

EAMON'S BUILDING UTILIZATION SUPPLEMENTAL REPORT

EXECUTIVE SUMMARY

The land purchase for the site where the Eamon's building was originally situated was completed in 2012 July. The Eamon's building was removed and taken to a storage site in 2012 December. The Eamon's sign was also removed for restoration and was returned to the Rocky Ridge Park and Ride site as part of the Northwest Light Rail Transit (NW LRT) construction.

In 2015 January a brochure was created for the leasing opportunity and was circulated by the Office of Land Servicing and Housing's (OLSH) to their industry mail out list which is made up of developers and brokers. The circulation resulted in additional interest, but no parties submitted a business case for lease and use of the building.

As of the 2015 February 1 deadline, there had been no formal proposals to lease the building; however, Administration received a proposal at the end of February from a group interested in the leasing opportunity. Administration has reviewed the proposal and is having discussions with the group.

As a result of the minimal interest from the private sector received by the February 1 deadline, a review of the opportunity for use by other City Business Unit's was undertaken. This discussion resulted in two new suggested uses: 1) building to be included as part of the new Haskayne Park or 2) used for affordable housing. A review of potential options and funding source is summarized in Attachment 1.

Based on the factors discussed in this report Administration does not see returning the building to the site as a feasible business proposition in the short term and recommend the sale of the structure with no requirement to return it to the original site. Internal City groups including Parks would be given first opportunity to acquire the building before being made available to the general public.

ADMINISTRATION RECOMMENDATION(S)

1. That Council instruct Administration to place the building up for sale independent of the site with a maximum storage period to September 30th, 2015; and
2. Direct that Attachment 2 remain confidential pursuant to Section 24(1)(a) & (b) of the *Freedom of Information and Protection of Privacy Act* until a new lease agreement has been finalized with a tenant.

PREVIOUS COUNCIL DIRECTION / POLICY

At the 2015 March 17 meeting of the Priorities and Finance Committee Administration's recommendation to defer this report was filed and Administration was directed to bring this report directly to Council.

At the 2014 October 10 Council Meeting, relative to report TT2014-0741: (Eamon's Building Utilization), Council adopted the following recommendations:

- "1. Direct Administration to store the Eamon's building until 2015 February 01; and

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2. Direct Administration to develop a new strategy (potentially including sale or demolition) for the Eamon's building, if there is no interest in leasing the building in accordance with the special terms and conditions of the lease, from parties after 2015 February 01, returning to the Priorities and Finance Committee no later than 2015 March."

At the 2013 July 29 Council Meeting, relative to report TT2013-0452, (Eamon's Building Utilization and Funding Update), Council adopted the following recommendations:

- "1. Approve the installation of building services for the possible future return of the Eamon's building to site;
2. Authorize Administration to continue to store the Eamon's building until NW LRT extension construction is completed (planned fall 2014). If not leased by this time, then Administration will return to Council for further direction on disposition.
3. Approve use of up to \$410,000 from the Reserve for Future Capital as funding source for building move to/from site, storage, design and servicing;
4. Include any net operating rent (above actual operating expenses) be directed back to the Reserve for Future Capital until the entire amount drawn down from the Reserve for Future Capital is repaid.
5. Approve the Attachment to Report TT2013-0452 and direct that the Attachment and in camera discussions remain confidential pursuant to Section 24 of the Freedom of Information and Protection of Privacy Act until a new lease agreement has been finalized with a tenant."

At the 2013 April 08 Meeting of Council, Administration was directed:

"to defer reporting back to Council by 2013 May, but rather, report back no later than to the 2013 June 19 Meeting of the SPC on Transportation and Transit as an Item of Urgent Business, with results of leasing interest, budget requirements and funding source."

At the 2012 December 03 Combined Meeting of Council, relative to TT2012-0699, Council directed Administration to:

- "1. Continue to pursue options for the next 120 days, to reuse the Eamon's building as part of the overall station including, but not limited to, those discussed in the attachment during the storage period, and report back through the SPC on Transportation and Transit no later than 2013 March; and
2. Return to Council through the SPC on Transportation and Transit by 2013 May:
 - (a) To determine funding source for \$500,000 previously approved by Council.
 - (b) Along with any additional associated budget requirements and outline recommendations for building use."

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BACKGROUND

The land purchase for the site where the Eamon's building was originally situated was completed in 2012 July. The Eamon's building was removed and taken to a storage site in 2012 December. The Eamon's sign was removed in 2012 December for restoration and was returned to the Rocky Ridge Park and Ride site as part of the Northwest Light Rail Transit (NW LRT) construction.

In order to provide more information on building refurbishment costs, an architect was hired to complete an assessment for rehabilitation of the building in accordance with the Standards and Guidelines for the Conservation of Historic Places in Canada. The assessment also included a review of building code upgrades and new mechanical and electrical services requirements. The cost for refurbishment and upgrading (including design and construction administration) is estimated to begin at \$400,000 rising to \$570,000 depending on certain factors such as whether a basement is provided.

In 2013 July, the Park and Ride tender was modified to include servicing (sewer, water, utilities, etc.) for the building if it was to return to site at a cost of \$140,000 for design and construction.

A Request for Prequalification for the opportunity for leasing the building was completed in 2012 September. There were no interested bidders at that time. As a result the leasing opportunity was posted on Corporate Properties & Buildings' leasing web page starting 2013 February 12, and a for lease sign was installed on site, which is visible from Crowchild Trail.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In 2015 January a brochure was created for the leasing opportunity and was circulated to Office of Land Servicing and Housing's (OLSH) industry mail out list, which is made up of developers and brokers. The mail out went to approximately 1300 subscribers. In addition, connections were made with historic groups/organizations where they promoted the building through word of mouth. A link to the leasing page was created on the NW LRT project website. The circulation resulted in additional interest, but no interested parties submitted a business case for lease and use of the building.

