

## HANGAR 14 - LISTING DISPOSITION UPDATE

### Recommendation

1. That the May 23, 2024, Financial and Corporate Services report FCS02386, be received for information.
2. That Attachments 2, 3, 4 and 5 of the May 23, 2024, Financial and Corporate Services report FCS02386 remain private pursuant to sections 16 (disclosure harmful to business interests of a third party), 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

<b>Requested Action</b>	Information		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>Urban Places</b>		
<b>City Plan Values</b>	PRESERVE		
<b>City Plan Big City Move(s)</b>	A community of communities	<b>Relationship to Council's Strategic Priorities</b>	Conditions of service success
<b>Corporate Business Plan</b>	Managing the Corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• C627 - City's Climate Resilience Policy</li> <li>• Bylaw 12868 - Designate Hangar #14 as a Municipal Historic Resource</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• CR_5745 Alberta Aviation Museum Lease Agreement</li> <li>• June 29, 2022, Integrated Infrastructure Services report IIS01166, Hangar 14 (Aviation Heritage)</li> </ul>		

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### Executive Summary

- Hangar 14, a City-owned building, is located on the southwest side of the Blatchford redevelopment site and has provincial and municipal historical designations that provide legal protection from demolition or inappropriate alteration.
- Administration worked closely with the Alberta Aviation Museum Association to create a public listing, requiring interested proponents to describe how they would retain the Aviation Museum on site for the long term and continue to make the necessary investments in the facility.
- The four-month long listing process resulted in a small sample of proposals, which have been included for consideration by Council prior to any decisions being made by Administration.
- In the absence of a motion directing Administration to negotiate with a proponent outlined within this report, Administration will go back out to the market with a new listing that would not impose specific restrictions regarding the retention of the Aviation Museum on buyers.
- Relisting with fewer conditions may elicit creative proposals with potential adaptive reuse of the building.

### REPORT

Built in 1942, Hangar 14 is a one-storey 84,000 square foot structure located at 11410 Kingsway NW and is a designated Provincial and Municipal Historic Resource. The structure symbolizes Canada's wartime aviation experiences and Edmonton's important role in the British Commonwealth Air Training Plan (BCATP) during World War II. Hangar 14 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. Originally built as a temporary building to support wartime supply chains, Hangar 14 had an anticipated lifespan of seven to 15 years.

The Alberta Aviation Museum Association leases Hangar 14 and has occupied the structure since 1992. The Alberta Aviation Museum features 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 current lease, as outlined and approved in the May 2, 2018, Citizen Services report CR\_5745 Alberta Aviation Museum Lease Agreement, expires May 1, 2028. Upon the expiry, the Alberta Aviation Museum has two extension options: five or 10 years. The lease agreement can be terminated by either party provided six-months notice is given.

### Previous Recommendation

On June 29, 2022, Executive Committee discussed the Integrated Infrastructure Services report IIS01166 Hangar 14 (Aviation Heritage) Facility Rehabilitation & Investment Study. This report outlined the results of an investment study completed in 2021 that provided options and cost estimates to rehabilitate the facility in alignment with the historic designation requirements and the City's Climate Resilience Policy C627. Due to the extensive investment required to rehabilitate the facility, the report outlined the potential option of divesting the building from the City's inventory through a public sale offering. The report was requisitioned to the July 4, 2022, City

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Council meeting where Council directed Administration to implement a disposition strategy that would keep the Museum as a tenant of the hangar. Council also directed that if a viable offer was not submitted within two years, Administration could then attempt to relist the facility and land without specific submission requirements. The time limit was intended to mitigate the risk of a significant building component failure, which would require investment from the City.

Since the July 2022 decision, Administration has continued to provide property and facility management services focusing on critical repairs to balance ongoing operational needs while mitigating costs. During this time however, the existing 82-year-old furnace required replacement, with installation of the new furnace scheduled for completion in September 2024.

### **Outcome of July 4, 2022, Council Motion**

Following the July 4, 2022, City Council meeting, Administration worked with the Alberta Aviation Museum Association to understand their long-term strategic plan, space requirements and to advance Council's motion.

In developing next steps, Administration acknowledged that the rehabilitation work outlined in the 2021 investment study (IIS01166) reflected the cost to do the work within the various building codes, historical designation requirements and Administration's own green building standards. Should another party purchase the property, they would not be bound by the same internal standards or City Policies (such as Policy C627 Climate Resilience) as the City of Edmonton.

