

CULTURAL MUNICIPAL SUSTAINABILITY INITIATIVE PROGRAM UPDATE AND RECOMMENDED PROJECTS FOR FUNDING

EXECUTIVE SUMMARY

In the eight years since Council approved \$165 million (a 5 per cent allocation) of Municipal Sustainability Initiative (MSI) funds towards culture-related infrastructure requirements, The City has provided \$67 million toward the building of nine new cultural facilities, which are defined as “physical infrastructure, amenities and open space necessary for the activities of culture.” This Report details the history of the fund to date (Attachment 1), requests a total of \$34.15 million in allocations for three projects that are ready to be built or redeveloped immediately and provides recommendations to guide the allocation of the balance of the funds. It has been developed in consultation with Calgary Arts Development Authority (CADA) and is informed by the community engagements undertaken for CADA’s *Living a Creative Life: an Arts Development Strategy for Calgary* and The City Cultural Plan, now in development.

ADMINISTRATION RECOMMENDATIONS

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

1. Approve a capital appropriation increase to Capital Budget Program 519 by \$2 million in 2016, \$10.9 million in 2017 and \$11.6 million in 2018, a total of \$24.5 million, for the Centennial Planetarium from the Cultural Municipal Sustainability Initiative program, subject to approval by the Government of Alberta, with no match funding requirement (Attachment 2).
2. Approve a capital appropriation increase to Capital Budget Program 510 Calgary Zoo by \$2 million in 2016 and \$6.15 million in 2017, a total of \$8.15 million, for the Treasures of China Giant Panda Exhibit Project funded by the Cultural Municipal Sustainability Initiative, subject to approval by the Government of Alberta (Attachment 3).
3. Approve a capital appropriation increase to Capital Budget Program 639 by \$500 thousand in 2016 and \$1 million in 2017, a total of \$1.5 million, for the King Edward School Arts Incubator Project from the Cultural Municipal Sustainability Initiative program, subject to approval by the Government of Alberta (Attachment 4).
4. Approve that the balance of the Cultural Municipal Sustainability Initiative (CMSI) funds be allocated in principle for use towards recommended projects listed in Attachment 1.
5. Direct Administration to continue to work with Calgary Arts Development Authority to utilize the proposed Cultural Municipal Sustainability Initiative guiding principles in Attachment 1 to renew the program strategy to direct CMSI allocations.
6. Direct Administration to pursue replenishing capital funds for cultural capital infrastructure.
7. Approve, in principle, a capital appropriation increase as recommended in Attachment 5 from the Cultural Municipal Sustainability Initiative subject to approval by the Province and direct that Attachment 5 remain confidential pursuant to Sections 23(1)(b), 24(1)(a), 24(1)(g) and 25(1)(b) of the *Freedom of Information and Protection of Privacy Act* until the transaction is closed and a coordinated public announcement with the Vendor is arranged, if requested.

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PREVIOUS COUNCIL DIRECTION / POLICY

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, *MSI Program Guidelines for Culture-Related Infrastructure*, and CPS2008-91, *Calgary Arts Development Authority's Strategic Plan and Arts Space Investment Process (ASIP)* was received for information.

At the 2008 February 19 Special Meeting of Council, Council approved CPS2007-74, *Updated Culture, Parks, Recreation Infrastructure Investment Plan (CPRIIIP)* and *Emergency Response Infrastructure Investment Plan (ERIIP)*, approving 5 per cent (up to \$165 million) of Municipal Sustainability Initiative (MSI) funds towards culture-related infrastructure projects.

On 2007 April 16, Council approved CPS2007-20, *Cultural Spaces for the Arts Strategy and Capital Plan*, receiving for information CADA's Summary Report, *Reclaiming Calgary's Cultural Identity: Arts Spaces Strategy and Capital Plan*.

Any Previous Council Direction related to a specific project is included in the respective attachment, where applicable.

BACKGROUND

On 2008 February 19, Council allocated 5 per cent (\$165 million) of the Municipal Sustainability Infrastructure Fund (MSI) to culture-related infrastructure projects. Since that time, \$67 million of the total \$165 million allocated to Cultural Municipal Sustainability Initiative (CMSI) funds have been allocated to nine projects. For every dollar of City investment in these projects, a further three dollars has been leveraged in investments from the federal and provincial governments and private donors. A summary of projects completed to date and projects under construction is found in Attachment 1.

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 CMSI Guidelines identified two streams for project recommendation – one through CADA and another directly from The City. The Framework confirmed the shared role between The City and CADA in identifying and prioritizing projects for capital development.

