

Moncton's Proposed Downtown Centre: Anchoring a Vibrant Downtown

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1. Introduction

Jupia Consultants Inc. was asked by the City of Moncton to assess recent reports and analysis as well as the broader economic context for a new downtown sports and entertainment facility (the Downtown Centre) and provide a short brief covering its findings. The firm has extensive experience with economic impact assessment analysis having completed this type of analysis in five Canadian provinces and through its collaboration with the Conference Board of Canada.

This brief covers several themes including:

- The state of the downtown in 2013
- The importance of the downtown to the economic health and vibrancy of the city
- The future of Downtown Moncton
- The role of the Downtown Centre
- Assessing the literature on municipal sports and entertainment facility investment
- The economic impact from the new Downtown Centre
- Impact on tax base from the new Downtown Centre

2. The state of the downtown in 2013

Downtown Moncton has historically been an economic engine for the City. It represents only 1.5 percent of the City of Moncton's land area but generates nearly 10 percent of the total municipal assessed tax base and over 14.4 percent of property tax revenues.

There are an estimated 800 businesses within the boundaries of the downtown and a working population of an estimated 18,000 people (or 24 percent of the Moncton CMA total employment). There are approximately 3,000 restaurant, bar and café seats in Downtown Moncton. The downtown is also home to the bulk of the region's financial services, professional services, high technology, customer service and public service sectors.

There are close to 1,200 residents in the downtown core (bounded by Gordon, Queen, Vaughn Harvey and Assumption Boulevard) and 5,700 in the extended downtown (including George Street to Vaughn Harvey and the Moncton High residential area).

Yet despite this, the economic engine is showing signs of weakness. It is slowing in its economic importance. There is currently over 350,000 square feet of vacant office space in the downtown. According to Census data, the downtown population is in decline in and getting older much faster than the rest of Moncton.

The Downtown Centre and its potential impact must be placed within this wider context.

⇒ **Downtown office and commercial vacancy rate on the rise**

There are a number of warning signs that the downtown is starting to struggle. According to Moncton Industrial Development there are 44 office buildings in the downtown with over 350,000 square feet of vacant space (Table 1). That represents enormous untapped economic opportunity. If 60 percent of that space was filled (using the average of one worker per 200 square feet) it would mean another 1,100+ workers in the downtown.

Please note that the ground level of many of these office buildings is either targeted at or could be used for retail, restaurants and other services.

Table 1: Available Office and Commercial Properties in the Downtown (Square Feet)

<u>Property:</u>	<u>Vacant:</u>	<u>Property:</u>	<u>Vacant:</u>	<u>Property:</u>	<u>Vacant:</u>
1127 Main St.	1,145	68 Highfield	2,000	860 Main St.	4,500
154 Queen	3,870	70 King Street	5,700	1222 Main St.	10,000
196 Robinson Court	1,000	Brunswick Block	5,746	1 Factory Lane	7,678
143 Highfield	5,401	156 lutz	20,014	770 Main St.	10,800
869-871 Main St.	5,812	73 Capitol	24,500	95 Foundry	748
879-881 Main St.	7,560	529 Main St.	750	281 St. George St.	1,600
837-839 Main St.	4,000	300 Main St.	3,733	349 St. George St.	2,162
85 Bonaccord	3,400	700 Main St.	5,000	239 St. George St.	7,802
890 Main St.	6,000	599 Main St.	400	272 St. George St.	8,125
910 Main St.	2,366	735 Main St.	6,623	700 St. George St.	6,000
801-805 Main St.	1,648	100 Cameron	21,061	236 St. George St.	3,495
814-816 Main St.	4,500	10 Record	3,095	653 St. George St.	40,000
885-889 Main St.	10,640	20 Record	52,548	691 St. George St.	7,700
88 Albert	14,500	777 Main St.	9,204	Total Vacancy	354,804
1273 Main St.	1,260	633 Main St.	1,300		
1273 Main St.	5,248	22 Church	4,170		

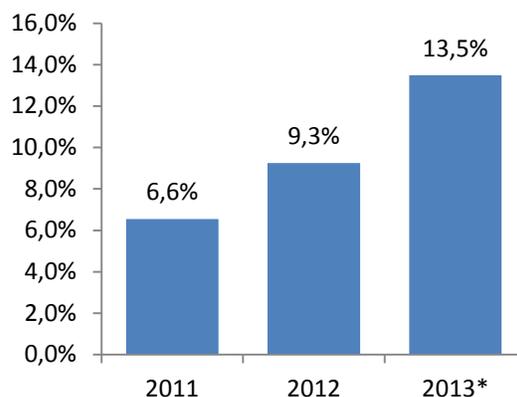
Source: Moncton Industrial Development. May 2013.