As of the 2015 February 1 deadline, there had been no formal proposals to lease the building. Administration received a proposal at the end of February from a group interested in the leasing opportunity. The group is called the Roy Eamon's Cultural and Heritage Society (RECHS). Administration has undertaken a review of the proposal and is having discussions with the group. See Attachment 2.

As a result of the minimal interest from the private sector received by the February 1 deadline, a review of other ideas for use by alternate City Business Unit's was undertaken. This discussion resulted in two ideas: 1) building to be included as part of the new Haskayne Park or 2) used for affordable housing.

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The Haskayne Legacy Park is a new regional park that will provide Calgarians with waterfront access to the Bearspaw Reservoir, as well as a park celebrating Calgary's heritage, ecology and art. It is located near the Glenbow Ranch Provincial Park. The building could be incorporated as an amenity building to be used for public or staff use in the park. The design for the park is in the early stages and details of building locations and sizing are still in design. There is the potential that the Eamon's building could replace constructing a new building. The cost to restore the Eamon's building may be comparable to building new.

The Office of Land Servicing & Housing could investigate the potential use of the structure for affordable housing, if directed by Council. The next steps would include a feasibility review, identification of area sites and a costing analysis. The initial impression is that the cost per unit to convert the building for residential use would be much higher than purchasing a commercially available unit(s).

The remaining options that have previously been proposed to council are the options to sell, to demolish or to undertake the refurbishment on the LRT site and then seek to lease the building. See Attachment 1 for summary of options and the Financial section for a discussion of available funding sources.

Stakeholder Engagement, Research and Communication

External stakeholders have been informed of the project status through regular project updates on the project website.

Strategic Alignment

The sale of the building does not fully align with The City's Municipal Development Plan:

- "The City will identify and help protect and manage Calgary's historic resources. (2.3.3a)".

The building has been saved and protected to date. A sale will allow for interested private parties to participate in the refurbishment of a historical resource even if the building does not return to its original site.

Social, Environmental, Economic (External)

The Eamon's building represents a cultural element that relates to the history of the site where the new LRT station is situated. Returning the building to the original site is the optimal outcome.

The building has minor environmental issues consistent with a timber frame building of its vintage. An environmental assessment did not find asbestos.

Financial Capacity

A number of funding source options for refurbishment of the building were explored:

- A. A review was completed of whether the capital funds budgeted for public art from the NW LRT project could be used. The Public Art Policy allows heritage building refurbishment to be considered an eligible public art expense. The NW LRT project

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has already committed the full amount of the 1% for public art to three different artists and work is complete on one project and underway on the remaining two.

- B. MSI Funding from LRT project savings – A request to the Province would be required to amend the funding approval for NW LRT to include the refurbishment of the building. MSI funding could only be used if the building was retained for municipal purposes. If the building was leased to a private sector tenant the funding is not believed to be eligible.
- C. OLSH Affordable Housing Program 489 could be sourced if Council directs that approach.
- D. Use of the future City-owned Heritage Buildings program funding: During deliberations for 2015 – 2018 Action Plan Council approved “up to \$35M for the restoration and preservation of city-owned heritage buildings”. This is one-time funding for a number of buildings currently owned by The City and identified to be in critical need of lifecycle repairs and historic element rehabilitation, including Historic City Hall. It is anticipated that use of the fund for heritage buildings will firstly be used for restoration of Historic City Hall with an initial Level 5 rehabilitation estimate of \$35 Million. Secondly it would be used for long-standing repairs and maintenance of existing City-owned heritage buildings currently in use by various entities including many not-for-profits, service organizations and City services. The lifecycle needs and historic element preservation costs are greater than the potential funding approved. As a result, the use of this fund for Eamon’s refurbishment at this time would be a lower priority.
- E. Council have also directed that when other City heritage assets are sold to private parties, a portion of the proceeds to be retained to fund restoration of other retained properties. The pending sale of the Criterion Building will generate \$250,000 to this fund and could offset a portion of the necessary funding for restoration.

Current and Future Operating Budget:

If the building is sold there are no ongoing operating costs. If the building were retained and leased for an extended period, operating costs may be incurred in future business cycles.

Current and Future Capital Budget:

An increase of \$410,000 dollars was approved by Council in 2013 June to fund the move, storage, Park and Ride redesign and servicing installation out of the Reserve for Future Capital. As of 2015 February, approximately \$230,000 has been spent on the move, storage, redesign and servicing installation. The monthly storage costs are \$1100/month.

Sufficient funds remaining under the previous 2013 June Council authorization to cover the monthly storage costs for many additional months.

New funding approval would be required for a City funded restoration.

Risk Assessment

If the building is sold, the City has no control over how the building would be refurbished to meet heritage guidelines.

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If the building is retained, restored and leased, there is a risk that The City may need to pick up operation if the lessee fails.

REASON(S) FOR RECOMMENDATION(S):

There was no submissions from the private sector by the 2015 February 1 deadline, however a proposal was received in late February. This proposal along with the other options noted in Attachment 1 were reviewed. Due to the cost and lack of funding sources available to refurbish the building, Administration is recommending to sell the building. This is the most viable option in terms of longer term use of the building, potential funding source and retaining of heritage asset.

ATTACHMENT(S)

1. Building Options and Costs
2. Proposal Summary from Roy Eamon's Cultural and Heritage Society