

FUNDING REQUEST FOR CULTURAL INFRASTRUCTURE – DECIDEDLY JAZZ DANCE CENTRE

EXECUTIVE SUMMARY

The Decidedly Jazz Dance Society (DJD) plans to construct a performing arts facility in Calgary's Beltline community. The Calgary Arts Development Authority (CADA) recommends that the project be allocated \$5.46 million from the Municipal Sustainability Initiative (MSI) Culture-Related Infrastructure Fund. Administration has completed its initial due diligence review of the project, and supports this investment.

The proposed facility, provisionally named the Decidedly Jazz Dance Centre (Dance Centre), is targeted for completion in late 2015. It will consist of dance studios, space for the DJD's professional dance company and recreational school of dance, performance venues, as well as community space. The Dance Centre will be constructed on land owned by the Kahanoff Centre for Charitable Activities (KCCA), a non-profit organization principally held by The Calgary Foundation. DJD will lease the Dance Centre through a 49-year nominal rent lease from the KCCA.

ADMINISTRATION RECOMMENDATION(S)

That the SPC on Community and Protective Services recommends that Council:

1. Approve a capital budget appropriation of \$5.46 million, for the Dance Centre project, \$2.73 million in 2014 and \$2.73 million in 2015, to Capital Program 639 from the Municipal Sustainability Initiative (MSI) Culture-Related Infrastructure fund; and
2. Approve the release of \$5.46 million from Program 639 to the Decidedly Jazz Dance Society, subject to permit approvals, the execution of required legal agreements, compliance with The City's capital funding guidelines and according to The City's standard MSI review and invoice-reimbursement procedures.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2013 June 10, Council approved CPC2013-054 redesignating the DJD/KCCA project site land use "from Centre City Mixed Use District to DC Direct Control District to accommodate additional office density for development inclusive of artistic and cultural activities."

On 2009 July 13, Council approved CPS2009-34, Updated Cultural Infrastructure Funding Framework and City - Cultural Municipal Sustainability Initiative Requirements.

On 2008 November 24, Council approved CPS2008-90, the MSI Program Guidelines for Culture-Related Infrastructure; and CPS2008-91, CADA's Strategic Plan and Arts Space Investment Process was received for information with Council directing Administration to assess the eligibility of CADA's 2008 project recommendations for MSI funding, which included the DJD project.

On 2008 February 19, Council approved CPS2007-74, Updated Culture, Parks, Recreation Infrastructure Investment Plan (CPRIIP), allocating 5 per cent (up to \$165 million) of MSI funds towards culture-related infrastructure projects.

On 2007 April 16, Council approved CPS2007-20 Cultural Spaces for the Arts Strategy and

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Capital Plan, receiving for information CADA's Summary Report "Reclaiming Calgary's Cultural Identity: Arts Spaces Strategy and Capital Plan."

BACKGROUND

The Decidedly Jazz Society (operating as Decidedly Jazz Danceworks) is incorporated under the Alberta *Societies Act* as a non-profit entity and is a registered Canadian charity under the *Income Tax Act*. Conceived with the goal of preserving and promoting the history and spirit of jazz, DJD is a resident dance company and a dance school located at its current Beltline leased premises at 1514 4th Street SW since 1993. To address escalating rental costs in the Calgary market and the need for larger premises to meet growth demands, DJD succeeded in developing a project with the KCCA on a joint expansion plan for the current Kahanoff Centre building at 105 12 Avenue SE.

The KCCA mandate is to rent Kahanoff Centre office space to charitable organizations at 75 per cent of market rate. The DJD/KCCA collaboration plan is for the construction and operation of a new 12-storey building, adjacent to the current Kahanoff Centre building, with KCCA committed to seven floors of needed office space for charities and for DJD's Dance Centre to be an anchor tenant occupying the first five floors.

After a project assessment through CADA's arms-length Cultural Spaces Investment Process, the proposed DJD Dance Centre was recommended by CADA in 2008 and received for information by Council (CPS2008-91), as a needed cultural facility for Calgary. Through CPS2008-91, Council directed Administration to assess the DJD project towards meeting MSI funding criteria. During Administration's review of DJD project readiness, Administration made an application to Alberta Municipal Affairs for MSI funding. Alberta Municipal Affairs approved the project on 2010 September 13 as capital infrastructure, qualifying the project for \$5.46 million in MSI funding. Administration has now completed its initial due diligence assessment of DJD's project readiness and project risks and is now bringing forward a recommendation to Council for the appropriation and release of MSI capital funding to construct DJD's Dance Centre as cultural infrastructure.