The real estate consulting firm, Turner Drake & Partners Ltd, has been tracking office space vacancy in the Moncton region (not just downtown) for several years and reports vacancy rates are rising sharply. In 2013, the firm predicts the office space vacancy rate will be 13.5 percent compared to only 6.6 percent in 2011 (Figure 1).

⇒ **Residential population declining**

A key part of the plan for Downtown Moncton has been to grow the residential population. While there have been several new multiunit buildings constructed in the downtown, the overall population has been in decline. As shown in Figure 2, the population in the downtown core actually declined by 9.1 percent between 2006 and 2011. The population in this Census Tract was 1,160 in 2011. The other Census Tract which brings in the extended downtown (including George Street to Vaughn Harvey and the Moncton High residential area) had 4,552 residents in 2011 for a total downtown population of 5,700.

Figure 1: Office Vacancy Rates – Greater Moncton



*Estimated for 2013.

Source: Turner Drake & Partners Ltd.

Expanding the downtown to include George Street and the Moncton High residential areas, the total population declined by 3.3 percent. This compares to a robust 7.7 percent growth rate across the City and 9.7 percent within the CMA.

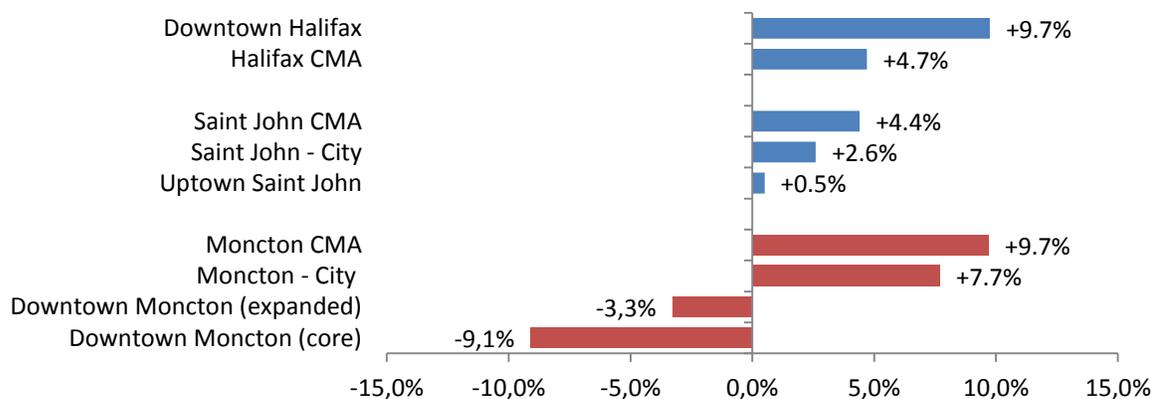
Table 2: Population Change (2006-2011)

	Population in 2011	Population in 2006	% Change
3050001.00 (Census Tract)	1,160	1,276	-9.1%
3050006.00 (Census Tract)	4,552	4,630	-1.7%
Moncton - City (Census subdivision)	69,074	64,128	7.7%
Moncton (Census metropolitan area)	138,644	126,424	9.7%

Geographic boundaries shown in Appendix A. Source: Statistics Canada Census 2006, 2011.

This downtown population decline is in stark contrast to many other urban areas. Downtown Halifax, for example, saw its population rise strongly between 2006 and 2011 (+9.7 percent) – well above the CMA growth rate. Even uptown Saint John, which has struggled to grow its population for some time, eked out a small population increase in the uptown over the five years between Censuses.

Figure 2: Population Change - % (2006-2011)



Source: Statistics Canada Census 2006, 2011.

There are slightly more housing units in the downtown but the number of persons per unit has been declining. There are more single person households and fewer dependents per household in the downtown.