CADA designed the Cultural Spaces Investment Process (CSIP) (formerly Arts Spaces Investment Process) to address potential community-led investment projects. Over 50 Letters of Intent from cultural groups were received through CSIP and 21 projects developed full applications that were recommended for further consideration through The City's due diligence process. Of those, eight projects have proceeded to date, meeting all the requirements, including the need for matching funds, and have either been built or are currently under construction.

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The City has, to date, only identified one project requiring CMSI investment: The Civic Arts Storage Facility. However, The City has recently identified a number of facilities that could adequately serve as cultural spaces following an appropriate capital investment.

Both CADA and The City foresee an increasing need for cultural spaces that will meet the demand articulated by Calgarians in the community engagement undertaken for both CADA's Arts Plan and the Cultural Plan currently under development.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The funding needs for CSIP-recommended and City-owned projects exceeds the funds remaining. This prompted Administration to investigate how to prioritize funding. The criteria identified, in consultation with CADA, for prioritizing the next round of CMSI investment are:

- Ability of the project to begin immediately;
- Urgency of the project to address critical lifecycle needs or an external timeline; and
- Preservation of heritage assets.

CSIP-Recommended Projects

None of the roster of eligible CSIP-recommended projects are in a state to begin immediately. The fact is that it often takes years to secure the required matching funding from other levels of government and from private donors to complete a capital project, and in the current economic environment these fund raising timelines are extended even further. Because of this, limited City due diligence has been completed, adding to the timeline that any project could begin. Until such time as the projects are solidified and more detailed plans and budgets are available, it is recommended that funding be approved in principle, pending the proven viability of each project through the City's due diligence evaluation process.

The *Cultural MSI Guidelines* recommends The City's contribution to community-led capital infrastructure projects not exceed 35 per cent of the total construction budget, recognizing exceptions may be made to provide up to 50 per cent in extenuating circumstances. According to the Guidelines, organizations seeking support from The City are required to raise the remaining funds from other sources. While some of this historically has come from other orders of government, a significant portion comes from philanthropic giving (see Attachment 1). Both Administration and CADA have reviewed the current funding environment and note that it is becoming increasingly difficult for community-led organizations to rely on large donations to fund their projects.

City and Civic Partner Projects

A number of City facilities have been identified as priority projects for cultural infrastructure funding through Administration's review (namely through the Culture, Parks, Recreation Infrastructure Investment Plan). They are all priority projects and are ready to be tendered for construction immediately.

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CADA is in agreement that these projects would simultaneously address the need for cultural space, while providing necessary and time-sensitive funding to protect City heritage assets and to support Civic Partner projects. (Attachment 6)

Future Use of Cultural MSI Funds

The continued need for investment in cultural spaces is demonstrated by the list of priority projects exceeding available funds. The approach to fund allocation outlined in the *Culture-Related Infrastructure MSI Guidelines* was developed out of the needs for investment in cultural spaces outlined in CADA's 2007 *Arts Spaces Strategy and Capital Plan*. Since that time, more analysis of the availability and demand for cultural spaces has taken place, most recently through Administration's engagement activities as part of developing a Cultural Plan for The City. Citizens participating in community engagement cited the need for programmable cultural space in communities and neighbourhoods, for family-friendly indoor space to attend performing arts, for a vibrant cultural district downtown and for "makerspace" that will serve as incubation space for creative industries. The need has also been supported through research recently undertaken by Calgary Recreation through its *Facility Development and Enhancement Study*. All confirm the continuing need for investment in cultural spaces.

Stakeholder Engagement, Research and Communication

Calgary Arts Development Authority (CADA) has been actively involved in stewarding the CSIP process which grew out of the *Arts Spaces Strategy and Capital Plan* (CPS2007-20), that articulated the need for cultural infrastructure. In 2012 CADA undertook the development of its Arts Plan, *Living a Creative Life: An Arts Development Strategy for Calgary* (CPS2014-0205). This plan again noted the need for cultural infrastructure. However, with the demand exceeding the amount of funds available, continuing to intake projects into the CSIP process risks project proponents investing significant effort and funds in developing projects that may or may not be achievable due to sector financing capacity or timing. For that reason, CADA proposes to update the *Arts Spaces Strategy* in order to align with current priorities.

Community engagement undertaken toward the development of a Cultural Plan for Calgary, and captured through the Engage Unit's *What We Heard* report, has indicated a need for more programmable cultural space, both in downtown and in neighbourhoods throughout the city.

