

WINSPEAR EXPANSION PROJECT

Recommendation

1. That the January 22, 2025, Financial and Corporate Services report FCS02831 be received for information.
2. That Attachment 1 of the January 22, 2025, Financial and Corporate Services report FCS02831 remain private pursuant to section 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.

Requested Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Urban Places		
City Plan Values	BELONG. LIVE. ACCESS. PRESERVE. CREATE.		
City Plan Big City Move(s)	A community of communities A rebuildable city	Relationship to Council's Strategic Priorities	Arts and culture
Corporate Business Plan	Transforming for the future		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> ● Bylaw 16521 - City of Edmonton Capital City Downtown Community Revitalization Levy Bylaw 		
Related Council Discussions	<ul style="list-style-type: none"> ● April 28, 2015 City Council, Community Services report CR_2004 Francis Winspear Centre for Music - Staged Funding Agreement ● May 25/26/27 2020 City Council, Financial and Corporate Services report CR_8009, Spring 2020 Supplemental Capital Budget Adjustment ● August 31, 2020 City Council, Integrated Infrastructure Services report CR_8363, Downtown District Energy Initiative - Winspear Agreement ● July 4, 2023 City Council, Integrated Infrastructure Services report IIS01386, Downtown District Energy Initiative - Project Update ● March 20, 2024 Executive Committee, Urban Planning and Economy report UPE02234, 2024 Community Revitalization Levy Update - Downtown, The Quarters Downtown, Belvedere 		

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Previous Council/Committee Action

At the December 10/11, 2024, City Council meeting, the following motion was passed:

That Administration provide a report on options to support the completion of the Winspear expansion project.

Executive Summary

- The Francis Winspear Centre for Music (the Winspear) delivers experiences through concerts, events and outreach programs, welcoming over 250,000 people each year.
- The Winspear expansion project will transform the centre into a state-of-the-art cultural attraction dedicated to music through the addition of over 50,000 square feet of new space. Designed with a second performance hall, classrooms, and mixed-use immersive spaces, it will honour the needs of artists, youth, the public and community groups.
- The Winspear expansion project costs have increased as a result of a combination of scope changes and inflationary pressures to \$115.2 million, and with another \$3.0 million required for capital renewal work.
- The Winspear has secured \$81.8 million of funding, leaving a funding gap of \$33.4 million remaining.
- If the City provides funding, it would be considered primarily an operating contribution as the infrastructure is not owned by the City. There are currently no available funding sources to allocate towards this project.

REPORT

Located in the Edmonton Arts District, The Francis Winspear Centre for Music is a music facility that welcomes over 250,000 people through its doors every year. Through various grant submissions the Winspear has identified 3,500 construction related jobs and 1,800 creative jobs are expected to be generated by the end of the expansion project. Once completed the Winspear will be able to host on average 2,000 patrons per night for performances, not including day time programming that will occur in the new multi-use spaces. The events, concerts and programming at the completed Winspear Centre are expected to attract tourists to the downtown core, providing benefit to Edmonton and the region. The Winspear has estimated that the facility could generate \$4.5 million in economic benefit in the downtown in the first year of operation.

The Winspear expansion project seeks to enhance the Winspear's role as a community gathering place and expand its educational programming. The project includes the construction of a new 550 seat performance venue called the Music Box, designed to host a diverse range of events. The expansion will also provide increased accessibility, expanded educational programming with a focus on youth engagement and new spaces for community interaction.

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At the time grant funding from the City of Edmonton was approved the estimate for the Winspear expansion project was \$53 million¹. This estimate was for a new 540 seat acoustic hall theatre, six multipurpose rooms and commercial space. Since then, the project has experienced significant cost escalations as a result of inflation and supply chain disruptions. Costs have also increased as a result of design changes following the COVID-19 pandemic, space originally planned for daycare and retail operations has been redesigned to support additional programming activities. In total, these items have resulted in a revised total cost estimate today of \$115.2 million. In addition, the Winspear has identified that an additional \$3.0 million is required to address capital renewal needs that have seen their timelines intersect with the expansion project, which brings their total revised cost estimate from \$115.2 million to \$118.2 million. The first round of project fundraising produced \$71.8 million resulting in a funding shortfall of \$46.4 million shown in the table below.

