

Harvest Sky Agricultural Centre



Economic Impact Assessment

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Harvest Sky Economic
Development Corporation

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SUMMIT72
QUANTITATIVE STRATEGY EXPERTS



HARVEST SKY REGION
ECONOMIC DEVELOPMENT CORPORATION

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1. Executive Summary

Communities which have experienced the loss of a key industry understand the economic impact that can result from a reduction in business activity. The effects ripple through the community, having consequences for local businesses and workers. Indirect impacts are also felt in industries such as real estate, as the loss of jobs leads to migration of workers to other regions. However, successful business attraction activities can have the opposite effect, serving to stimulate business activity and create jobs.

The economic impact of business activity (both actual and proposed) can be estimated using available economic data and established analytical tools. Likewise, the purpose of this study is to evaluate the potential development of a multi-purpose Agricultural Centre in or near the town of Hanna, Alberta in order to understand the economic benefits associated with the proposed facility.

SUMMIT72 has completed an Economic Impact Assessment that estimates the economic potential of the Agricultural Centre. This includes an evaluation of the economic impact related to one-time construction activities and the ongoing operations of the facility. Also included in the analysis are the economic benefits that are expected to occur as people visit the region to do business at the Centre or attend events.

The analysis indicates that construction related activities are expected to generate a one-time total economic impact of \$6.5M in GDP and 54 full-time equivalent jobs during the construction period. Furthermore, the activities associated with the Centre will support local businesses on an ongoing basis and over the long term contribute to a more resilient local economy. Specifically, the Agricultural Centre's operations and the resulting visitors to the region are expected to generate total annual economic benefits of \$2.7M and support 31 permanent full-time jobs.

The following report provide further details on the Agricultural Centre, the economic impact assessment methodology, and the results of the analysis.

2. Introduction

This document and the supporting Economic Impact Analysis have been completed by SUMMIT72 and are intended to complement the work completed in 2021 on the Harvest Sky Agricultural Centre Business Case.¹ The earlier study assessed various aspects of the Harvest Sky Region and identified clear regional strengths that are tied to ranching and livestock production. From that work, two opportunities were identified which showed economic promise and broad community benefits:

1. Rural Community Practice (RCP)

The RCP will serve local livestock producers through an expanded animal health service offering, and also offer educational opportunities, and research prospects. The Centre is intended to address all aspects of animal health and welfare while also maintaining a focus on delivering services that will benefit local producers, the community, and the environment.

2. Riding Arena & Event Centre

This proposed facility will serve as a multi-purpose agricultural expo Centre which could host grassroots agricultural programs, community events, competitions, and business shows.

The intended scope of the Agricultural Centre Business Case was to present an operationally and financially viable case for the Agricultural Centre and the associated business clusters. Building off of that original study, this Economic Impact Assessment presents the economic benefits that are expected to flow from the development.

3. Economic Impact Explained

The key premise of economic impact analysis is that a specific investment will have an overall positive effect which is greater than the original investment. For instance, the proposed Agricultural Centre will lead to construction activity and ongoing operations that results in the creation of jobs and the injection of money into the local economy. The capital investment and the wages that are paid to employees then cycle through the economy, having ongoing positive spillover effects across the region. These ongoing positive economic impacts are calculated using so-called multipliers and are therefore known as “multiplier effects”.

As an illustration, a construction project will involve the purchase of a large amount of goods and services. Workers generally live reasonably close to the construction site, and as a result spend a substantial part of their wages in the local community for food, entertainment, and other services. As a result, area businesses not only benefit from the sale of building materials and other related services, but also from the patronage of the workers. Furthermore, once the development is completed, the region stands to benefit from increased business activities.

One of the first steps to completing an economic impact analysis is to calculate the economic output. In this case, the output related to commercial development would include all of the project costs such as architectural planning, engineering, site improvements, building materials, and tradespeople. Once the total costs are separated into the industries that produce the goods or services, publicly available

¹ The full Agricultural Centre Business Case Report can be viewed at the below link:

<https://harvestsky.ca/wp-content/uploads/2022/05/Agricultural-Centre-Business-Case-December-2021-compressed.pdf>

economic multipliers are applied to the output for each industry in order to estimate how these expenditures are expected to ripple through the economy.²

Economic impact is often measured in terms of GDP and employment. These two categories are defined below.

