costs	-$7,248						
Residual Land Value	-$717,543						
Value per sq.ft. buildable	**-$10.98**						
Value per sq.ft. of land	**-$32.95**						

Exhibit C5:

Estimated Supportable Land Value							
Hypothetical Mixed Use Retail with Concrete Condominium Project Above (small units)							
All Parking Underground							
Major Assumptions							
Revenue and Value							
Average Residential Sales Price Per Sq. Ft.	$480.00	per sq.ft. of net saleable residential space					
Average Retail Lease Rate (no TI included)	$20.00	per sq.ft.					
Vacancy, Structural, Non-recoverable Allowance	6.0%	of lease revenue					
Capitalization Rate on Retail	7.0%						
Site and Building Size							
Site Size	21,780	sq.ft. or	0.50	acre			
Assumed Density	3.00	FAR (maximum C1 residential density)					
Total Space	65,340	sq.ft.					
Assumed Retail Space	12,000	sq.ft. or	0.55	FAR			
Gross Residential Space	53,340						
Net Residential Saleable Space	46,406	sq.ft. or	87%	of gross area			
Average Net Unit Size	500	sq.ft.					
Number of Units	93.0	units					
Number of Residential Parking Stalls	1.20	per unit (1 + .2 visitor) or		112	stalls		
Number of Retail Parking Spaces	1 stall per	500	sq.ft.	24	stalls		
Construction Costs							
Site preparation and servicing allowance	$5.00	per sq.ft. of site area					
Hard Residential Building Construction Costs	$190.00	per sq.ft. (assumes concrete and small units)					
Hard Retail Construction Costs (base building)	$160.00	per sq.ft. (assumes concrete construction)					
Hard Residential Parking Construction Costs	$35,000	per stall (assumes mainly undergound parking)					
Hard Retail Parking Construction Costs	$35,000	per stall (assumes surface parking)					
Hard Construction Costs	$257.00	per gross sq.ft. assuming underground parking					
Soft Costs (Design, Engineering, Legal, Management, misc.)	10%	of site preparation, hard costs and parking					
Levies and Assessments	$0	in total					
Contingency	5%	on site prep, hard andsoft costs and assessments/levies					
Property Taxes During Development (blended res and comm)	0.848%	applied to land value in Year 1			$300,000		
		applied to 50% of gross value of building in Year 2				$11,137,392	
Interim Financing on construction costs	7%	on 50% of hard and soft costs assuming a construction period of				1.50	years
Other Costs and Allowances							
Marketing and Commissions	5%	of gross revenue					
Upfront leasing commissions on commercial space	17%	of Year 1 revenue					
Developer's Profit Allowance	15%	of gross revenue					
Analysis							
Revenue							
Gross Residential Sales Revenue	$22,274,784						
Value of Retail Space	$3,222,857						
Total Gross Value	$25,497,641						
Less Marketing and Commissions	$1,274,882						
Net Sales Revenue	$24,222,759						
Construction Costs							
Site preparation and servicing allowance	$108,900						
Hard Construction Costs	$16,792,380						
Soft Costs	$1,690,128						
Levies and Assessments	$0						
Contingency	$929,570						
Property Taxes During Development	$49,760						
Upfront Leasing Commissions	$40,800						
Interim Financing	$1,024,851						
Total Construction Costs	$20,636,390						
Total Costs per square foot	$316						
Developer's Profit	$3,824,646						
Land Residual Before Holding Costs	-$238,277						
Less interim financing on land (includes 6 mos of premarketing/planning)	-$28,355						
Less property taxes during approvals/premarketing (6 mos)	$1,272						
Less property closing costs	-$2,112						
Residual Land Value	-$209,082						
Value per sq.ft. buildable	**-$3.20**						
Value per sq.ft. of land	**-$9.60**						

Exhibit C6:

Estimated Supportable Land Value
Hypothetical Mixed Use Retail with Concrete Condominium Project Above - larger units
All Parking Underground

Major Assumptions

Revenue and Value				
Average Residential Sales Price Per Sq. Ft.	$420.00	per sq.ft. of net saleable residential space		
Average Retail Lease Rate	$20.00	per sq.ft.		
Vacancy, Structural, Non-recoverable Allowance	6.0%	of lease revenue		
Capitalization Rate on Retail	7.0%			
Site and Building Size				
Site Size	21,780	sq.ft. or	0.50	acre
Assumed Density	3.00	FAR (maximum C1 residential density)		
Total Space	65,340	sq.ft.		
Assumed Retail Space	12,000	sq.ft. or	0.55	FAR
Gross Residential Space	53,340			
Net Residential Saleable Space	46,406	sq.ft. or	87%	of gross area
Average Net Unit Size	1,150	sq.ft.		
Number of Units	40.0	units		
Number of Residential Parking Stalls	1.70	per unit (1.5 + .2 visitor) or	68 stalls	
Number of Retail Parking Spaces	1 stall per	500 sq.ft.	24 stalls	
Construction Costs				
Site preparation and servicing allowance	$5.00	per sq.ft. of site area		
Hard Residential Building Construction Costs	$180.00	per sq.ft. (assumes concrete - larger units)		
Hard Retail Construction Costs (base building)	$160.00	per sq.ft. (assumes concrete construction)		
Hard Residential Parking Construction Costs	$35,000	per stall (assumes mainly undergound parking)		
Hard Retail Parking Construction Costs	$35,000	per stall (assumes mainly undergound parking)		
Hard Construction Costs	$226.00	per gross sq.ft. assuming underground parking		
Soft Costs (Design, Engineering, Legal, Management, misc.)	10%	of site preparation, hard costs and parking		
Levies and Assessments	$0	in total		
Contingency	5%	on site prep, hard andsoft costs and assessments/levies		
Property Taxes During Development (blended res and comm)	0.848%	applied to land value in Year 1	$300,000	
		applied to 50% of gross value of building in Year 2	$9,745,218	
Interim Financing on construction costs	7%	on 50% of hard and soft costs assuming a construction period of	1.50	years
Other Costs and Allowances				
Marketing and Commissions	5%	of gross revenue		
Upfront leasing commissions on commercial space	17%	of Year 1 revenue		
Developer's Profit Allowance	15%	of gross revenue		

Analysis

Revenue	
Gross Residential Sales Revenue	$19,490,436
Value of Retail Space	$3,222,857
Total Gross Value	$22,713,293
Less Marketing and Commissions	$1,135,665
Net Sales Revenue	$21,577,628
Construction Costs	
Site preparation and servicing allowance	$108,900
Hard Construction Costs	$14,766,840
Soft Costs	$1,487,574
Levies and Assessments	$0
Contingency	$818,166
Property Taxes During Development	$43,858
Upfront Leasing Commissions	$40,800
Interim Financing	$902,028
Total Construction Costs	$18,168,165
Total Costs per square foot	$278
Developer's Profit	$3,406,994
Land Residual Before Holding Costs	$2,469
Less interim financing on land (includes 6 mos of premarketing/planning)	$294
Less property taxes during approvals/premarketing (6 mos)	$1,272
Less property closing costs	$9
Residual Land Value	$894
Value per sq.ft. buildable	**$0.01**
Value per sq.ft. of land	**$0.04**