In mid-2022, the Alberta Aviation Museum advanced its work on strategic planning (including a potential opportunity for self-ownership). Administration and the Museum agreed that a listing should proceed before further building degradation occurred. The listing reflected the Museum's requirements and aspirations as communicated to the City. In alignment with the spirit of the July 4, 2022 Council motion, Administration vetted the draft listing with the Alberta Aviation Museum to confirm that the content was mutually acceptable. The Museum provided content, technical documents and archival pictures to attract potential offers, and showcase the role of Hangar 14 in Alberta and Canada's military and aviation history.

To address potential financial concerns of owning a historical property, Administration and the Museum solicited grant funding from the Government of Alberta. In April 2024, the Ministry of Culture sent a letter providing the Alberta Aviation Museum with a Government of Alberta contact person should the Museum wish to pursue a funding request as part of the 2025 Government of Alberta Capital Plan. The amount of potential funding that the provincial government may provide is not known at the time of writing this report.

### **Property Listing Overview**

After its development, the listing for Hangar 14 was public<sup>1</sup> from October 2023 to February 2024. The listing was publicly available for longer than those for typical City properties due to its specific submission requirements. In alignment with the motion, the listing specifically asked proponents to identify how they would incorporate the Aviation Museum into their redevelopment plans

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<sup>1</sup> [edmonton.ca/business\\_economy/land\\_sales/hangar-14](https://edmonton.ca/business_economy/land_sales/hangar-14)

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beyond the current lease expiry date of May 2028. Other notable submission requirements included the following:

- A description of future use/development
- Outline of previous work demonstrating experience in heritage projects/rehabilitation
- Other project/development history
- Identifications of any financial partners, or letters of commitment
- Cursory capital renewal plans

Key milestones and events throughout the listing process included:

- More than 5,800 individuals, partners and brokers on Administration's Property Sales subscription list were informed of the property listing
- From the time Hangar 14 was listed, 10 inquiries were submitted
- Interested parties were provided with:
  - City of Edmonton Hangar 14 Investment Study;
  - Building Condition Assessment - Alberta Aviation Museum;
  - Building Conservation Plan - Alberta Aviation Museum; and
  - Agreement Summary - Alberta Aviation Museum Association

Three submissions were received and summaries of each are provided in private Attachments 2, 3 and 4. All submissions provided a summary of their proposed plan, purchase price, and suggested conditions of sale. The three interested parties are requesting the property be sold for nominal value. Administration requires further details on how each potential new owner would maintain both the building and Alberta Aviation Museum. Administration's evaluation of the three proposals is outlined in private Attachment 5.

### Next Steps

Due to the unique nature of this property and the City's long relationship with the Aviation Museum, Administration has not made a decision on the public offering to ensure Executive Committee has an opportunity to provide specific direction. Without a motion, Administration will go back to market with a new listing that would not impose specific restrictions regarding the retention of the Aviation Museum on buyers, as noted in the original motion that led to this report.

### Budget/Financial Implications

As outlined in the current leasing agreement, the City is responsible for annual maintenance costs associated with the facility until such time the lease has ended; in the past five years these costs have ranged between \$20,000 to \$50,000 annually.

This sale will result in a net loss in Land Enterprise in the year the title is transferred. The actual loss on sale is recorded at the time of the transfer.

The minimum capital budget to be allocated to rehabilitate Hangar 14 is estimated to be approximately \$41 million. No funding has been identified for this work based on the previous disposition decision.

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### 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, recognized as The City Plan value of “Preserve.”

Administration worked with the Alberta Aviation Museum from July 2022 to October 2023 to understand their long-term strategic plan and space requirements. In October 2023 the property was publicly listed with considerable input from the Alberta Aviation Museum. The Alberta Aviation Museum provided a complete history of Hangar 14 and the importance aviation and the hangar played in Canada’s wartime effort and growing Edmonton in the post-war years.

### GBA+

The Alberta Aviation Museum provides a variety of programs including hosting Sensory Nights, which provide a calmer museum experience for visitors with a variety of sensory needs.

The listing was publicly available on the City of Edmonton’s website, with detailed information surrounding the requirements and the offer process. In addition, the City placed two large signs on the property so that the general public was aware that the building was for sale. Further, Administration was prepared to answer general questions in several languages to ensure that everyone could understand the listing and requirements to make an informed decision.

### Attachments

1. Hangar 14 - Aerial View
2. General Terms and Conditions of Offer from Proponent #1 (Private)
3. General Terms and Conditions of Offer from Proponent #2 (Private)
4. General Terms and Conditions of Offer from Proponent #3 (Private)
5. Property Offering Submission Requirements (Private)