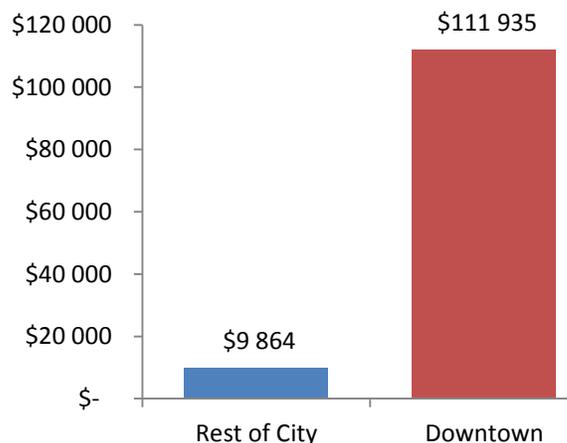
The population is aging. The median age in the downtown core area is 49.4 years. In the expanded downtown the median age is over 45 years. This compares to a median age of 40.1 in the City of Moncton, 41 in the Uptown Saint John area and a remarkable 28 years old in downtown Halifax – where young professionals and the student population make it the youngest downtown of any CMA in Canada.

3. Importance of downtown

Because of the density of development, the downtown generates *nearly 11.5 times* as much property tax revenue compared to the rest of Moncton on a per hectare (Ha) basis (Figure 3). In addition, the tax revenue tends to be higher margin (revenue relative to cost of service) because a) the cost to service commercial and office properties is lower than residential properties and b) the density of development means more efficient use of public infrastructure and service delivery.

However, despite these advantages, development is accelerating faster elsewhere in the city. As shown above, the residential population is dropping and commercial activity is in decline as evidenced by the increase vacancies. The closure of The Bay and the Highfield Square Mall in the downtown has negatively impacted the retail and service environment in the western end of the downtown.

Figure 3: Property tax revenue per hectare in Moncton (2013)



Source: NB Department of Finance.

⇒ Moncton versus its peers

Despite the data provided above, when compared to its peers, Moncton has one of the least developed downtowns from both a commercial and residential perspective. There are approximately 87 persons working downtown Moncton per hectare (Ha) compared to over 300 per Ha in London, Ontario, 191 per Ha in Saskatoon and 298 per Ha in Halifax¹ (Table 3).

Downtown Moncton also lags considerably when it comes to population living in the downtown. There are approximately 19 persons living in downtown Moncton per Ha which is more than Fredericton (7 per Ha) but less than half the population density of most other mid-sized urban areas across Canada. Canada's largest urban centres have much higher concentrations of population in their downtowns.

Table 3: Downtown Employment and Population Density (per Ha)

	<u>Moncton</u>	<u>London</u>	<u>Saskatoon</u>	<u>Halifax</u>
Job Density	87	303	191	298
Population Density	19	35	39	45

Source: All data except Moncton - The Value of Investing in Canadian Downtowns (May 2012). Canadian Urban Institute.

¹ All data but Moncton taken from a recent report published by the Canadian Urban Institute.

4. The role of the Downtown Centre

As Moncton looks to the near future it should place a high priority on developing its downtown. This should include revitalizing business activity and attracting higher density residential activity. The Downtown Centre will be an important anchor development to assist with these objectives.

4.1 The importance of anchor developments in the downtown

Like a successful shopping mall, a vibrant downtown will have economic anchors strategically located throughout the area. Moncton City Hall anchors a cluster of office buildings and services in the eastern part of the downtown and the Highfield Square Mall played this role in the western part of the downtown. With the closure of that facility, it opens up the potential for another 'anchor tenant' that will drive economic activity and foot traffic in that area.

There are not many large scale opportunities that would apply on that site – at least that are easily identifiable in the current context. The proposed Downtown Centre; however, is one such opportunity. It would be large enough to drive significant incremental economic activity into the downtown (see Sections 4 and 7 below).

The Sierra Planning and Management report reviewed for this brief estimated that the new Downtown Centre would cater to between 316,800 attendees (lower attendance scenario) and 396,000 attendees (moderate attendance scenario)². These attendance estimates assume that 53 percent of the traffic would come from regular season Wildcat home games. The lower attendance scenario is expected to result in over \$12 million in new direct and offsite expenditures and the higher attendance scenario will bring in nearly \$15 million in new expenditures to the downtown.

⇒ **Attracting more office, retail and services activity**

Downtown Moncton expanded in the 1990s and the first decade of the 2000s by attracting a significant number of new business sectors (i.e. it became the home of many of the city's customer contact centres). There will be less of that type of large scale opportunity over the next decade but the city should target the downtown as a home for its growing information technology sector, professional services, specialty retail, personal services as well as food services and accommodation. Other successful downtowns have attracted post-secondary education activity – both the learning environments and the living spaces.

