

Grande Alberta Economic Region: Tourism Investment Opportunity – Limited Service Hotel, Town of Mayerthorpe

Description of the tourism opportunity

An opportunity to construct a new 40 room chain affiliated limited service “family” hotel, with added potential to cater to long-term/extended stay guests. The hotel would offer a continental style breakfast option in a breakfast room, which would be included in the room rate. A hot tub and exercise room area would be available for hotel guests. Rooms would be both of a standard variety as well as some suites that would cater to long-term/extended stay guests. The suites would contain a kitchenette, living area and separate bedroom space. Average room rate is proposed to be \$85 in the first year of operation. A meeting room for up to 50 guests would also be a useful amenity as there currently are limited options in town for meeting space.

Location of the tourism opportunity

Mayerthorpe (population of 1,474 in 2008) is located on Highway 43 at the junction of Highway 22, 123 km (75 minutes) northwest of Edmonton and 300 km (2 ½ hours) from Jasper National Park. Traffic counts from the Alberta Ministry of Transportation cite that on Highway 22, north of Highway 43, there were 3,690 vehicles a day on average that passed by this general corridor in 2008 (combined north and southbound travel).

The site is located within a new a 60 acre development abutting the intersection of Highway 22 and 43. The lot within the development that would have the potential for a hotel is approximately 1.5 acres with the option of another 1.5 acres on an adjacent lot.

Highway 43, referred to as the Canamex Trade Corridor, is a major travel route which links Canada, US/Alaska and Mexico. In total it spans close to 6,000 kilometres. Highway 43 is also referred to as the Alaska and Mackenzie Highway. From Edmonton to the NWT, Highway 43 passes through several key centres in Alberta including Mayerthorpe, Whitecourt, Grande Prairie and Peace River. It is also completely twinned for most of its duration, which ensures a steady stream of passenger, recreational vehicle and commercial traffic. The other main highway near Mayerthorpe is Highway 22 (Mayerthorpe is known as the “Trails End” of The Cowboy Trail), which is the scenic alternative to Highway 2. A future bypass is planned for Whitecourt on Highway 43 which may positively affect traffic flow through Mayerthorpe and the available services.

Mayerthorpe's recreational facilities include an outdoor swimming pool, curling rink, skating rinks, toboggan hill, parks, sports grounds, skateboard park, a 9-hole golf course - Mayerthorpe Golf and Country Club and Campground - with 30 sites (seasonal) and sani-dump, agricultural facilities and the Fallen Four Memorial Park.

The Fallen Four Memorial Park is a memorial built to honour and remember 4 RCMP officers that were shot and killed. The memorial was built 2 years ago and had approximately 11,000 visitors in 2008.

The Town currently has two motel/hotel properties for a total of 30 rooms and two bed and breakfasts in the area. Both these properties are in excess of 30 years old and cater to a specific clientele.

Planned projects for the community in 2010/11 include a new sports complex/exhibition centre, upgrade to the outdoor swimming pool which includes a tube slide, a seniors lodge with approximately 50 rooms, water treatment plant expansion and upgrade, lift station replacement, force main and lagoon upgrade.

Mayerthorpe is primarily an agricultural based community and many major community events revolve around this sector. Mayerthorpe has an annual rodeo held in May and the Mayerthorpe Agricultural Fair held the second weekend in August.

Mayerthorpe is also an aging community; approximately 30% of the population are seniors. It is often difficult for professional services (doctors, nurses, etc.) to find housing in the community because vacancy rates for apartments are low.

The agricultural, forestry, oil and gas sectors of the economy are important factors in the Town's prosperity. Tourism is a rapidly growing sector as well, and service demands of the traveling public.

Mayerthorpe provides an accessible workforce.

Website: www.mayerthorpe.ca.

Regulatory Status of the Site

- The site is currently zoned as Direct Control with the potential to be zoned as highway commercial/light industrial development (this would allow for a hotel).

- Environmental Site Assessments 1 and 2, topography and geotechnical reports have been completed.
- The proponent is working on an area structure plan, engineers report and traffic impact assessment, estimated completion date, Spring 2010.
- Council and Alberta Transportation will need to approve the Area Structure Plan. The proponent then would apply for subdivision and rezoning then development permit.

Complementary business development opportunities

- There are opportunities for a service station, car and truck wash, retail component, fast food outlet, restaurant and light industrial on this 60 acres development site.

Potential target markets

The community has not completed an indepth study on target market potential but cursory examination shows that the hotel would be attractive to a number of specific target groups including:

- Demand from recreational use due to the many community activities such as: curling bonspiels, golf tournaments, hockey tournaments, mini handball tournament, sports tournaments at the high school, ball tournaments, Fallen Four Marathon and Relay Race, rodeo, barrel racing, gymkhana, Focus on4-H and other agricultural activities.
- The hotel could expect customers from agriculture, forestry and oil and gas sectors, which are local industries and business travel along Highway 43 and 22 by commercial, industrial, service professions.
- Contractors for local projects. Training sessions that are frequently offered by the service sector in Town.
- Other leisure and tourism related travel would include V.F.R. (visiting friends and relatives), F.I.T. (fully independent traveller) travelling through the area to other regions including the Cowboy Trail Corridor. The hotel would also be in a position to capture various group events such as weddings, anniversary parties, re-unions, etc.
- Professional services such as doctors, nurses and seasonal workers who travel to the community to provide health care services for the community would be interested in longer term stay options that the hotel could provide.
- Mayerthorpe is the service centre for the surrounding communities of Sangoudo, Rochfort Bridge and Green Court which may also generate room nights at the hotel.