- **GDP (Gross Domestic Product)** is a common metric that is used to measure economic activity at the national, provincial and regional levels.³ A common use of GDP is to illustrate the comparative economic activity between regions or countries. For context, the estimated GDP resulting from the proposed Agricultural Centre can be compared to the GDP of the town of Hanna which is estimated at \$400M.⁴
- **Employment** is the number of additional jobs created as a result of the project. These jobs can pertain to full-time equivalent positions created as a result of construction activities, as well as permanent full-time positions arising from ongoing operations.

Economic impacts such as the three categories listed above,² are often presented at the direct, indirect, and induced levels. While the sum of all three categories (or total impact) is often the main consideration, direct impact is of particular interest to this Agricultural Centre economic analysis. This is because direct impact typically represents the economic activities that have the highest likelihood of being served by local businesses and therefore are expected to have the greatest effect on the local economy.

Provided below are definitions of the three types of economic impact:

- **Direct Impact** measures the impact on industries supplying goods and services directly used by the project. For example, the industries providing construction materials or services to the project, such as concrete, lumber, or engineering services would be considered a direct impact.
- **Indirect Impact** measures the impact that occurs in supplier industries as a result of the project. Using the lumber example from above, the indirect impact would consider all the industries in the supply chain which support the production of lumber. This would include obvious industries as logging, milling, and equipment providers, but also support industries like accounting and janitorial services. Economic impact analysis, uses publicly available economic data to understand how a construction project like the Agricultural Centre generates economic activity throughout the supply chain.
- **Induced Impact** measures the effect that spending by workers (those employed by the project, and by direct and indirect supplier industries) has on the economy. Induced impacts for a typical construction project would include impacts in industries that sell goods and services to consumers, such as retailers, food services, and accommodations. For example, the induced benefits from a construction project includes the economic impact of construction workers spending their wages on goods and services.

² Economic Multipliers provided by Statistics Canada. Table 36-10-0595-01 - Input-output multipliers, provincial and territorial, detail level. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610059501>

³ In technical terms, GDP refers to the additional value of a good or service over the cost of inputs used to produce it from the previous stage of production. Thus, GDP is equal to net output, or the difference between revenues and expenses on intermediate inputs. All GDP estimates within this report are in basic prices.

⁴ Based on Statistics Canada data and internal calculation within SUMMIT72's Regional Assessment Model

4. Analysis

For the purpose of this study, SUMMIT72 prepared an economic impact model to quantitatively evaluate the economic benefits of the Agricultural Centre project. Available data facilitates the analysis of the economic impact at the provincial level, but as noted in the previous section, the direct impact generated by the project offers the best opportunity for the Harvest Sky Region to benefit from this project.

A key distinction to note up front is the fact that there are a number of streams being assessed as part of this analysis. This is to account for the various stages and activities related to the development of an Agricultural Centre.

1. **Construction Impact** relates to the economic activities that will occur during the construction period. These are one-time benefits that will end once the construction phase is complete.
2. **Operating Impact** is the annual economic benefit which will accrue to the region as a result of the ongoing operation of the Agricultural Centre.
3. **Tourism/Visitors Impact** forecasts the injection of money into the local economy as a result of the people that will travel to the Harvest Sky Region for business or events at the Agricultural Centre.

The following subsections provide the results of the analysis for each of the above categories.⁵

4.1 Agricultural Centre Construction Impact

The proposed Agricultural Centre is a multi-facility complex to be situated on approximately 70 acres of land. The preliminary cost estimates for the combined RCP and Riding & Event Centre are \$8.2M.⁶ The economic impact of construction activities are provided in the below table. These are one-time benefits that arise over the course of all stages of development (from planning to construction).

Table 1: Agricultural Centre Construction - One Time Economic Impacts

Impact Type	GDP	Jobs
Direct	\$3.52M	31
Indirect & Induced	\$2.97M	23
Total	\$6.48M	54

Construction activities are expected to have a significant effect on the local economy as businesses have the opportunity to provide goods and services to construction companies and workers. These economic activities multiply through the economy and are estimated to generate close to \$6.5M in GDP and support over 54 full-time equivalent jobs over the full construction period.

⁵ Specific details outlining the analytical methodology can be found in the appendix.

⁶ Construction costs are based on full development cost of a 6,250 sq. ft. RCP and 55,000 sq. ft. arena & event Centre (base case). Full cost breakdown is provided in the Agricultural Centre Business Case at the following link: <https://harvestsky.ca/wp-content/uploads/2022/05/Agricultural-Centre-Business-Case-December-2021-compressed.pdf>

4.2 Agricultural Centre Operating Impact

While the impact associated with construction of the Agricultural Centre will have a positive economic impact on the region, those benefits are realized only over the course of the construction period (i.e., when construction ends, the benefit stream ends). Operating activities on the other hand, are expected to be ongoing and will therefore produce a continued economic benefit for the region and province. These activities represent all of the business streams that were outlined in section 2 and include things like animal health services, education programs, and research projects (within the RCP) and business and community activities (within the Riding Arena & Event Centre).

