

Galleria Project Update

Recommendation:

That the May 26, 2015, Sustainable Development report CR_2040, be received for information.

Report Summary

This report provides an update on the Galleria project outlining the potential City funding commitments to the project.

Report

Vision

The Edmonton Downtown Academic and Cultural Centre Galleria Project, envisioned in 2011, consists of the development of four Performing Arts Theatres in the vicinity of the Station Lands Development, along with a covered public open space and a commercial development component (additional background in Attachment 1). Since the concept was first introduced, the Edmonton Downtown Academic and Cultural Centre Foundation was formed to advance the project and to establish a Cultural Trust that could serve to operate the project into the future. A key attribute of the concept is that it includes a commercial component within the overall project which serves as a profit centre for the Edmonton Downtown Academic and Cultural Centre Galleria Foundation and for the Cultural Trust such that the theatres may be operated into the future without dependence upon ongoing government subsidization.

When the Edmonton Downtown Academic and Cultural Centre Galleria Project was last discussed at City Council in April of 2014, support for the Project was given by Council subject to the Foundation being in a position to confirm financing and tenancy relative to the commercial component of the project in order to mitigate the level of risk to the City. However, as the project is still in the concept stage, specifics relative to financing and tenancy cannot yet be definitive. Therefore, the Foundation has developed a phased approach to the development in order to address Council's considerations. With the phased approach, the suggested contribution from the City is staged such that each subsequent financial contribution from the City is dependent upon the project reaching specific milestones.

The phases are summarized in this report noting the key project milestones and accompanying City financial contribution. Risk mitigation for the proposed City contributions can be found in Attachment 2.

City's Contribution to Key Project Elements

The phasing of the Edmonton Downtown Academic and Cultural Foundation Project is

identified in Attachment 3. The Edmonton Downtown Academic and Cultural Foundation is requesting a total funding of 58.3 million phased over a number of years as reflected in Attachment 4. If funding is supported by the city then between now and 2020, the Edmonton Downtown Academic and Cultural Foundation would work with the City of Edmonton to:

- define the governance model for the Cultural Trust to manage the revenue realized by the Galleria Project
- purchase and prepare the former Re-Use Centre site for development
- execute the option agreement for the purchase of the Edmonton Public School Board Land
- proceed with construction of the University of Alberta Building containing a 650 seat Theatre and 200 seat Recital Hall, including land assembly and the construction of the Galleria open space area as part of the open space. Construction will be contingent upon securing a long term lease agreement with the University of Alberta.

The funding formula commits money from the Community Revitalization Levy in 2020 which to date has not been prioritized by council. The release of city funds would be dependent on EDAC achieving certain milestones including the securing of a tenant in commercial/residential development with income sufficient to cover the capital and operating commitments of the Foundation.

A. Sale of the Re-Use Centre

The City owned Lots 100-102, Plan 1919NY and the public road right of way (ie. former Re-Use Centre and portion of 104 Avenue), have been part of the Edmonton Downtown Academic and Cultural Centre Project since its inception. The Foundation owns the adjacent property north of this site and together this would be the primary location for revenue generation for operations of the Theatres. The lands are to be transferred to the Foundation for \$1 on the basis they are a component of the Edmonton Downtown Academic and Cultural Centre Galleria Project. Should the project not proceed by the year 2020, the City will be paid the current appraised value of \$10 million less the costs incurred by the Foundation to prepare the site for development. The estimated cost of development (including: demolition of building, site remediation, and utility relocation) is \$1.7 million, leaving a value of \$8.3 million. The value of the City land and road right of way is optimized through consolidation with the parcel owned by Edmonton Downtown Academic and Cultural Centre Foundation.

B. Option Agreement for the Purchase of the Edmonton Public School Board Maintenance Building Site

The most significant financial contribution from the City would be the purchase of the Edmonton Public School Board property as the future site of the main theatre. On June 20, 2013, Edmonton Public School Board provided its support for the sale of the property in principle on the basis that all costs associated with acquiring,

operationalizing, and relocating their maintenance facility be cost neutral to the District. The Board is approaching the relocation with the objective to ensure operational effectiveness and efficiency can be realized at a minimum cost exposure. Upon finalization of a site and building design, the Board must approve the relocation. The estimated maximum cost to acquire the Edmonton Public School Board building is \$25 million. This includes costs to secure an alternate site and move the operations to the new facility. The City will retain title of the property which would be leased to the Foundation at a nominal cost.

C. Edmonton Downtown Academic and Cultural Centre Galleria Roof

In 2013, the Foundation had requested the City contribute to the construction of a roof for the 80,000 square feet of open space in the project. As the plans for the project have evolved, so has the vision for the Edmonton Downtown Academic and Cultural Centre Galleria open space. Because plans for a roof are still at a conceptual stage, the Foundation has withdrawn its request for a City contribution to the roof at this time. The Foundation may approach the City again on this topic but that would increase the request for financial support beyond the \$58.3 million the city's current position is this should be funded by the development.

Project Benefits

The PricewaterhouseCooper Economic Impact Assessment for the Galleria Project completed in 2013 suggested a potential \$1 billion development that could:

- increase downtown student and workforce traffic
- generate potentially \$6 million/year in tax revenue from the development
- development of approximately 9 acres of vacant or underutilized land within the next 10 years
- development of 80,000 square feet programmable open space.