The role of the new Downtown Centre as an anchor development to spur on further investment should not be understated. The Sierra Planning and Management study reviewed during the development of this briefing includes an estimate of how the new Downtown Centre should spur on new development. It estimates the project should foster more commercial development and increase the assessed value of existing properties in the Highfield Square area by over \$58 million over 10 years.

² These estimates were original developed in the 2008 IBI report.

⇒ **Foster more economic activity in the downtown**

Sports and entertainment facilities could be located anywhere within a municipality. In the past many communities (including Moncton) opted to put these facilities on the periphery of the community close to major highways and on sites where large, ground level parking lots could be constructed. However, most new thinking on the strategic value of these facilities focuses on their role boosting downtown economic activity.

In the case of Moncton, bringing several hundred thousand people downtown each year (approximately 30,000/month according to forecasts developed for the Centre) would be a stimulus for local restaurants, coffee shops, retail and service establishments. The forecasts also estimate between 59,710 and 74,650 overnight stays in local hotels several of which are in the downtown.

Example: MTS Centre (Winnipeg)

The MTS Centre opened in November 2004 and is the downtown sports and entertainment complex for Winnipeg residents. It is 41,000 square metres and was built at a cost of \$133.5 million (or \$175 million in 2013 dollars). The MTS Centre attracts over 1.4 million visits annually. In a survey conducted in 2007 – less than three years after MTS Centre opened, Winnipeg residents were asked to list their favourite things about Downtown Winnipeg. The MTS Centre ranked #1 – and the favourability ranking was even higher among those aged 18-34.

“The MTS Centre draws over 1.4 million paid patrons per year, with a direct benefit to neighbouring shops, restaurants and parking outlets. We believe the MTS Centre has provided an opportunity for countless people to become re-familiar with the downtown and hope this re-builds shopping patterns and confidence in the downtown area and all its amenities.”³

Kevin Donnelly, Senior Vice President & General Manager, MTS Centre

⇒ **Fostering more residential development in the downtown**

Back in 2006, the Downtown Moncton Development Vision called for a “significant residential population” to be attracted to the downtown. As was shown in Section 2 above, the population in Moncton’s downtown actually declined since that vision was put forward⁴.

In the effort to attract residents, it will be important to expand the restaurants, services and amenities in the downtown. The traffic drawn to the downtown by the new Downtown Centre will enable more service providers to expand to the benefit of local residents.

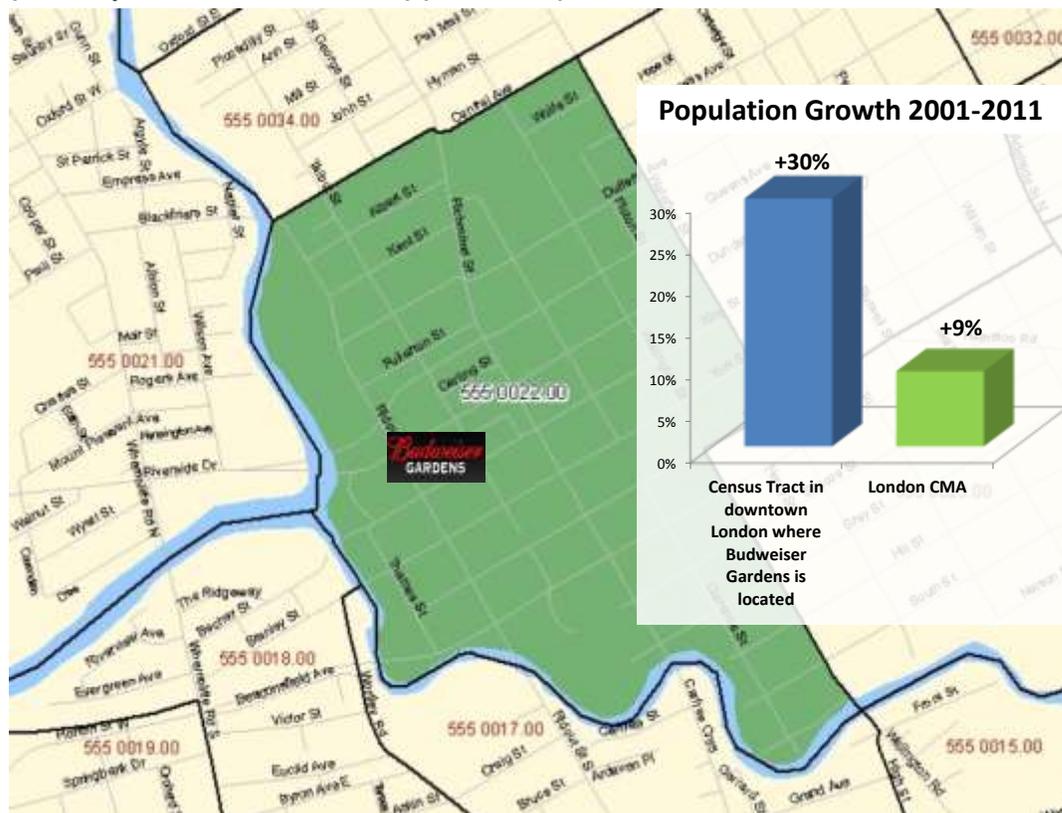
³ As cited in a report on downtown trends published by the Downtown Winnipeg Business Improvement Zone in 2007.