The first step to evaluating the operating impact of the Agricultural Centre is to forecast all the related operating costs.⁷ From there, the economic spin-offs resulting from those activities can be estimated. The two business streams have been presented separately to allow for additional insight. The results are provided in the following two tables.

Table 2: Rural Community Practice Operations - Ongoing Economic Impacts

Impact Type	GDP	Jobs
Direct	\$0.97M	10
Indirect & Induced	\$0.74M	7
Total	\$1.72M	17

Table 3: Riding Arena & Event Centre - Ongoing Economic Impacts

Impact Type	GDP	Jobs
Direct	\$0.34M	6
Indirect & Induced	\$0.24M	2
Total	\$0.58M	8

The RCP offers an illustration of the significance of the activities expected to occur in the facility. For instance, a veterinary practice will not only employ veterinarians and veterinary technicians, but many goods and services purchased by the practice will likely be sourced locally (e.g. fuel, animal feed, janitorial services, etc.). While it is anticipated that the Riding Arena & Event Centre's total impact will be lower than the RCP, the Centre is still expected to generate substantial economic activity in the region and support local jobs.

⁷ Economic activity has been calculated based on the full-service offering as presented in the Agricultural Centre Business Case.

4.3 Agricultural Centre Tourism and Visitor Impact

Whether it be attending a rodeo event, a tradeshow, or the transport of livestock to the RCP for medical care, the Agricultural Centre will serve as a means of drawing visitors to the area. This will lead to local expenditures and result in the injection of money into the regional economy. The magnitude of this economic impact is considered next.

The analysis relies on the Agricultural Centre Business Case, publicly available data from other facilities across the province, and information produced by the Alberta Association of Agricultural Societies to generate an annual attendance estimate.^{8, 9} Other important visitor information metrics have been provided by Alberta Tourism.

Table 4: Visitor Data and Sources

Data Point	Value	Source
Estimated Annual Attendance (people)	10,000	Internal calculations
Visitor Profile		
Daily	70%	Government of Alberta Tourism
Overnight	30%	Government of Alberta Tourism
Average Visitor Spend		
Daily	\$65	Government of Alberta Tourism
Overnight	\$112	Government of Alberta Tourism

Estimated visitor expenditures have also been adjusted to account for the fact that a significant number of Agricultural Centre attendees are expected to be local residents (rather than out of town visitors). Additionally, for those travelling to the Centre, not all expenditures will occur at the final destination – a portion of fueling stops and meals will happen enroute and the analysis has been adjusted to account for this.

The estimated annual expenditure that is anticipated to occur within the town of Hanna (and close proximity) is \$435K. This translates to an approximate \$1,200 per day of additional spend at local businesses. Included in these estimates are the direct expenditures occurring at restaurants, gas stations, hotels, and local shops, as well as the indirect and induced economic spin-offs as provided in the following table.

Table 5: Tourism and Visitors - Ongoing Economic Impacts

Impact Type	GDP	Jobs
Direct	\$0.24M	5
Indirect & Induced	\$0.17M	1
Total	\$0.41M	6

⁸ Estimated steady state attendance numbers once the facility has reached its operating potential.

⁹ Alberta Association of Agricultural Societies, Community Benefits, Economic Stimulation, and Sustainability. <https://www.albertaagsocieties.ca/wp-content/uploads/2017/07/Community-Benefits-revised-May-2012.pdf>

Visitor attraction resulting from the development of the Agricultural Centre is expected to generate over \$400K in GDP and support six new full-time, permanent jobs. Not included in these estimates are the intangible tourism opportunities that could arise out of the Agricultural Centre. For instance, events that attract visitors to the region, present the opportunity to create additional activities that engage visitors. This creates the possibility for new tourism related business opportunities and the potential to increase local expenditures in the region by extending visitor length of stay, etc.

5. Conclusion

The purpose of this study has been to provide clarity into the ways in which the Harvest Sky Agricultural Centre can help the community achieve their economic development goals. The following tables provide a summary of the Economic Impact Analysis.