Original Concept Design Estimate (Standalone Building - 2015)	\$53.0
Add: Concert hall upgrades, structural and connection scope changes	8.5
Add: Parkade	9.0
Add: Inflation and budget allowance pre 2019	3.8
Add: Scope Changes post 2019	7.0
Add: Budget allowance change from concept to final design	14.9
Add: Inflation and delay costs	19.0
Add: Capital Renewal Needs	3.0
Revised Project Cost Estimate Today	\$118.2M
Less: First Phase of Funding Approved:	
Federal Grants	(25.3)
Provincial Grants	(13.0)
Loan from City of Edmonton for Parkade	(12.9)
Municipal Grants	(11.5)
Community Support	(9.1)
Funding Shortfall Subsequent to First Found of Funding	\$46.4M
Less: Government of Alberta (Second Phase)	(12.8)
Other funding	(0.2)
Funding Shortfall Remaining	\$33.4M

¹ CR_2004 Francis Winspear Centre for Music - Staged Funding Agreement Community Services Committee, April 20, 2015, City Council April 28, 2015

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Winspear intended to address this funding shortfall by requesting an additional \$12.8 million each from the federal, provincial, and municipal governments and \$8 million from an additional community support campaign. \$13.0 million has since been received, primarily from the provincial government approving an additional \$12.8 million within their 2024 budget, which brings the total funding shortfall remaining to \$33.4 million today (\$30.4 million related to the expansion project, and \$3.0 million related to capital renewal needs).

The Winspear has indicated there are no additional significant federal opportunities for which the project would be eligible and that additional community support fundraising has become increasingly difficult and competitive due to economic conditions and comes at a cost to other operational fundraising, which comes from the same donor pool. They hope to secure some additional funds through a top-up to existing federal funds (under \$1 million), and an application has been made provincially under the Community Facility Enhancement grant program for funding related to the \$3.0 million capital renewal project that was not part of the original expansion plan.

Lease Arrangement

The City of Edmonton and the Winspear entered a land lease in March of 1995. The City of Edmonton leased the land and the facility was constructed by the Winspear. Under the terms of the lease agreement and throughout the term and all renewal periods, the City is not responsible for any costs, charges, expenses or outlays of any nature whatsoever arising from or relating to the use, operation, maintenance, repair, management of the building. At the end of the lease term the City of Edmonton is the beneficial owner of the property, however during the term the Winspear is responsible for all operating and capital costs.

Options for Supporting the Completion of Winspear

Notwithstanding the lease arrangement, the City of Edmonton has supported the expansion project through an operating grant and a loan.

Given the current financial challenges with the project, Administration, in collaboration with Administration from the Winspear identified the following three options if the City were to provide additional support towards the expansion project:

1. Approve the entire \$33.4 million in funding to complete the expansion project

This option would provide the best outcome for the Winspear and would allow them to mitigate further budget escalations and costly staging work. If the City were to provide additional funding, a funding source would need to be identified by Council. The Winspear building and expansion project is maintained and operated by the Winspear and is not part of the City's Capital Assets therefore funding contributed to the project would be considered operating in nature, with the exception of a small portion of sidewalk work (estimated at \$900,000) that may qualify under the current Downtown Community Revitalization Levy (CRL) Plan under the green and walkable program. Funding source options explored were as follows:

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1a) Fund within the Downtown CRL

At the direction of City Council, Administration has been examining the possibility of amending the Capital City Downtown CRL plan. The Winspear project is not listed within the Downtown CRL plan and is, therefore, not a current eligible capital project under the Downtown CRL (with the exception of a small portion from the green and walkable project). Furthermore, funding within the CRL is fully allocated to approved projects within the current timelines of the CRL. An amendment would be required to add this project, and an extension to the duration of the CRL would be required to create the financial capacity to fund this project.

Amending the CRL Plan is a multi-step process involving provincial approval. Administration has commenced discussions with the province, however it is unlikely that a CRL amendment and extension would be in place prior to 2026. UPE02445 report Capital City Downtown community Revitalization Levy End Date Extension, scheduled for Executive Committee on March 5, 2025, will provide further options, analysis and engagement with the Province on extending the CRL beyond 2034 including a recommendation of new catalyst projects.