A Q1 2014 construction start is planned for DJD's \$17.9 million Dance Centre, in conjunction with KCCA's \$19.6 million office construction project.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

DJD's Dance Centre design provides for a 35,000 square foot facility within the expanded Kahanoff Centre. The DJD component will comprise of the following features:

1. First floor publicly accessible community space and community studio;
2. Second floor main studio/theatre with 200 tiered seats and dressing room space;
3. Third floor dance studio, wardrobe construction space, and a sound booth;
4. Fourth floor DJD school of dance space with seven dance studios, a student lounge and teacher resource room; and
5. Fifth floor office space for DJD.

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Administration's MSI capital funding appropriation and funding release recommendations in this report are based on Administration's due diligence review as follows.

Secured Project Site

Before starting construction in Q1 2014, a construction agreement will be signed between DJD and KCCA committing the parties to a 49-year nominal rent lease for the DJD-component of the construction project. The DJD/KCCA construction agreement shall also allocate costs between KCCA and DJD, and demonstrate to Administration that all funding sources are secured to assure the completion of the overall project.

Confirmed project financing to complete the construction

The total DJD project costs are \$17.9 million. This includes an acceptable 10 per cent contingency for cost escalation. Under The City's Capital Project Guidelines, project proponents must demonstrate that:

1. it has verified commitments for at least 90 per cent of the portion of the project that is funded from sources other than The City's contribution; and,
2. The City's contribution is less than 35 per cent of the total DJD project costs.

The total \$17.9 million DJD project costs, less The City's \$5.46 million MSI funding, is \$12.44 million, for which DJD has raised \$11.84 million (see table). This confirms non-City funding of 95 per cent, which exceeds the required 90 per cent threshold. The City's \$5.46 million contribution is within 35 per cent of DJD's total project costs, also meeting the required threshold.

Confirmed Funds for Construction Financing	
Government of Alberta (Ministry of Culture)	\$ 5,000,000
Government of Canada (Ministry of Canadian Heritage)	\$ 1,900,000
The Kahanoff Foundation (through The Calgary Foundation)	\$ 1,500,000
Committed Donations	\$ 3,404,000
Pledged Donations	\$ 36,000
SUB-TOTAL	\$11,840,000
Projected Funds Remaining	
City of Calgary	\$ 5,460,000
Private Fundraising Campaign	\$ 600,000
TOTAL PROJECT	\$17,900,000

Long-term operational viability of the Dance Centre

Based on DJD's 29-year operational history and the Dance Centre's future forecasts, the Dance Centre is projected to be operationally viable on an ongoing basis.

Land Use re-designation and development approvals

The DJD/KCCA land use redesignation application for the site was approved in 2013 June. Administration review of the DJD/KCCA application for development and building permit

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approvals is in process. The recommended MSI funding release is subject to full permit approvals.

Sustainable Building Policy approval

As a City financed building, the DJD project must comply with Council's Sustainable Building Policy. As the DJD project is a component of the larger Kahanoff Centre expansion, the Canadian Green Building Council cannot rate the DJD portion alone towards a Leadership in Energy & Environmental Design (LEED) "New Construction Gold" rating, which is the standard for new construction projects under the City Policy. Given the special circumstances where the Dance Centre will be leasehold space within the new Kahanoff Centre building, Administration exercised its authority to approve a LEED rating adjustment, whereby the intent of the policy can still be applied. With this adjustment, DJD is striving to achieve a LEED "Commercial Interior Gold" rating to comply with Council policy.

Other City approvals

Administration has confirmed that the DJD has engaged with the appropriate City officials in order to comply with Council's Public Art and Accessibility policies. DJD is also engaged with Infrastructure and Information Services for an engineering review of the Dance Centre project and Administration will monitor that process through to completion to assure alignment with The City's building design standards.

Legal Agreements

Any release of MSI funds to DJD will be subject to DJD and The City entering into a capital funding agreement whereby DJD will commit to operate the Dance Centre for 25 years, with all operating and future lifecycle costs to be the sole responsibility of DJD. Additionally, The City will bind the landlord, KCCA, to a cultural use of the facility for a similar 25 year term.

