

PROJECT PROFILE – KING EDWARD SCHOOL ARTS INCUBATOR PROJECT

# Project Profile

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## *King Edward School Arts Incubator Project*

### **Recommendation**

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, to the King Edward School Arts Incubator Project funded from the Cultural Municipal Sustainability Initiative program, subject to approval by the Government of Alberta.

### **Summary**

On 2011 July 25, Council approved a capital appropriation of \$5.0 million through CPS2011-36 for the King Edward School Arts Incubator Project (“KES”). Through CPS2012-14, Council approved the release of \$5.0 million for the purchase of the King Edward School site.

Since that time, The City has received an updated capital budget from cSPACE where a phased approach was introduced. This prompted a review of the proposed phasing and an analysis of the impact of phasing on the project outcomes (budget, timelines and scope).

The capital budget for the project increased to \$32.0 million from \$26.6 million as presented to Council in March 2012. The capital cost estimates provided to Council at the time of funding approval were based on a feasibility study. The completion of detailed design development and tendering resulted in the higher capital budget compared to the original estimate. cSPACE has secured additional funding to address the increase to the capital budget for the project from Canadian Heritage (\$2.0 million) and from The Calgary Foundation (\$1.5 million).

To accommodate the increased capital budget, cSPACE proposed a phased approach, extending the timeline to full-build by one year, while opening the first phase on time (by 31 December 2016).

### Phase I

Phase I Cost: \$25,952,105  
Square Footage: 41,234 sq. ft.  
Timeline: 31 December 2016

Phase I focuses on the historic school building. It includes the demolition of the mid-century wings and the restoration and upgrading of the designated heritage building, installation of deep site servicing and the creation of a new municipal park. The restored heritage building will be updated to achieve LEED Gold certification.

The restored school building will include the following spaces:

- Non-profit workspace;
- Artist studios;

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- Shared meeting rooms;
- Exhibition space; and
- Black box rehearsal space.

Phase II

Phase II Cost: \$6,089,382

Square Footage: 6,307 sq. ft.

Timeline: 31 December 2017

Phase II includes the construction of the new west wing and outdoor additions including four outdoor, moveable exhibition boxes and two pavilions for performance and community events.

The west wing will house:

- A 130-seat performance, rehearsal and event space;
- Additional shared meeting or event space;
- Short-term co-working and meeting space for small non-profits, artists and freelancers; and
- Kitchen space.

The project is currently under construction. The mid-century wings were demolished beginning in 2014 and construction on the heritage building started in April 2015. Deep servicing and municipal infrastructure tie-ins, selective demolition and hazardous materials abatement have been completed. Current activity includes interior restoration of the historic windows and plaster, installation of a new elevator and stairwells, new electrical and HVAC equipment and drywall assemblies.

**Budget**

Revenue Source	Secured Funds	Proposed Additional Funds	% of Full Build Total
The City of Calgary	\$5,170,000	\$1,500,000	20.82%
• MSI	\$5,000,000	\$1,500,000	-
• Other City Funding <sup>1</sup>	\$170,000	-	-
Government of Alberta	\$4,650,000	-	14.51%
• CFEP	\$4,625,000	-	-
• Other Provincial Funding	\$25,000	-	-
Government of Canada	\$2,000,000	-	6.24%
The Calgary Foundation	\$4,331,437	-	13.52%

<sup>1</sup> \$60,000 (Interest reimbursement) + \$100,000 (Calgary Parks) + \$10,000 (FIPP)

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Individual and Corporate Donations	\$3,303,952	-	10.31%
Net Proceeds of Land Sale	\$9,316,904	-	29.08%
Debt Financing	-	\$1,769,194	5.52%
<b>TOTAL (\$32,041,487)</b>	<b>\$ 28,772,293</b>	<b>\$3,269,194</b>	

With 90% of secured matching funding in hand, the additional \$1.5 million would be able to be released immediately.

**Project Schedule**

Construction start	April 2015
Project completion	2017 December 31

**Previous and Related Council Direction**

On 2011 July 25, Council approved CPS2011-36, King Edward School Arts Incubator Project, including a capital appropriation of \$5.0 million for the King Edward School (KES) Arts Incubator Project to Capital Program 639 from the Municipal Sustainability Initiative Culture – Related Infrastructure Fund, subject to approval of MSI funding by the Province, Land Use re-designation, development and other City approvals.

On 2012 March 19, Council approved CPS2012-14, King Edward School Arts Incubator – Release of Funds, including the release of \$5.0 million from Recreation Program 639 to cSPACE Projects. The City’s contribution to the project was to be used towards the purchase of the KES property located at 1720 30 Avenue S.W. Calgary. Council directed that the \$5.0 million be used to pay down the principal of the loan that facilitated the acquisition of the property, subject to The City’s standard payment procedures and terms to be set out in a funding agreement between The City and cSPACE.

Through CPS2012-14, Council relaxed the requirement under the *MSI Program Guidelines for Culture-Related Infrastructure* (CPS2008-90) that cSPACE must secure all funds for project construction before release of the City’s funds. Council also received the information that the total capital project budget had changed from \$25.74 million to \$26.6 million.

**Resulting Benefit to The City**

There is no change in the social, environmental and economic impacts of the project, as identified in previous Council reports.

**Social**

By establishing secure, affordable, stable and functional spaces for artists, non-profit arts and community organizations the transformation of the King Edward School will create thriving and sustainable environment contributing to Calgary’s cultural vibrancy.

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### **Environmental**

As a historic rehabilitation project, the development of the KES site will reuse and update existing infrastructure. The project will be developed in accordance with The City of Calgary *Sustainable Building Policy* and cSPACE is targeting a LEED Gold-NC certification for the King Edward School Arts Incubator project. Restoration and upgrading of the designated heritage building to LEED Gold certification will have a significant positive environmental impact.

### **Economic**

Supporting community investment in capital projects supports Calgary's economy and provides employment opportunities through construction projects while allowing cSPACE to take advantage of the potential for reduced construction costs. The continued progress on KES aligns with Council and Administration's direction to leverage infrastructure project investment as an economic stimulus.

### **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**

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

### **Risk Assessment**

Without the approval of the proposed additional funding appropriation from MSI, cSPACE will be short \$3.3 million to complete the full build. Although cSPACE is able to service debt at a level of \$1.7 million, cSPACE has not presented a plan to address a \$3.3 million shortfall that does not carry risk to the viability of the project. Carrying a debt of \$3.3 million would be detrimental to the project's cash flow. The use of this level of debt financing secured against the property to complete the project may put The City's investment at risk.

Should cSPACE not proceed with Phase II to full build and only operate as Phase I, it would have a detrimental impact on the organization's cash flow since the performance space is a key revenue source.