⁴ There have been new residential units constructed but the average household size has declined.

Example: John Labatt Centre (London, Ontario)

The John Labatt Centre (now Budweiser Gardens) was an anchor development meant to spur more office, retail, services and residential development in downtown London (it opened its doors in 2002). In the 10 year period from 2001 to 2011, the number of people living in the Census Tract surrounding Budweiser Gardens (Figure 4) grew by a robust 30 percent compared to nine percent for the London CMA as a whole. While the sports and entertainment facility was certainly not the only factor driving residential development in the downtown city officials say it played an important role.

Figure 4: Population growth in the area adjacent to the Budweiser Gardens facility in London, ONT (formerly the John Labatt Centre) (2001-2011)



Source: Statistics Canada. Shows population growth for Census Tract 5550022.00 and for the London CMA.

5. Assessing the literature on the value of these facilities

There is some debate among economists about the scope and scale of economic benefits from new municipal government downtown entertainment and sports facilities. There are studies that show a long term benefit in terms of increased tax base, economic activity and residential activity and there are other studies that show a limited effect. In a number of large U.S. urban centres, the attempt to stimulate downtown development by adding a large convention centre or entertainment and sports complex has resulted in impacts well short of what was anticipated.

In many areas where new downtown centres have struggled, there was already substantial capacity for the economic activity and the new entertainment and sports facility *was predicated on a dramatic increase* in related activity. This is not the case with the Moncton Downtown Centre which assumes modest growth in sports and entertainment activity but is really focused on a) building a better venue for the growing mix of entertainment that requires such a facility; b) allowing Moncton to attract shows/events that are bypassing the City because of the lack of an appropriate venue and c) driving downtown development around an important new economic anchor.

⇒ **Recycling of economic activity**

Much of the debate over the value of downtown sports and entertainment facilities centres on the incremental economic benefits (or lack thereof) brought to the community as a result of the new facilities. Some economists argue that most of the 'new' economic activity is actually recycled as it comes from existing residents. It is true that the predominant users of these sports and entertainment facilities are local residents. Depending on the mix of uses (i.e. certain activity will be more of a regional draw) between 50 percent and 80 percent of the economic activity could come from existing residents and therefore, it could be argued, is at least somewhat recycled.

There are two arguments that address this concern. First, the new Moncton Downtown Centre is meant to attract a considerable percentage of its attendees from outside the city's boundaries. That will lead to incremental economic activity and not just Moncton residents moving their spending from one part of the city to another. While it is hard to develop a precise estimate of how much spending will come from non-residents of Moncton, the Sierra Planning and Management report estimates there will be up to 74,000+ overnight stays in local hotels as a result of the traffic to the new Downtown Centre.

The second argument is that it makes good sense for the City to cluster economic activity in certain commercial nodes and this applies particularly to the downtown. Even if Moncton residents are the predominant beneficiaries of the new Downtown Centre (which makes perfect sense) channeling a portion of their disposable income spending in the downtown aligns with the broader objective of a robust downtown.