The Dance Centre project is the first culture related MSI investment to a property privately owned by a third party landlord, with the fundee holding the facility for a multi-generational term under a nominal rent net lease. Previous investments have all been on land either owned by The City, a public university or the fundee. Given this new scenario, The City's legal agreements will ensure a commitment not only by DJD as the fundee, but also by the KCCA as a long-term strategic landlord, to a 25-year operation of a cultural infrastructure facility at the site.

Stakeholder Engagement, Research and Communication

DJD engaged a wide spectrum of arts community stakeholders as well as the Beltline Planning Group. Numerous letters of support are included in the DJD Business Plan.

Strategic Alignment

The DJD project supports imagineCALGARY's economic diversification and social enhancement objectives. The project is aligned with Council's 2012-2014 Fiscal Plan for Calgary by "investing in great communities and a vibrant urban fabric". The project conforms to the Centre City Plan's Arts and Culture Policy to encourage cultural facilities to locate in all areas of the Centre City helping to promote neighbourhood diversity and pedestrian movement.

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Social, Environmental, Economic (External)

Social

DJD engages over 25,000 audience members per year in its current and off-site locations. With the new Dance Centre space, programming can be expanded to serve growing Calgary communities and meet The City's delivery of vibrant cultural spaces. The new location will enhance pedestrian and transit access and underground parking will improve and increase vehicle access to Dance Centre classes and performances. The resulting vibrancy during after-business hours will improve the area's liveability and security by promoting a stronger sense of community.

DJD provides community programming to all ages, from children to seniors. This broad engagement in arts programming builds a stronger community, brought together through live performance, dance and creativity pursuits. DJD School of Dance's current enrolment of 4,000 students is projected to grow with the new Dance Centre.

Environmental

The DJD Dance Centre, as leasehold space within the larger KCCA building, will seek a LEED Commercial Interiors Gold rating in accordance with Council's Sustainable Building Policy.

Economic

Activity generated by the DJD School of Dance, the DJD professional dance company, and Dance Centres studio/theatre rental will have a positive economic benefit for arts groups and for area businesses. The dance company through its Canadian and international performances will promote Calgary as a cultural centre while also attracting talent from across the world. DJD will continue to rent larger facilities like the Grand Theatre for main season performances, thus also contributing to the operation of these arts venues.

Financial Capacity

Current and Future Operating Budget:

There is no impact on The City's operating budget as this is a capital investment to an approved third-party MSI project. The funding agreement between DJD and The City will limit The City's contribution to the capital investment with no involvement in subsequent operation of the facility, except through CADA's operating grant support to DJD's programming.

Current and Future Capital Budget:

Capital funds are available in the Culture-Related MSI funds approved by Council under CPS2007-74. A capital budget appropriation of \$5.46 million for DJD to Capital Program 639 is required, with funding release contingent on the conditions in Recommendation 2.

Risk Assessment

A risk management assessment on the DJD Dance Centre project was performed utilizing The City's Integrated Risk Management Policy and the MSI Program Guidelines for Culture-Related Infrastructure. Administration has reviewed DJD's construction risk mitigation plan and is satisfied with the probability and rationality of DJD's planning assumptions and risk mitigation strategies, including a 10 per cent construction contingency. Administration is actively

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monitoring the DJD project planning process and will continue to do so through to construction completion to ensure the application of DJD's risk mitigation plan. The staged release of MSI funds through a process of paid invoice reimbursement ensures The City's investment is contingent on project progress.

REASON(S) FOR RECOMMENDATION(S):

As envisioned in the Cultural Spaces for the Arts Strategy and Capital Plan approved by Council in 2007, the Decidedly Jazz Dance Society (DJD) has developed a project plan to construct a performing arts facility in Calgary's Beltline community. In support of this plan, DJD has leveraged funding from non-City sources and is progressing to satisfy The City's due diligence requirements to secure \$5.46 million from the Municipal Sustainability Initiative (MSI) Culture-Related Infrastructure fund to construct the facility as cultural infrastructure for Calgary. Administration recommends to Council a \$5.46 million capital budget appropriation for the DJD project from the MSI Culture-Related Infrastructure fund and a staged release of the MSI funds with appropriate risk mitigation measures in place.

The DJD project is deemed a valuable investment towards the development of the cultural sector and the enhancement of the quality of life in Calgary. The DJD Business Plan demonstrates sound capital and operating fundamentals. The City's investment in the cultural sector aligns with strategic direction identified in CADA's cultural spaces strategy.

ATTACHMENT(S)

Decidedly Jazz Dance Centre - Site Context and Exterior Design Drawings