Table 6: Agricultural Centre Total One Time Economic Benefits Realized During Construction Period

Impact Type	GDP	Jobs
Direct	\$3.52M	31
Indirect & induced	\$2.97M	23
Total	\$6.48M	54

Table 7: Agricultural Centre Total Ongoing Economic Benefits

Impact Type	GDP	Jobs
Direct		
RCP Operations	\$0.97M	10
Riding Arena & Event Centre Operations	\$0.34M	6
Tourism & Visitors	\$0.24M	5
Total Direct	\$1.56M	21
Indirect & induced		
RCP Operations	\$0.74M	7
Riding Arena & Event Centre Operations	\$0.24M	2
Tourism & Visitors	\$0.17M	1
Total Indirect & Induced	\$1.15M	10
Total (Direct, Indirect & Induced)		
RCP Operations	\$1.71M	17
Riding Arena & Event Centre Operations	\$0.58M	8
Tourism & Visitors	\$0.41M	6
Total Indirect & Induced	\$2.7M	31

The Agricultural Centre Business Case completed in 2021 outlined the value proposition for an Agricultural Centre in the Hanna region. While the objectives of the Agricultural Centre are broad, the stated goals are focused on local livestock producers and the community. The Business Case sought to identify the services that will not only meet local demand, but also attract business activities and visitors from across the province. This Economic Impact Assessment considers all those factors in order to quantitatively establish the case for an Agricultural Centre.

Appendix – Economic Impact Analysis Methodology

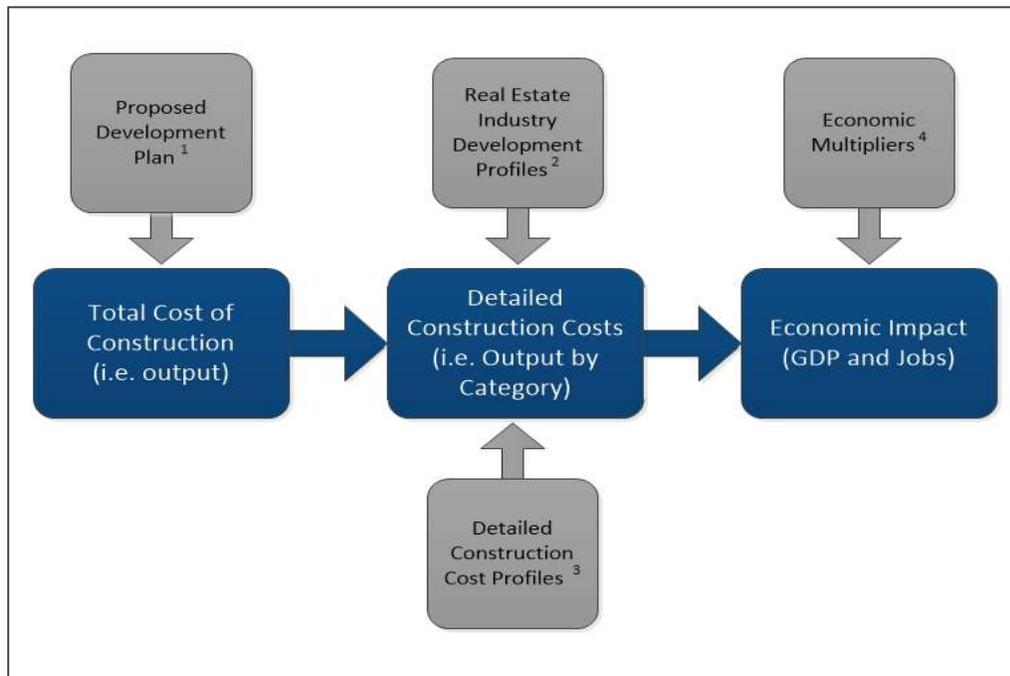
SUMMIT72 has completed economic impact assessments for a variety of clients across a broad group of industries. The analytical process used in the current Agricultural Centre assessment has also been employed in previous studies for the federal government and major Canadian cities (this includes assessments to guide policy decisions related to national recycling initiatives and municipal waste diversion). SUMMIT72 also has experience completing Economic Impact Assessments for private sector investments, such as a \$500M real estate development with residential, commercial, and tourism components.

In many cases, Economic Impact Assessments are a useful tool for decision makers at all levels of government and individuals who want to understand the positive spillover effects of a specific investment. The following subsections provide details on the economic impact calculations and the specific inputs used in the analysis.

Economic Impact of Construction

In section 4.1, this report outlines the estimated economic impact of construction activities associated with the proposed Agricultural Centre. The below flow diagram outlines the steps in the analysis, the data inputs, and sources.