⇒ Economic leakage

Another argument revolves around economic leakage as a result of new sports and entertainment facilities. Some economists suggest that large sports and entertainment facilities siphon off local economic activity by bringing in national and international teams and acts where much of the value of the ticket price leaves the province.

This argument has some basis in fact particularly for smaller jurisdictions. One way to measure this effect is to assess how much gross domestic product (GDP) is created per dollar of industry output. The output in the amount spent and the direct GDP is the amount of value added activity left in the province. As shown in Table 42, New Brunswick generates below average GDP from the industry: “Performing arts, spectator sports and related industries, and heritage institutions”⁵. The industry generates 47.1 cents worth of GDP for every dollar spent (output). Quebec and Prince Edward Island generate much more direct GDP – well above all other provinces – but this is driven by well above average public investment in related infrastructure and services to support this industry’s growth.

While we don’t have good data on interprovincial imports into this sector we do have the data on international imports. For every dollar of spending in the industry across New Brunswick, 10.6 cents goes to international imports (i.e. a Bruce Springsteen concert would have more leakage than an Atlantic Ballet performance).

Table 4: Direct GDP and Imports per Dollar of Industry Output

Performing arts, spectator sports and related industries, and heritage institutions

	Direct GDP per \$1.00 output	Intl. Imports per \$1.00 Output
QC	\$0.788	\$0.083
PE	0.728	0.026
ON	0.579	0.095
AB	0.576	0.085
NS	0.558	0.087
BC	0.513	0.128
NB	0.471	0.106
SK	0.451	0.109
MB	0.445	0.118
NL	0.432	0.068

Source: Statistics Canada Input/Output Tables 2009.

But the strategic issue is not the availability of venues but rather the focus on developing the arts, entertainment and sports sector. Not investing in sports and entertainment venues in order to ensure more spending stays in the local community will a) force Moncton residents to leave the region to access these activities and b) put Moncton at a competitive disadvantage compared to other similarly sized urban areas.

⁵ Unfortunately this data is only available at the provincial level.

6. The economic impact of the new Downtown Centre: Considerations

The Sierra Planning and Management report included an assessment of the economic impact of the new Downtown Centre. The firm's economic impact assessment was developed based on Statistics Canada's 2007 Input/Output tables which trace how output from a specific industry gets distributed and how it impacts the overall economy.

⇒ Construction-related economic impacts

In the Sierra study, the GDP and employment multipliers associated with construction costs – which make up the bulk of the economic analysis- are quite consistent between the 2007 multipliers and the latest multipliers from 2009 (just released in April 2013) (Table 5). There are some differences between 2007 and 2009 in the GDP and employment multipliers for other components such the arts, entertainment and recreation sector and accommodation and food services. We don't have enough granularity in Sierra's model assumptions to be able to determine why this is the case.

Table 5: Construction Costs Multiplier Comparison

	2007 (Sierra Study)	2009 (newest multipliers)
Direct		
GDP (per dollar of output)	0.41	0.413
Employment (per \$1million output)	7.56	7.453
Direct and Indirect (NB)		
GDP (per dollar of output)	0.57	0.559
Employment (per \$1million output)	9.82	9.574

Source: Sierra study and Statistics Canada.

⇒ Ongoing spending impacts

There is no question a new Downtown Centre will have a positive impact on retailers, restaurants and accommodation providers in the downtown. However, it is difficult to estimate with precision how much incremental activity will occur. The Sierra study does a good job of estimating impact using a direct survey of Moncton Wildcat ticket account holders and their off-site spend as well as data from both the City of Moncton and provincial government on tourist spending. They estimate a relatively conservative direct spend of \$8.85 million per year on food & beverage, retail and accommodation from a new Downtown Centre on the Highfield Square footprint (moderate attendance scenario) and \$7.3 million total direct spend in the lower attendance scenario.

These estimates are consistent with economic impact assessments done elsewhere on similar facilities.

The Abbotsford Entertainment & Sports Centre, a 7,000-seat multi-purpose arena in Abbotsford, British Columbia which opened in 2007, is said to generate \$24.3 million worth of economic impact in Abbotsford⁶.

An economic impact assessment of the proposed new Thunder Bay Events Centre will generate an estimated \$10.8 million to \$16.8 million annually in direct and indirect spending from the facility's operations⁷.

Studies completed for the Budweiser Gardens (then John Labatt Centre) in London, Ontario and the k-Rock centre in Kingston, Ontario confirm similar levels of economic spinoff for similarly sized facilities.

