

## HANGAR 14 (AVIATION HERITAGE)

### Facility Rehabilitation & Investment Study

#### RECOMMENDATION

That the June 29, 2022, Integrated Infrastructure Services report IIS01166, be received for information.

#### Report Purpose

##### Information only.

To inform Committee of the lifecycle strategy progress for Hangar 14 in preparation for the 2023-2026 Capital Budget.

#### Executive Summary

- Hangar 14, a City-owned building, is located on the southwest side of the Blatchford redevelopment site and has both provincial and municipal historical designations. An investment study completed in 2021 provides options and cost estimates to rehabilitate the facility in alignment with the historic designation requirements and the City's Climate Resilience Policy C627.
- Hangar 14 requires extensive rehabilitation work. The facility asset's condition is anticipated to become critical/unsafe within the next five years.
- Integration of the municipal and provincial historic designation requirements presents major risks to cost estimates, which will not be known until more intrusive structural assessments are complete.
- Following the example of Hangar 11, and in consideration of the risks and challenges associated with Hangar 14's rehabilitation, Administration will be exploring options for disposal of the asset and will support the current lessee throughout the next steps.

#### REPORT

Built in 1942, Hangar 14, home to the Alberta Aviation Museum, is a one-storey 84,000 square foot structure located at 11410 Kingsway Avenue NW. Hangar 14 symbolizes Canada's wartime aviation experiences and Edmonton's important role in the British Commonwealth Air Training

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Plan (BCATP) during World War II. It is the only remaining “double wide, double long” hangar in Canada. The most notable architectural feature is the roof structure consisting of an exposed heavy timber truss system with tension cables, allowing for a clear span width of 34 metres.

Hangar 14 was designated as a Provincial Historic Resource under the Alberta Historical Resources Act in 2000 and municipally designated under City of Edmonton Bylaw 12868 in 2004, provided in Attachment 1. Hangar 14 is legally protected from demolition or inappropriate alteration. It is required to be maintained in a fair condition under the Alberta Historical Resources Act and Policy C450B of the Register of Municipal Historic Resources.

The Alberta Aviation Museum Association currently leases Hangar 14. For more than 20 years, the building has operated as a museum, featuring a large area with aircraft exhibits, educational programming, a gift shop and a parade square. The facility also houses meeting rooms, administrative offices, a storage area and a large aircraft restoration area.

The term of the lease, as outlined and approved in the May 2, 2018, Citizen Services report CR\_5745 Alberta Aviation Museum Lease Agreement, is until 2028 and includes two extensions: the first for 10 years and the second extension for five years. The lease agreement allows the landlord or the tenant to terminate the lease by providing the other party with six months' notice. The lease also indicates that should the cost of any major repair exceed the value of the expected economic life of the building, as determined solely by the landlord, both the landlord and the tenant have the right to terminate the lease by providing the other with 30 days written notice.

### **Facility Rehabilitation**

Hangar 14 requires major rehabilitation work, which should not be deferred beyond five years, at which time critical asset failures are anticipated. In 2021 an investment study for the facility was completed, which included a visual assessment of the existing site and building and a desktop review of the previous assessment reports and engineering studies. The investment study followed the *Standards and Guidelines for the Conservation of Historic Places in Canada* and complied with Bylaw 12868. The study also incorporated information from previous studies including:

- Building Conservation Plan, 2017
- Building Condition Assessment, 2017
- Aviation Museum Structural Evaluation Report, 2019

The objective of the investment study was to analyze various lifecycle alternatives to provide the best value to the City in terms of rehabilitation and functionality and to create a roadmap for future investment needs. The investment study was initiated to develop scenarios and related cost estimates required for rehabilitating, operating and maintaining the facility while accounting for greenhouse gas (GHG) emission reductions.

To proceed with a rehabilitation project the costs are estimated to be at a minimum \$41 million. During the Planning and Design phase, further investigation by a structural engineer would be completed once the floor and walls have been exposed. In addition, the existing trusses require extensive repair and rehabilitation. The resulting recommendations along with the scale and

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scope of retrofit and repair will likely increase the project costs significantly above the minimum cost estimate.

Additionally, the existence of hazardous materials is almost certain. A hazardous abatement study would be completed prior to construction and will also likely result in an increase in construction costs above the estimate provided above. Municipal and provincial heritage designations present additional challenges and constraints to rehabilitation, leading to escalating capital costs.

City-led rehabilitation is not being considered at Hangar 14. Consideration of the storage of exhibits, potential relocation of historical assets and tenant impacts will be explored.

### **Facility Disposal**

The City has faced a number of challenges maintaining and rehabilitating historic resources on its own for the last several years, most notably funding challenges. Historically designated facilities require a significant amount of rehabilitation. The rehabilitation work is challenging and site-specific. The full extent of the required work will not be known until an intensive investigation is complete. It is expected that given the nature of the design and the materials used in the construction, along with enhanced climate resilience policies, the rehabilitation work will result in higher project costs than a standard building rehabilitation.