Table 8: Construction Impact Analysis



1. SUMMIT72, Agricultural Centre Business Case, 2021.

<https://harvestsky.ca/wp-content/uploads/2022/05/Agricultural-Centre-Business-Case-December-2021-compressed.pdf>

2. Bode, Cost to Build in Alberta.

<https://home.bode.ca/blog/cost-to-build-in-alberta/>

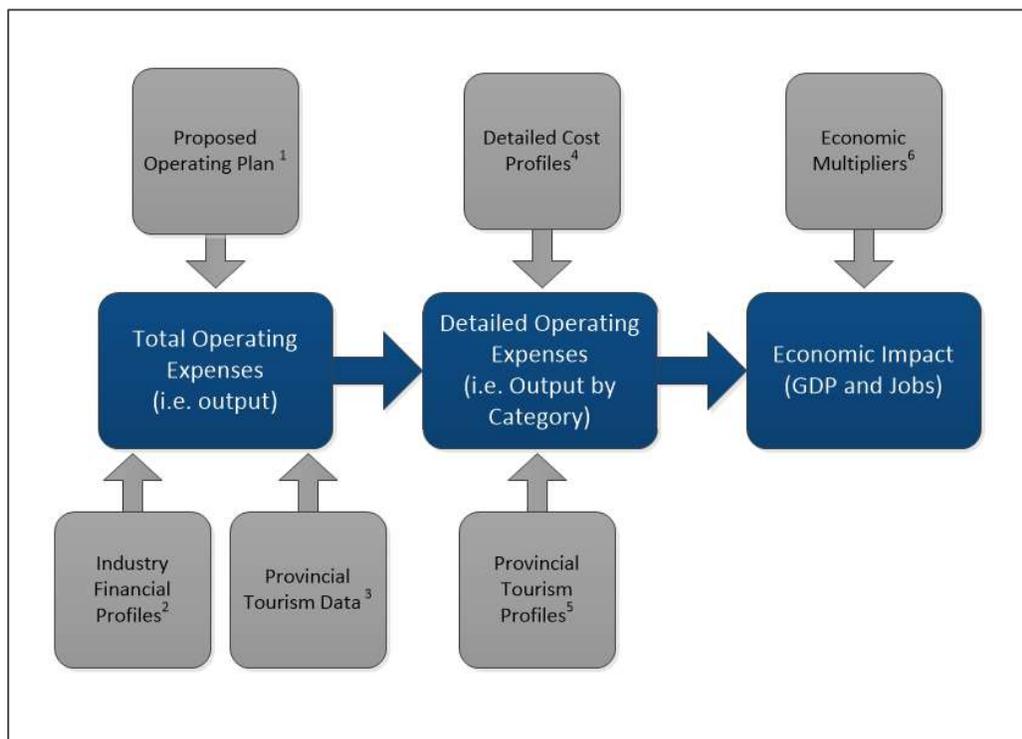
3. Statistics Canada. [Table 36-10-0478-01 Supply and use tables, detail level, provincial and territorial](#)

4. Statistics Canada. [Table 36-10-0595-01 Input-output multipliers, provincial and territorial, detail level](#)

Economic Impact of Operations

Sections 4.2 and 4.3 of this report outline the economic impact related to the Agricultural Centre’s ongoing operations and the resulting visitor attraction. The below flow diagram outlines the steps in the analysis, the data inputs, and sources.

Table 9: Operations and Tourism Impact Analysis



- ¹. SUMMIT72, Agricultural Centre Business Case, 2021.
<https://harvestsky.ca/wp-content/uploads/2022/05/Agricultural-Centre-Business-Case-December-2021-compressed.pdf>
- ². Industry Canada.
<https://www.canada.ca/en/services/business.html>
- ³. Government of Alberta, Domestic Tourism in Alberta Central Tourism Region 2019.
<https://open.alberta.ca/dataset/c55e959e-eb5b-45d3-8ace-e8035fd24c36/resource/30b0ca42-07d3-486e-9df6-f29e1d8439e0/download/jei-domestic-tourism-alberta-central-tourism-region-2019.pdf>
- ⁴. Statistics Canada. [Table 36-10-0478-01 Supply and use tables, detail level, provincial and territorial](#)
- ⁵. Government of Alberta, Domestic Tourism in Alberta Central Tourism Region 2019.
<https://open.alberta.ca/dataset/c55e959e-eb5b-45d3-8ace-e8035fd24c36/resource/30b0ca42-07d3-486e-9df6-f29e1d8439e0/download/jei-domestic-tourism-alberta-central-tourism-region-2019.pdf>
- ⁶. Statistics Canada. [Table 36-10-0595-01 Input-output multipliers, provincial and territorial, detail level](#)