Information from stakeholder engagement related to the current and future demand for all recreation services, including arts and cultural facilities, was also used. The information in the *Facility Development and Enhancement Study* has been gathered through general population surveys (3,326 respondents), intercept surveys (athletic parks and facilities) and prioritization surveys, and geospatial analysis of demographic data.

Strategic Alignment

This program aligns with Council's Priorities as identified in *Action Plan 2015 - 2018*.

Specifically, it supports:

- A healthy and green city

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- H8 Continue to invest in indoor and outdoor recreation facilities that address the changing needs of Calgarians.
- A city of inspiring neighbourhoods
 - N5 Systematically invest in established neighbourhoods as they evolve to accommodate changing community needs.
 - 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.
 - N10 Review The City's heritage processes to improve the protection and enhancement of heritage assets.

It also aligns with the *Arts Spaces Strategy and Capital Plan (CPS2007-20)*, *Living a Creative Life: An Arts Development Strategy for Calgary (CPS2014-0205)*, the Calgary Heritage Strategy, the City-owned Historic Building Management Plan (LAS2011-46), imagineCalgary's 100 year Plan and the *Recreation Master Plan*.

Social, Environmental, Economic (External)

Consideration of the social, environmental and economic impact of specific projects are included in the respective Attachments 1 through 5.

Social

Through capital investment in cultural infrastructure for artists and non-profit arts, cultural and community organizations, these projects will create thriving and sustainable spaces that contribute to Calgary's cultural vibrancy.

Environmental

All projects will be developed in accordance with The City of Calgary *Sustainable Building Policy* and built to LEED Standards.

The City-owned projects include historic rehabilitation projects. The restoration and upgrading of these designated heritage buildings will have a significant positive environmental impact.

Economic

Supporting investment in cultural capital projects and the ongoing operations of facilities supports Calgary's economy and provides employment opportunities through construction projects. This aligns with Council and Administration's direction to leverage infrastructure project investment as an economic stimulus.

The City's investment in the Treasures of China project will have a positive impact on the city's economy through job creation and increased tourist visits.

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Financial Capacity

Current and Future Operating Budget:

Impacts to current and future operating budgets related to specific projects is included in the respective Attachments 1 through 5.

Current and Future Capital Budget:

Capital budget appropriations are required for the three projects outlined in this report. The proposed funding source is Cultural Municipal Sustainability Initiative funds, allocated, per Council direction, in 2007.

Assuming approval of all recommended projects, the balance of the fund as allocated in CPS2007-74 will be \$36.85 million.

Risk Assessment

The Risk Assessment for each specific project recommended for capital appropriation is included in the respective attachment for each project. They include reputational, financial and sustainability risks if the work is not undertaken at this time.

Each project must undergo a full due diligence process before funding appropriations are recommended. Community-led projects undergo the City's due diligence evaluation process as outlined in Attachment 1 (page 3). They must be able to prove the availability of matching funds, financial capacity and operational strengths. City-owned buildings requiring capital investment are rigorously examined to determine precisely the nature of required upgrades in order to meet City building standards.

Without a renewed strategy for the investment of the remaining funds, the economic climate presents challenges to raising matching funds and could delay community-led projects even further.

REASON(S) FOR RECOMMENDATION(S):

Cultural facilities provide spaces that serve as important community gathering places and as significant tourist destinations for visitors.

The projects recommended for funding appropriations are ready to begin immediately. This provides an immediate infusion to create construction and related jobs. This aligns with Council and Administration's direction to leverage infrastructure project investment as an economic stimulus.

The investment of CMSI funds in City-owned buildings protects City heritage assets and contributes to the quality and availability of cultural spaces in the city.

The City's increased investment in the King Edward School Arts Incubator project matches the increased support provided by the Calgary Foundation and protects the overall initial investment.

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The City's investment in the Treasures of China project will help promote strong international relationships and ensure the contractual obligations associated with bringing the Giant Pandas to Calgary are fulfilled.

Future projects to be funded through Cultural MSI will meet the needs articulated through CADA's update of the *Arts Spaces Strategy* and through The City's Cultural Plan which is currently in development.

ATTACHMENTS

1. Cultural MSI Overview and Recommendations
2. Project Profile - Centennial Planetarium Project
3. Project Profile - Treasures of China (Calgary Zoo)
4. Project Profile - King Edward School Arts Incubator Project
5. Confidential attachment as per sections 23(1)(b), 24(1)(a), 24(1)(g) and 25(1)(b) of the *Freedom of Information and Protection of Privacy Act*.
6. Letter of Support