- Under the *Municipal Government Act*, associated Regulations and the province's current guidelines for new CRLs, projects listed in a CRL Plan should be a municipally owned asset. While the City owns the land and leases it to Winspear, the City does not own or beneficially control the building. The City would become the beneficial owner of the building at the expiry of the lease.
- Should the project be eligible, contributions would be considered operating in nature, the City would not be able to borrow for it (and repay the debt servicing costs using Downtown CRL revenues) but would rather need to fund it with Downtown CRL funds directly. The Downtown CRL reserve is currently projected to have a \$51.6 million deficit by the end of 2026, and any contributions towards the Winspear project would directly increase this deficit, resulting in a longer pay-back period requiring the use of City working capital to interim finance the reserve deficit, which impacts investment earnings that go back towards the Pay-As-You-Go pool.
- Approximately \$2.7 million of work is related to Green and Walkable landscaping (on- and off-site). This is eligible for CRL funding without amendment, and within existing budgets. However, landscaping work is typically one of the last phases of construction, and the CRL would only pay as the work is completed. While the City could commit to providing this funding, the funds could not actually be transferred until later in the project when the landscaping work was completed. The Winspear's preference would be to receive this funding upfront, prior to commencement of the landscaping work. This increases the City's legal and financial risk as there is no guarantee that the landscaping work would be completed. Provision of the funding up front in advance of landscape work would result in a misalignment of between funding and expenditures and be considered not compliant with CRL plan.

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1b) Funded outside the Downtown CRL

Alternatively Council could choose to fund a portion of the Winspear without seeking to amend or extend the CRL. Given the one-time nature of any financial contribution, Administration would generally look to identify capital funding that could be approved or re-purposed. Administration analyzed the following funding sources:

- Tax-supported debt - Debt is not eligible for this project, as it is considered an operating contribution given control of the building lies with Winspear (the City only becomes the beneficial owner at the end of the lease period). In addition, the City is not permitted to borrow for a project that has started construction prior to a borrowing bylaw receiving three readings.
- Pay-As-You-Go - Pay-As-You-Go is a flexible source of funding that can be utilized to provide grant funding if required, however there is no funding available within the City's Pay-As-You-Go pool. The balance is currently in a deficit position of \$29.6 million based on decisions made during the Fall 2024 Supplemental Capital Budget Adjustment to reduce transfers to Pay-As-You-Go in order to reduce the tax levy increase in 2025 and 2026.
- Reprioritization of Current Capital Budget - Reprioritization of the existing capital budget would require the need to find Pay-As-You-Go funded projects to be cancelled, with funding redirected towards Winspear. The October 22, 2024, Financial and Corporate Services report FCS02471 - Analysis of the 2023-2026 Capital Plan, outlined that all Pay-As-You-Go funding allocated within the recommended 2023-2026 capital budget was towards renewal or growth projects that were mandated by legislation, had high safety impacts, or were high priority projects eligible to receive match funding from other partners and other orders of government, therefore reduction or redirection of these funds was not suggested. Items Council added via amendment to the recommended 2023-2026 Capital Budget (which were not deemed as having high safety impacts, mandated, or used to match eligible funding from partners and other orders of government) would be the first projects Administration would suggest looking at as options for capital budget redirection; however, as they were deemed Council priorities at the time, work has commenced. Council direction would be required to conduct the necessary analysis to determine the current status of the project and feasibility of pausing or stopping projects.
- Tax Levy - A \$33.4 million operating contribution would require a 2025 one-time tax levy increase of 1.6 per cent. Administration would not recommend increasing taxes (on-going funding source) for a one-time funding need. This would not align with the City's budget principles.

2. Approve partial funding to complete the expansion project

Rather than funding the \$33.4 million shortfall the City could provide partial funding. Partial funding would require the city to identify a funding source (options identified in option 1 above).

The Winspear prefers an immediate contribution but has considered the implications of other options if the full request is not funded. If no funding or only partial funding is received, it would

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necessitate a pause in the project or a staging of construction that would leave the project incomplete. Both options are discussed in further detail below.

3. Pausing the project prior to completion to allow time to secure funding

The Winspear has indicated that if funding is not secured, the project would be paused pending further funding as of Fall 2025. Winspear has identified this would represent a high risk to the operations of the Winspear and will increase the financial risk associated with the project. Any pause in the project resulting from the inability to obtain funding would be sequenced in a manner consistent with the staging identified in Option 4.

