

Select a department Report to
Arts Commons Advisory Committee
2019 July 19

ISC: UNRESTRICTED
ACA2019-0948

Arts Commons Transformation Project – Project Update

EXECUTIVE SUMMARY

This report provides an update on the Arts Commons Transformation (ACT) Project. Considerable progress has been made through the contribution of Arts Commons, each of its resident companies, and Calgary Municipal Land Corporation (CMLC) to advance the project to its next stage, the functional programming and detailed design.

All partners forming this complex and unique enterprise that is the Arts Commons, continue to be engaged to advance their respective interests for future sustainability and success of this ongoing enterprise. Resident companies are vested stakeholders in this project's progress at all stages of development.

The capital project has been divided into two phases with the objective of meeting growing and unmet demand, and increasing and diversifying operating revenue streams. Based on the Ernst & Young 'Economic Impact Assessment of the Rivers District Revitalization in Calgary' (Attachment 2), pro-rated to Arts Commons, the entire project is estimated to create approximately 1,300 jobs during design and construction, add approximately \$113 million in wages, have a \$165 million economic impact on GDP, with a total impact on gross output of \$467 million, once complete.

Based on Council direction, Phase 1 is approved for further development, and a preliminary order of magnitude cost estimate has been completed for Phase 1 of the ACT Project. Through this report, Administration is requesting that the Committee endorse Phase 1 of the project, and the advancement towards detailed design work for the project.

An order of magnitude budget and detailed design will then become the basis upon which the remaining project development components can occur, including accessing funding from other governments. The final step for Phase 1 approval to proceed to construction will only occur when The City's conventional and due diligence is completed, and when all aspects of Phase 1 of the project are deemed ready to proceed. Council approval for funding construction of Phase 1 will be sought at that time.

ADMINISTRATION RECOMMENDATION:

1. Endorse the project as represented in the CMLC Project Program Assessment Report (Attachment 1); and,
2. Approve a capital appropriation increase of \$10 million to Program 639-010 Cultural Related Infrastructure in 2020-2021 for detailed design of the Arts Commons Transformation project funded from Municipal Sustainability Initiative.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2019 March 4, Council approved VR2019-0013 Consideration of Long-Term Unfunded Projects (Verbal), and approved "the financial strategy for all four unfunded long term projects (BMO Centre expansion, Event Centre, one phase of Arts Common, and Multi-Sport Field House) on the terms and conditions discussed during the Closed Meeting."

On 2019 February 25 Council approved C2019-0293 *Arts Commons Advisory Committee Terms of Reference*.

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On 2019 January 28 Council received C2019-0135 *Consideration of Unfunded Long Term Projects*. The Arts Commons Transformation Project was identified as one of the four major unfunded projects for Council consideration.

On 2011 September 19 Council approved CPS2011-48 *The Calgary Centre for Performing Arts – Seed Funding*, where an MSI contribution of \$25 million towards the renovation of the Calgary Centre for Performing Arts was approved in principle, of which \$2.5 million was approved for release towards feasibility planning and design. In that report, Council also approved exploring the use of lots adjacent to Olympic Plaza for a new theatre.

On 2007 April 4, Council received for information CPS2007-20 the *Calgary Arts Development Authority's Cultural Spaces for the Arts Strategy and Capital Plan* where research showed that Calgary lagged significantly behind other Canadian cities in performing arts seats per capita.

BACKGROUND

The genesis of this project is based on demand for additional performance space. The existing facility needs critical life-cycle renovations and there are approximately 600 events a year that are being turned back for lack of sufficient performance space. Because of this, there has been significant effort towards finding an integrated solution.

The renovations and expansion proposed in the ACT Project will support the organization's operational sustainability into the future by meeting growing market demand and the changing needs of tenants; by diversifying revenue streams; and by addressing critical lifecycle, accessibility, and safety issues.

An expanded and renovated facility will be more functional and welcoming to the public, and will enhance the public realm improvements contemplated in the Civic District Public Realm Strategy (Centre City Plan), the Downtown Strategy and Focus, and the Urban Strategy.

Since 2009, Arts Commons has been working with Administration towards a viable project for the Arts Commons Transformation. Under C2019-0135, *Consideration of Unfunded Long-term Projects*, the Arts Commons' business case for renovation and expansion was confirmed.

A critical next step in progressing this project was to establish the scope and budget. The CMLC Project Program Assessment Report (Attachment 1) was completed in 2019 Q2, and was based on extensive prior work by Bing Thom Architects in 2011 and in 2016.

The CMLC report considers the project in its entirety as a means to realize the benefits of a facility that needs both expansion and renovation.

Based on Council direction, this report and project budget focuses on Phase 1, the new theatre expansion.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In 2019 Q2 CMLC completed a review of program needs and project goals of the full Transformation Project through interviews with Arts Commons and each of its five other resident companies.

The Project Program Assessment Report confirms the following themes as foundational for the design and operation of the transformed facility: - a catalyst project to keep the focus of the community downtown; - a multi-use facility that incorporates several uses within the facility; - a

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hub for community gathering and celebration; and, - a welcoming community asset enabling inclusive use and ease of access.

When referring to the requirements for the new theatre as well as the existing facility, the key issues identified by the Arts Commons organizations were: accessibility; wayfinding; safety; technology; lobby space; office space; shop space; bars and concessions; theatre access; rehearsal hall access; unwelcoming and isolated entry points; environmental inefficiencies; sustainability (operating model); insufficient free programming; and inadequate back of house space.

Arts Commons and its resident companies bring entertainment, community gathering and celebration, education, energy, and economic benefit to the downtown core.