⁶ Based on an economic impact study completed by Grant Thornton in 2011.

⁷ Phase 2 Feasibility Study – Proposed Thunder Bay Events Centre. October 2012.

⁸ Note: the Sierra study calculated indirect impacts from the proposed Moncton Downtown Centre but only at the national level.

7. Impact on tax base from the new Downtown Centre

An important rationale for the siting of the new sports and entertainment complex in the downtown is to bolster property assessments in the downtown core. As discussed in Section 3 above, the city generates substantially more tax revenue from the downtown per hectare compared to other neighbourhoods and commercial zones.

The Sierra Planning and Management study completed a quantitative estimate of property development impacts associated with the development of the new Downtown Centre in the Highfield Square footprint.

The assumptions associated with their model were:

- Baseline assessment growth will be six percent per annum. This is based on the historical average assessment growth in the downtown.
- The firm estimates there will be redevelopment associated with a number of adjacent properties over the ten year period (shown in the map on page 63 of the report).
- Further, the firm estimates that there will be an enhanced assessment area around the new facility. The assessment base in this zone will increase by eight percent per year (as opposed to six percent in the baseline case).

Table 6: Incremental assessment and property taxes from siting the Downtown Centre on the Highfield Square footprint

Baseline growth in total assessment 2010-2020	\$153,637,440
-With the Downtown Centre 2010-2020	\$211,759,844
Incremental assessment base from Downtown Centre	\$58,122,404
Percentage growth in assessment base from Downtown Centre	+38%
Incremental annual property taxes paid by 2020 (provincial/municipal)	\$2.2 million
City's portion (estimated)	\$1.2 million

Source: All data except incremental property taxes paid taken from Sierra Planning and Management's 2011 study.

⇒ **Assessment:**

The Sierra study assumes a baseline property assessment growth of six percent in the Highfield Square impact zone. While this conforms to recent trends in the downtown it doesn't take into consideration the potential challenges with redevelopment of the site for other uses. As discussed in Section 3, there is already 350,000+ square feet of office space available in the downtown so it is unlikely that a large scale office complex would be proposed for the site. Large scale retail or residential development projects are also unlikely.

In other words, the assumption of six percent assessment growth in the Highfield Square impact zone in the absence of a new, large scale development is suspect.

Further the assumption that the "enhanced assessment area" would grow its assessment value by only two percentage points higher than the baseline (8 percent versus 6 percent) is also a conservative assumption.

It is more likely that assessment value growth in the Highfield Square impact zone will be below six percent in the absence of a large, anchor development such as the Downtown Centre and likely in the eight percent or more range of growth if there is a new anchor development as it will raise the value of assessments as has happened in the western part of downtown.

8. Conclusion

In March 2010, the Downtown Centre Task Force submitted its final report to Moncton City Council. The Task Force had been convened by Council “with a view to avoid the history and experience of the downtown economic stagnation seen in the 1970’s and early 1980’s”. In its report, the Task Force recommended that Council pursue the development of a new Downtown Centre as “a key catalyst towards downtown regeneration and economic development”.

There is no question that the renewal of downtown Moncton in the late 1980s and 1990s played a vital role in the city’s overall economic and population resurgence. Municipal investments in the streetscapes and infrastructure along with the new City Hall propelled a revitalized downtown. It became a hub for many of the new national and international companies moving into the city and fostered clusters of professional services, niche retail, food services and accommodation.

The potential role of a new Downtown Centre as a “catalyst towards downtown regeneration” is even more obvious in 2013. The closure of the Highfield Square Mall has opened up a prime location in the western end of downtown. Without a new anchor development, that area could struggle to regain its economic potential.

Beyond the Highfield Square closure, the downtown also has some 350,000 square feet of vacant office and commercial space. The vacancy rate is rising to worrying levels.

In addition, the vision of building a residential population centre in the downtown has not materialized. The population in the extended downtown has declined from 2006 to 2011 while growing strongly city-wide.