4. Staging the completion to allow for a component of the expansion to be funded at a later date

The Winspear has identified a staging plan that would see components of the project completed at later dates as funding is secured. Winspear has identified that staging the project risks further budget escalation in carrying costs and inflation of input costs, and additional costs for mobilization and demobilization of trades, and requires additional sub-consultant work.

Should a pause in or staging of the project be required the following criteria are contemplated:

- A prioritization of programming and developing spaces that can return programming revenue back to the Winspear. Expanded programming is a critical part of the operational business plan to replace the lost revenues from construction delays.
- Cashflow identifying the differences in cashflow requirement by project component and identifying which aspects have longer lead times (example Music Box Performance Equipment).
- Ensuring occupiable space recognizing that spaces cannot be programmed or occupied until the certain requirements are met and developed per code (example: adequate washrooms, egress).

Winspear has indicated that staging is not the most efficient construction sequencing as the general contractor and trades are mobilizing and demobilizing more often, extended project timelines attract annual inflation escalation and financing costs. It also requires additional engineering and architectural drawings to delineate the scopes of each phase. Preliminary estimates shared suggest an additional \$900K of engineering and architectural fees (currently not contemplated in the budget) to further break down the phases.

This approach would result in the following phasing (in order of priority):

1. Complete all Concert Hall side renovations to maximize operations.
2. Develop Level 1 in expansion building, programming studios and administration spaces to further expand programming.
3. Complete parkade and plaza components.
4. Complete the Music Box.

The Music Box would be the last phase, primarily because it represents the most costly and complicated procurement. In the event Winspear fundraises for remaining capital, the Music Box represents an appealing asset for a fundraising campaign.

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5. Interim financing to complete construction until final funding can be secured

Under the MGA municipalities are able to loan money to non-profit organizations. Such a loan would require an amendment to the current lending bylaw. Given the challenges in identifying an appropriate funding source discussed throughout this report, interim financing is considered risky for both parties. The Winspear has indicated that any interim financing would need to be guaranteed and permanent, as they would be unable to take on any additional repayment obligations similar to the existing \$12.9 million parkade loan if final funding cannot be secured. This option is risky for both the City and the Winspear. If Winspear is unable to secure funding current options would not be sufficient to repay the interim financing which would require the City to identify an alternative source of funding.

Budget/Financial Implications

If the City provides funding, operating funding would be required. There are currently no available funding sources to allocate towards this project.

Legal Implications

Under the *Municipal Government Act*, associated Regulations and the province's current guidelines for new CRLs, projects listed in a CRL Plan should be a municipally owned asset. While the City owns the land and leases it to Winspear, the City does not own or beneficially control the building. The City would become the beneficial owner of the building at the expiry of the lease. Additional legal considerations are identified in Attachment 1.

Community Insight

Administration has not completed public engagement specific to the Winspear or the expansion project; however, groups such as the Edmonton Chamber, Edmonton Downtown Business Association, BOMA Edmonton and the Downtown Revitalization Coalition emphasize the importance of safety and vibrancy in the downtown core. The Winspear contributes to this vibrancy, annually welcoming over 250,000 visitors each year² which is expected to increase following the completion of the expansion.

In an online survey conducted in April 2024 for the Rice Howard Way Entertainment District, respondents chose live music as the number one activity they would be most interested in visiting in an entertainment district. The survey was completed by 491 respondents, approximately 30 per cent of whom live in the downtown area (Rice Howard Way Entertainment District, 2024).

GBA+

Through a range of immersive programs available at the Winspear, people from all walks of life are encouraged to discover the joy of musical exploration, creation, and connection. From school field trips and summer camps, to Music Box Babies and concerts for toddlers, to a range of adult

² <https://www.winspearcentre.com/more/about/about-winspear/>

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classes and workshops, all members of Edmonton’s diverse public have the opportunity to immerse themselves in music – as spectators, as apprentices, as creators.³

Environment and Climate Review

This report was reviewed for environment and climate risks. Based on the review completed no significant interactions with the City’s environmental and climate goals were identified within the scope of this report.

Attachment

1. PRIVATE - Legal Considerations

³ <https://www.winspearcentre.com/tommy-banks-centre/>