Next Steps

Administration will continue to work with the Edmonton Downtown Academic and Cultural Centre Foundation, and will return to Executive Committee with the following:

1. A proposed Memorandum of Understanding between the City and the Foundation with respect to the Edmonton Downtown Academic and Cultural Centre Galleria Project
2. A proposed sales agreement between the City and the Foundation with respect to City-owned Lots 100-102, Plan 1919NY and the public road right of way
3. A proposed Option Agreement between the City and the Edmonton Public School Board to purchase the Edmonton Public School Board Maintenance Building site
4. A revised Capital Profile Galleria Land Commitments # 14-17-5031 proposed for Council's consideration during the fall Supplementary Capital Budget Adjustment

Timing

The anticipated timeline of activities the Edmonton Downtown Academic and Cultural Centre Foundation and the City of Edmonton will be pursuing over the next five years is outlined in Attachment 5.

Policy

The proposed Edmonton Downtown Academic and Cultural Centre is consistent with the following policies:

- *The Way We Live*: Edmonton's People Plan
- Capital City Downtown Area Redevelopment Plan – Bylaw 15200

Public Consultation

In the fall of 2014, City Administration completed a Public Involvement Plan on the Edmonton Downtown Academic and Cultural Centre Galleria Project. The purpose of the community consultation process was to gauge awareness about the project among community and key stakeholder groups, test understanding of the project objectives, determine level of support, and compile feedback on community impacts and opportunities related to the project, and report back to City Council.

The multifaceted community consultation occurred between December 2014 and February 2015, consisting of eight targeted stakeholder focus groups, two public meetings, and four surveys (focus group participants, open house participants, Edmonton Insight Community and open online survey). RC Strategies was contracted to facilitate the focus groups, open houses and prepare the *What We Heard* report to capture feedback from all consultation strategies.

The consultation plans targeted key community stakeholders in the geographic area of the Edmonton Downtown Academic and Cultural Centre Galleria Project and other stakeholders interested in or affected by the project. Stakeholder groups included community organizations, community leagues, social agencies, housing providers, aboriginal organizations, business revitalization zones, umbrella organizations, arts organizations, festivals, cultural arts groups and other key community stakeholders. The general public had an opportunity to provide feedback through the online survey and open houses. The Edmonton Insight Community survey was sent to community participants who are members of the Edmonton Insight Community panel.

Invitations were sent to over 240 stakeholder groups to attend a focus group or open house. In all, 83 participants attended a focus group, 135 participants attended an open house and 1,979 people completed a survey.

Overall the respondents to the surveys indicate a qualified level of support for the Edmonton Galleria Project: 75 percent support from the 67 open house participants who completed a survey on site, 84 percent support from the 24 focus group participants

who completed a follow-up survey, 54 percent of the 867 participants in the open online survey, and 59 percent of the 1021 participants in the Edmonton Insight Survey.

The public consultation findings (Attachment 6) identify several success factors and benefits including; program accessibility, affordability of programs and spaces, coordination with other downtown initiatives, collaboration and partnerships, inclusion within the area, and economic benefits.

For the most part, focus group participants saw opportunity in the Galleria Project and wanted to see it move forward. Many participants from all consultation strategies suggested key challenges to the project would be:

- people's limited knowledge and understanding of the Galleria and Cultural Trust funding and business models
- a potential lack of support and involvement by the community
- government funding uncertainty
- limited communication about the project
- not being able to make the public spaces accessible and affordable.

To overcome these challenges, open and transparent communication was seen as critical throughout project planning and development. Stakeholders also wanted to see ongoing engagement and involvement with the Foundation with a view to developing enhanced partnerships and collaborations.

Budget/Financial Implications

The City of Edmonton would be a funding partner in this venture but is not leading the efforts.

The total project costs outlined in this report that would be the responsibility of the City total \$58.3 million. When factoring in interest charges on the amounts that are eligible to be borrowed for, the total expected cash expenditure for the City is estimated at \$75.2 million. The projected incremental tax revenue to be generated from the commercial development as part of the Edmonton Downtown Academic and Cultural Centre Galleria Project is in the order of \$6 million per year. The revenue generated from the commercial development as part of the Edmonton Downtown Academic and Cultural Centre Galleria Project could effectively fund all \$75.2 million of project related expenditures within a 13 year time frame.

Attachments

1. Background
2. Risk Mitigation
3. Galleria Phased Approach
4. Prerequisites to City Participation
5. Timeline of Activities

6. Executive Summary - What We Heard Report

Background Information Available on Request from the Department

- Edmonton Downtown Academic and Cultural Centre Economic Impact Assessment - PricewaterhouseCoopers LLP April 3, 2013
- Edmonton Downtown Academic and Cultural Centre Financial Business Case - PricewaterhouseCoopers LLP April 3, 2013
- What We Heard Report (City of Edmonton Public and Stakeholder Engagement on the Edmonton Galleria Project) - RC Strategies March 2015

Others Reviewing this Report

- L. Cochrane, General Manager, Community Services
- K. Rozmahel, General Manager, Corporate Services
- T. Burge, Chief Financial Officer and Treasurer