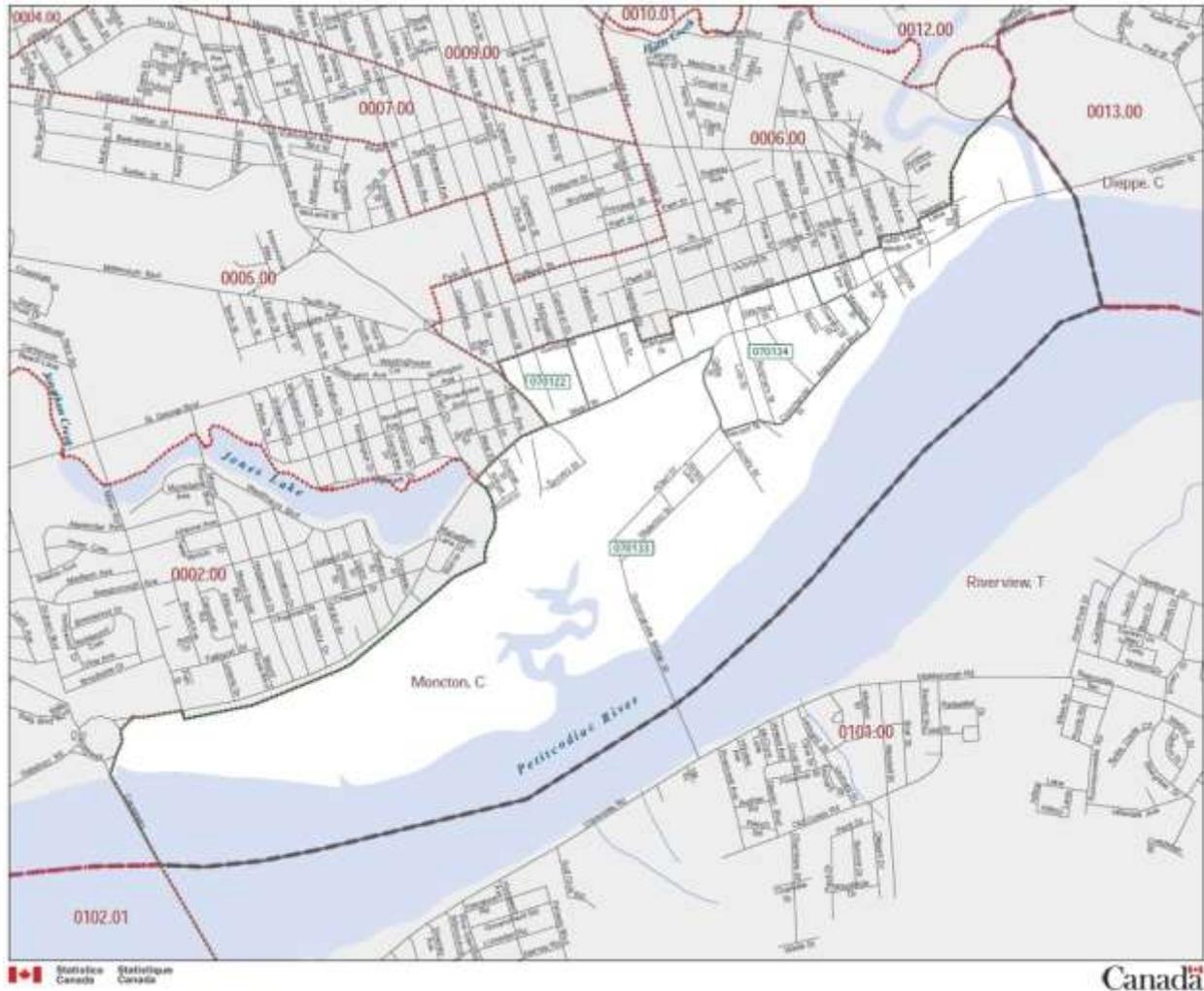
New sports and entertainment facilities should not be viewed as a panacea but they can play an important role as an anchor that drives hundreds of thousands of new visitors to the downtown. This increased economic activity will bolster the retail, accommodation and services sectors and support efforts to increase residential development in the downtown.

There are very tangible reasons why City Hall should focus on downtown development. It generates 11.5 times as much property tax revenue per hectare compared to the rest of the city and the cost to service the downtown is much lower compared to many other neighbourhoods and commercial areas around the city. If the downtown wanes, it will have ripple effects.

The Downtown Centre will have an immediate economic boost for the downtown during its construction phase and will anchor an ongoing redevelopment in the Highfield Square area for many years.

Appendix A: Geographic Definitions

Census Tract 0001.00 – Core Downtown Area



Census Tract 0006.00 – Expanded Downtown Area