Projected preliminary construction/start-up costs

A very preliminary order-of-magnitude estimated capital costs for the development of a hotel, not including the price of the lot, in Mayerthorpe are shown in the following table.

- Construction costs for the hotel, using a traditional construction approach is in the range of \$70,000 - \$90,000 per door. This includes “all-in” building costs - furniture, fixtures and equipment and on-site development costs – access and egress, utilities and landscaping.
- Utilities such as municipal water, sewer, power, gas are to the property line of the development and will have to be brought into each lot. An interior road will be constructed, most likely in phases.
- Highway 22 access and egress would need to be constructed for entry into the parcel.

Capital Cost Component	Estimated Capital Cost
Hotel building costs: - Building construction (40 units) \$70,000 - \$90,000/door for traditional construction includes: - Furniture, Fixtures, Equipment (includes breakfast room) 15% of total building costs Sub-total	\$2,800,000 - \$3,600,000
On-site development costs: (including access and egress, power, sewer, water, and landscaping) Sub-total	N/A
Additional costs: - Soft costs @7.5% - Contingency @ 10% - Pre-opening Marketing @ 2.5% Sub-total	\$560,000 - \$720,000
Total Capital Costs	\$3,360,000 - \$4,320,000

Source: PC&A study team research, 2010.

Preliminary high-level proforma (income statement)

The assumptions below support the following proforma:

- Economic forecasts such as those produced by the Conference Board of Canada, suggest that by 2012, Alberta should once again be one of the top performing provinces in terms of G.D.P growth, led by favourable activity within the within the oil, gas and energy sectors. As such, fixed-roof accommodation properties in the general Mayerthorpe area are anticipated to be the benefactors of overnight room demand from several extended-stay work crews stationed in the region related to the servicing of various oil and gas projects.
- A 40 room chain affiliated hotel, open all year.
- The property would be operational as of January 2012.
- The property will reach a stabilized 68% occupancy rate by its third year of operation.
- Based on comparable properties the average daily room rate for this property is \$85.00 in 2012. Average daily rate increase thereafter, is projected at 2.5% per year.
- Gross hotel revenues are primarily generated from room rentals, although miscellaneous sources of revenue would be generated from telephone, in-room movie income, etc.
- Departmental expenses for the hotel primarily relate to payroll for housekeeping and front desk staff, in-room guest supplies, laundry/cleaning costs and reservation expenses. Total departmental expenses have been projected at 24% of gross revenues in the first year of operation, decreasing to 22% by the third year.
- Undistributed expenses include: administration, sales/marketing, repair/maintenance, utility costs, and potential franchise fees. Total undistributed expenses are projected at 26% of gross hotel revenues in the first year, reducing to 25% by the third year.
- Other fixed charges include: commercial taxes (includes municipal taxes, school tax and seniors' requisition), insurance and reserve for asset replacement (industry standard is 3% of gross hotel revenues). Total fixed charges are projected at 12% of gross hotel revenues throughout the forecast period.

**PRELIMINARY STATEMENT OF REVENUES AND EXPENSES
PROPOSED 40 ROOM LIMITED SERVICE HOTEL
MAYERTHORPE, ALBERTA
JANUARY 1, 2012 TO DECEMBER 31, 2016**

	<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>	
# of Rooms	40		40		40		40		40	
# of Available Rooms per Year	14,600		14,600		14,600		14,600		14,600	
Occupancy %	60.0%		64.0%		68.0%		68.0%		68.0%	
# of Occupied Rooms per Year	8,760		9,344		9,928		9,928		9,928	
Average Daily Room Rate	\$85.00		\$87.13		\$89.30		\$91.54		\$93.82	
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GROSS HOTEL REVENUES	\$796,722	100.0%	\$871,083	100.0%	\$948,664	100.0%	\$972,380	100.0%	\$996,690	100.0%
DEPARTMENTAL EXPENSES	<u>\$191,213</u>	<u>24.0%</u>	<u>\$200,349</u>	<u>23.0%</u>	<u>\$208,706</u>	<u>22.0%</u>	<u>\$213,924</u>	<u>22.0%</u>	<u>\$219,272</u>	<u>22.0%</u>
<u>DEPARTMENTAL INCOME</u>	\$605,509	76.0%	\$670,734	77.0%	\$739,958	78.0%	\$758,456	78.0%	\$777,418	78.0%
UNDISTRIBUTED EXPENSES	\$207,148	26.0%	\$222,126	25.5%	\$237,166	25.0%	\$243,095	25.0%	\$249,172	25.0%
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<u>GROSS OPERATING PROFIT</u>	\$398,361	50.0%	\$448,608	51.5%	\$502,792	53.0%	\$515,361	53.0%	\$528,245	53.0%
OTHER FIXED CHARGES	\$95,607	12.0%	\$104,530	12.0%	\$113,840	12.0%	\$116,686	12.0%	\$119,603	12.0%
<u>NET OPERATING INCOME</u>	<u>\$302,754</u>	<u>38.0%</u>	<u>\$344,078</u>	<u>39.5%</u>	<u>\$388,952</u>	<u>41.0%</u>	<u>\$398,676</u>	<u>41.0%</u>	<u>\$408,643</u>	<u>41.0%</u>

Source: PC&A Study Team research, 2010.