

CULTURAL MUNICIPAL SUSTAINABILITY INITIATIVE PROGRAM UPDATE AND RECOMMENDED PROJECTS FOR FUNDING

EXECUTIVE SUMMARY

On 2013 December 6, Council approved a capital appropriation of \$5.5 million through CPS2013-0824 for the Decidedly Jazz Dance Centre Project (“DJD”). As the \$17.9 million Project neared completion, DJD was left with a \$1.8 million funding gap as a result of the effects of the economic downturn on private sector fundraising and cost increases to the construction project. The Calgary Foundation and The Kahanoff Foundation, who were original supporters of the project, have each come forward with \$450,000 in additional funding to address the gap. On 2016 June 28 The City received a challenge from the Foundations to match this \$900,000 additional investment.

Administration has conducted a thorough due diligence review and recommends that Council approve a capital appropriation of \$900,000 from the Cultural Municipal Sustainability Initiative program to the DJD Project to match the increased support from the private sector.

ADMINISTRATION RECOMMENDATION

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

Approve a capital appropriation increase to Capital Budget Program 639 by \$900,000 in 2016 to the Decidedly Jazz Dance Centre Project from the Cultural Municipal Sustainability Initiative program, subject to approval by the Government of Alberta.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2013 December 6, Council approved CPS2013-0824, Decidedly Jazz Dance Centre Project, including a capital appropriation of \$5.5 million for the DJD Dance Centre Project to Capital Program 639 from the Municipal Sustainability Initiative Culture – Related Infrastructure Fund, subject to approval of MSI funding by the Province, development and other City approvals.

On 2016 April 25, Council approved CPS2016-0297, the Cultural Municipal Sustainability Initiative Program Update and Recommended Projects for Funding. The Report recommended funding allocations to a few specific projects, including meeting a challenge from the Calgary Foundation to match its increased investment in the King Edward School Project (cSpace) in order to complete the project. The Report further recommended allocations in principle and directed Administration to continue to work with Calgary Arts Development Authority to utilize the proposed Cultural Municipal Sustainability Initiative guiding principles to renew the program strategy to direct CMSI allocations.

BACKGROUND

On 2008 February 19, Council allocated 5% (\$165 million) of the Municipal Sustainability Infrastructure Fund (MSI) to culture-related infrastructure projects. The *City of Calgary Guidelines for Culture-Related Infrastructure Projects funded through the Municipal Sustainability Program* (“CMSI Guidelines”, CPS2008-90) and the subsequent *Cultural Infrastructure Funding Framework* (“Framework”, CPS2009-34) and *City-Cultural Municipal Sustainability Initiative Requirements* (CPS2009-34) outlined the process for priority project identification. The Framework confirmed the shared role between The City and CADA in

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identifying and prioritizing projects for capital development. CADA designed the Cultural Spaces Investment Process (CSIP) to address potential community-led investment projects. The DJD Project is one of eight projects that were recommended through this process and proceeded to meet all the requirements of The City's due diligence process.

In 2016, as the DJD Project neared completion it became clear that the economic downturn, coupled with increased construction costs, would leave it with a gap in funding. At that time CADA, The City, The Kahanoff Foundation and The Calgary Foundation all sought solutions to ensure that DJD's future operations would not be hampered by debt from the construction project.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Administration undertook a review to ascertain the following:

- 1) Initial project costs total \$17.9 million, The City approved \$5.5 million of Cultural MSI which was 31% of the total budget.
- 2) Total project costs have increased to \$19.2 million since Council approved the initial City investment.
- 3) As a result of the economic downturn's negative effect on private sector fundraising and the increase in project costs, the current shortfall for the project is \$1.8 million dollars.
- 4) In response to the shortfall the Calgary Foundation and the Kahanoff Foundation have contributed a total of \$900,000 and further challenged The City to match this donation.
- 5) Administration has done a full due diligence review of the costs and determined them to be legitimate and eligible for Cultural MSI funding.

Following this review, Administration believes the best course of action is to provide \$900,000 in additional investment to this project, which brings the level of City support from an original 31% to 33% of the total cost.

STAKEHOLDER ENGAGEMENT, RESEARCH AND COMMUNICATION

Calgary Arts Development Authority (CADA) has been actively involved in pursuing solutions to the DJD Project's funding gap and fully supports Administration's recommendations. The Kahanoff Foundation, has been tireless in its efforts to ensure that the Project is concluded in a manner that will not hamper the ongoing operating capacity of the facility. It has provided initially \$1.5 million towards this project, and an additional \$450,000. The Calgary Foundation, a key partner of The City and the arts community, has agreed to match the Kahanoff's additional gift of \$450,000. The community's response to the facility has been overwhelmingly positive, with many groups already planning to rent space for events.

STRATEGIC ALIGNMENT

This project aligns with Council's priorities, particularly

- A city of inspiring neighbourhoods:
 - N9 Provide great public spaces and public realm improvements across the city to foster opportunity for well used public spaces and places for citizen connections and urban vitality.

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SOCIAL, ENVIRONMENTAL, ECONOMIC (EXTERNAL)

SOCIAL

The DJD Dance Centre is unique in Canada, as it is the first purpose built facility for jazz dance. The studios and theatre provide space that will be used not only by DJD but also by other arts organizations. Calgary Arts Development Authority (CADA) believes it will help to relieve the urgent need for such spaces in Calgary, particularly as it is so centrally located. The new facility will contribute to Calgary's cultural vibrancy.

ENVIRONMENTAL

DJD is a unique facility, as it forms the bottom six floors of an extension to the existing Kahanoff Centre. This maximizes the possibilities for community use of a LEED building in the heart of the Beltline.

ECONOMIC

Supporting community investment in capital projects supports Calgary's economy and provides employment opportunities through construction projects. Matching challenge grants from private sector partners aligns with Council and Administration's direction to leverage infrastructure project investment.

FINANCIAL CAPACITY

CURRENT AND FUTURE OPERATING BUDGET

There are no known implications to The City's Operating Budget as a result of this proposed allocation.

CURRENT AND FUTURE CAPITAL BUDGET

A capital appropriation increase to Capital Budget Program 639 by \$900,000 in 2016 to the Decidedly Jazz Dance Centre Project from the Cultural Municipal Sustainability Initiative program, subject to approval by the Government of Alberta.

RISK ASSESSMENT

Without the approval of the proposed additional funding appropriation from MSI, DJD will be placed in a precarious position. It will have a shortfall of nearly a million dollars, and carrying such a debt would be detrimental to the operating budget. This level of debt financing secured against the property to complete the project may put The City's original investment at risk as well as compromising DJD's operating sustainability.

REASON FOR RECOMMENDATION

The \$900,000 will provide the remainder of funding required to complete the project, and is matching the additional funding from both The Calgary Foundation and The Kahanoff Foundation. Further Council has approved additional funding on other projects of this nature, and the additional funding will prevent the DJD from a million dollar shortfall and incurring that as debt.

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RECOMMENDED PROJECTS FOR FUNDING**

ATTACHMENTS

1. Calgary Foundation Letter of Contribution – Attachment 1