Phase 1 scope includes the new 1,200 seat theatre facility, and two smaller theatres, rehearsal space, and related amenities, to be located on the north-west corner of Block 52. A Plus 15 Bridge connecting the existing building to the new theatre is a functional requirement.

Based on the Ernst & Young '*Economic Impact Assessment of the Rivers District Revitalization in Calgary*', pro-rated to Arts Commons, the project is estimated to create approximately 1,300 jobs during design and construction, add approximately \$113 million in wages, have a \$165 million economic impact on GDP, with a total impact on gross output of \$467 million.

CMLC's preliminary hard construction estimates were developed from historical costs for comparable facilities based on the Drawings and Design Brief Outline (July 20, 2016) by Bing Thom Architects.

The costing identified in the CMLC report takes three perspectives into account: - prior estimates provided by Arts Commons under Report C2019-0135; - costing by a third-party cost consultant conducted in 2019 Q2; - and, CMLC's own opinion based on extensive experience in Calgary's construction industry and its appraisal of current conditions.

Phase 1 order of magnitude estimate is \$239.7 million, including escalation and contingencies.

The next stage is advancing detailed design work for the project. It is critical that there is clear understanding of reciprocal elements of the design of the new theatre and the renovation of the existing facility in the future.

An order of magnitude of the budget for the entire project will be necessary to mount an effective funding campaign with the federal and provincial governments. Other governments will need an estimate for the entire project, as well as Council's strategy to advance the project in affordable phases.

Under Council's *Investing in Partnerships Policy*, it is Arts Commons that is leading the project including seeking to access funding from other governments.

The detailed design work consists of prime design consultant, project management, cost consultant, and specialists. It is expected that the majority of the \$10 million will be spent in 2020-2021.

Stakeholder Engagement, Research and Communication

For this report, CMLC completed a review of program needs and project goals through one-on-one interviews with Arts Commons and each of its five other resident companies (Alberta

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Theatre Projects, Calgary Philharmonic Orchestra, One Yellow Rabbit, Downstage, and Theatre Calgary).

Arts Commons' research shows utilization (over 400,000 ticketed patrons annually) to be well distributed among all parts of the city. On average, 33% of all city households attend at least one event at Arts Commons each year, with 8 wards seeing attendance exceeding this number. Nearly 50% of Albertans 15 years or older participate in a theatre performance at least once a year, higher than any other culture-related activity.

The level of ticketed participation is complemented by an additional 19,000 people of all ages who attended free community engagement events put on by Arts Commons (2018). In the same year over 40,000 students attended youth-oriented programs performances or events.

Arts Commons and its resident companies are supported by nearly 1,700 volunteers and employ nearly 1,000 employees. Arts Commons represents a significant industry in Calgary.

Over 200 organizations comprising the entire spectrum of diversity participate in, or contribute to Arts Commons' programs and sustainability. Arts Commons has a wide and inclusive reach.

There is potential for approximately 600 new events per year under an expanded and renovated facility.

Arts Commons, resident companies of the Arts Commons, Calgary Municipal Land Corporation, Calgary Arts Development Authority, the Convention District, Calgary Economic Development, Downtown BIA, and City Business Units will continue to be engaged in the developmental work ahead.

Strategic Alignment

A prosperous city – Calgary continues to grow as a magnet for talent, a place where there is opportunity for all, and the best place in Canada to start and grow a business.

A city of inspiring neighbourhoods – Every Calgarian lives in a safe, mixed and just neighbourhood, and has the opportunity to participate in civic life.

Social, Environmental, Economic (External)

Ernst & Young's '*Economic Impact Assessment of the Rivers District Revitalization in Calgary*' provides the full impact of Arts Commons (Phase 1 & 2), BMO Expansion, and the Event Centre (Attachment 2, page 32).

This impact is based on the respective nominal costs for these three projects on page 24. Assuming 'all-else-being-equal' and pro-rated for the Arts Commons project, the entire project is estimated to create approximately 1,300 jobs during design and construction, add approximately \$113 million in wages, have a \$165 million economic impact on GDP, with a total impact on gross output of \$467 million.

For Phase 1, it is reasonable to apply approximately half of these impacts.

Financial Capacity

Current and Future Operating Budget:

There are no additional future operating budget impacts associated with this report.

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Current and Future Capital Budget:

\$25 million MSI was approved for this project in principle by Council in 2011. The current request of \$10 million is for detailed design work. Future capital funding for Phase 1 of the project will be based on securing funding from other governments.

The final step for Phase 1 approval to proceed to construction will only occur when The City's conventional and due diligence is completed, and when all aspects of Phase 1 of the project are deemed ready to proceed. Council approval for funding construction of Phase 1 will be sought at that time.

Arts Commons, working with Administration, and all levels of government will continue to strategize on the funding of ACT Project Phase 2 which is not currently anticipated in the Council-approved financial strategy and Major Capital Project Reserve.

Risk Assessment

The key risk associated with proceeding to detailed design is that funding from other governments does not materialize. However, it is not possible to request funding from other governments without reasonable cost estimates based on detailed design. Historically, seed funding has been accepted as a necessary risk to progressing all cultural MSI projects.

REASON(S) FOR RECOMMENDATION(S):

The proposed program and project budget contained in the Attachment 1 confirms the scope of the project and provides the basis for funding requests to other government to realize the Arts Commons Transformation Project.

The City's approval of a budget increase is to proceed to detailed design.

ATTACHMENT(S)

1. Attachment 1 – CMLC Project Program Assessment Report
2. Attachment 2 – Economic Impact Assessment of the Rivers District Revitalization in Calgary