Previously, some of these City-owned historic building rehabilitation costs were funded by the Heritage Resources Reserve. However, since 2019, the focus has been on providing financial support for the rehabilitation of privately-owned historic resources, and funding to City-owned historic buildings has been suspended. Due to the unique nature of historic designated building rehabilitation, there has been increasing pressure on capital budgets to adequately fund historically designated facilities.

Administration is considering the option of disposition given a number of factors including: the magnitude of the rehabilitation, the existing funding pressures on the 2023-2026 Capital Budget and the example of the recent disposition of Hangar 11. Disposition would follow the guidelines defined in the Implementation Program for City-Owned Historic Resources developed in 2019, approved by Executive Committee via the Urban Form and Corporate Strategic Development report CR\_6536 Implementation Program for City-owned Historic Resources. A market value assessment of the asset and any relevant conditions of sale, including historic preservation and energy retrofit/climate mitigation obligations will need to be outlined followed by the development of a disposition strategy specific to the facility.

Administration recognizes that there is community support and value for the current leaseholder, the Alberta Aviation Museum Association, to continue operations in the city. Administration will support the association as the City transitions from owning the facility.

### **Budget/Financial Implications**

The Heritage Resources Reserve does not have the financial capacity to support a rehabilitation project of this magnitude. Within the current economic context and Administration's work on

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budget prioritization, if the City were to proceed with rehabilitation funding options would result in the deferral of other facility renewal and rehabilitation and include:

- Funding from the Facility Renewal Program:
  - The minimum capital budget to be allocated to rehabilitate Hangar 14 is estimated to be approximately \$41 million. The inclusion of this facility in the Facility Renewal Program for the 2023-2026 budget cycle would require the deferral of approximately 19 other facilities (including arenas, leisure centres, transit stations, libraries, police stations and seniors centres) in need of rehabilitation to future budget cycles.
- Adding this project to the Unfunded Project List for Council consideration as part of the 2023-2026 Capital Budget deliberations or future Supplemental Capital Budget Adjustments. Should the project not be funded in a timely manner, it could potentially lead to a more expensive renewal or compromise the use of the facility after five years.

Potential funding provided by other orders of government, though the current grant programs are scarce at the federal and provincial levels, and those that do exist do not provide funding at the scale required to rehabilitate Hangar 14.

In addition to the costs of rehabilitation or upgrades, retaining Hangar 14 would result in a lost transformative opportunity to potentially integrate the facility with the adjacent Blatchford redevelopment. The sale of the Hangar has the potential for property tax generation, as it would no longer be a City asset.

As outlined in the current leasing agreement, the City is responsible for annual operations and maintenance costs ranging from \$110,000 to \$450,000 associated with the facility until such time the lease has ended.

### **Next Steps**

The rehabilitation of Hangar 14 presents substantial cost risks, which are compounded by the need to align the rehabilitation with both the historic designations and climate resilience policy. These challenges are compounded by the larger difficulties in funding the overall renewal needs of the entirety of the City's asset portfolio, as outlined to Council in the 2023-2032 Capital Investment Outlook.

In alignment with Infrastructure Asset Management Policy C598A, Administration must ensure the inventory of facilities that the City is managing is appropriate and aligned with the objectives of The City Plan. Furthermore, a sustainable future for the Hangar 14 facility that relies less on City resources to preserve its historical heritage, contribute to the community and progress the City's climate change goals is vital to the preservation of the asset.

Administration acknowledges that the City may not be the ideal body to achieve the best value from Hangar 14 and has concluded the more suitable option is to support the current operator in finding an alternate location and dispose of it via a process similar to Hangar 11. This would include completing a market value assessment, developing a disposition and relocation strategy

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and planning and preparing value-added work if necessary. Committee will be informed and consulted throughout the disposition process as appropriate.

### **Legal Implications**

Hangar 14 is designated as both a Provincial Historic Resource under the *Alberta Historical Resources Act* and municipally designated under the City of Edmonton Bylaw 12868. The designations legally protect Hangar 14 from demolition or inappropriate alteration and include a requirement that Hangar 14 be maintained in a fair condition under the *Alberta Historical Resources Act* and under Policy C450B of the Register of Municipal Historic Resources.

### **COMMUNITY INSIGHT**

Through the creation of The City Plan, Edmontonians advised that it was critical to retain and steward historic resources even as the City is redeveloped and modernized.

As the project progresses, stakeholder engagement will be completed taking into consideration the historical designations along with a GBA+ analysis and community impacts. The City will be engaging with the tenants to support them throughout the process and resulting impacts.

### **GBA+**

The provincial and municipal heritage designations will have an impact on the formulation of the GBA+ analysis for Hangar 14. As the project progresses, further exploration of these impacts will be included in the GBA+ analysis.

### **ATTACHMENT**

1. Bylaw 12868 - Designate Hangar 14 as a Municipal Historic Resource, 2004