

Galleria Staging and Status Update

Recommendation:

That the February 18, 2014, Sustainable Development report CR_1009, be received for information.

Report Summary

This report provides an update on the Framework for the Galleria project, and an overview of the proposed staging and funding strategy for the City's commitment to the project from 2014-2019.

Previous Council/Committee Action

At the July 3, 2013, City Council meeting, the following motion was passed:

- That the Framework outlining the proposed Galleria Project be approved.
- That an agreement between the City and The Edmonton Downtown Academic and Cultural Centre Foundation for the purchase of City owned Lots 100-102, Plan 1919NY and the public road right of way be approved.

At the September 16, 2013 City Council meeting, Council approved Bylaw 16521, being the Edmonton Capital City Downtown Community Revitalization Bylaw.

Report

This project was initiated in 2011 when the Arts Visioning Committee advanced four priority areas for the creation of an Arts District concept which included: Space Opportunities, Civic Leadership, Community Commitment, and Business/Institutional Relationship.

By 2013, the Arts District concept led to the creation of the Edmonton Downtown Academic and Cultural Centre Foundation. The Foundation, serving as the lead for the project, presented the results of a business case and a demand assessment to Executive Committee on April 29, 2013 confirming a demand for additional performance and rehearsal space in Edmonton, and a concept plan (Attachment 1) that included:

- Four performing arts theatres (1600 seat theatre, 650 seat theatre/concert hall, 200 seat theatre, 200 seat recital hall),
- University of Alberta relocation of the School of Music, Department of Art and Design, and one other Department into the district;
- Construction of an Office Tower to generate revenues in order to build, maintain and operate the theatres;
- Development of a covered, but not enclosed, Public Galleria
- Commercial / Retail Opportunities

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PricewaterhouseCoopers LLP carried out the Economic Impact Assessment and Financial Business Case for the project on behalf of the Foundation. The business case outlined that the advancement of the project could be realized through a P4 model (Public, Private, and Philanthropic Partnership) with contributions from each of the partners in the order of magnitude of:

- \$50 million from the Government of Canada;
- \$50 million from naming rights and further fundraising;
- \$100 million from the City of Edmonton;
- Revenues realized from a Government of Alberta lease of 650,000 sq.ft. of space to be built in the district by the Foundation;
- \$50 million from Philanthropic sources; and
- The Foundation arranging for the financing of \$750 million for construction.

The benefits to the City of Edmonton that were identified included:

- Increased student and workforce traffic in the order of 12,000 persons/day;
- Suggested total economic impact to the area in the order of \$2.7 billion over 30 years; and
- Potential for \$10 million/year in property taxes from new development projects that would be accelerated as a result of the Galleria Project.

The involvement of the University of Alberta contributes significantly to the potential for success of the project. The University of Alberta relocation would have major impact on the downtown, bringing in the order of 5,000 staff and students into the Arts District. This also forms a major financial component of the model with the security of ongoing lease income to the Foundation.

The Framework for the project, as approved by City Council on July 3, 2013 (Attachment 2), originally identified up to \$91 million in potential City contributions to the project including:

- Up to \$10 million in value of City owned land which includes roads closures. The initial City contribution would be the surplus City owned land (100-102/1919NY) and closed portion of 104 Avenue (valued at \$8.3 million) to enable the Foundation to consolidate the lands with those already purchased by the Foundation in order for the Galleria Project to commence;
- Up to \$11 million to extend the Churchill Station LRT pedway under 103A Avenue to the forecourt of the Royal Alberta Museum and Galleria. This is a condition precedent to University of Alberta advancing with the development;
- Up to \$35 million in additional land purchases (including the School Board property);
- A future contribution towards an estimated \$35 million for the development of the roof over the Galleria which is not deemed for commercial purposes; and

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- Public realm (area under the Galleria roof) to be secured for ongoing public enjoyment by way of public easement.

On September 16, 2013 City Council approved the Downtown Community Revitalization Levy plan that included \$50 million in funding for the Galleria as a Stage II future project. Should funding be considered earlier, additional assessments of the Downtown Community Revitalization Levy will be required.

The Foundation has made progress in the following areas:

- Refinement of the concept towards a Master Plan/Urban Design Plan;
- Creation of an Ownership and Governance Model;
- Further advancement of funding opportunities; and
- Expansion of dialogue and involvement of the many stakeholders, including the operators of the existing arts community flagships and developers.

Since the last report, the City of Edmonton has advanced the following aspects of the project:

- Further discussions towards development of a Community Benefits Framework;
- Efforts towards relocation of the surplus Re-Use Centre property in early 2014;
- Submission of road closure application for 104 Avenue (north of the Re-Use Centre);
- Advanced the design (and costs estimates) for the LRT pedway (Attachment 4);
- Identification of an alternate site to enable the relocation of the Edmonton Public School Board maintenance facility from 10515 - 100 Street; and
- Identification of a placeholder within the Downtown Community Revitalization Levy plan (Stage II) for a potential \$50 million in funding.

Sale of Surplus Re-Use Site

The first construction activity proposed by the Foundation for the Galleria Project includes the construction of an office tower on the corner of 101 Street and 103A Avenue. The City's potential contribution for this element would include:

- Relocation of the Re-Use Centre in March 2014 (currently reflected in Waste Management Services budget);
- 104 Avenue road closure and consolidation with Re-Use Centre site; and
- Transfer of the consolidated site to the Foundation for \$1 with the proviso that profits realized by the Foundation are to be used to construct and operate the four theatres. (The site has an estimated value in the order of \$8.3 million).

The Foundation is in the process of securing anchor tenants. It is understood that any profits realized from commercial space constructed on land provided to the Foundation will go towards the construction and operational costs of the Galleria Theatres.

Pedway

The Foundation has proposed a pedway that would run underground from the Churchill LRT station, under 103A Avenue, to the Galleria north of the forecourt of the Royal Alberta Museum. This pedway is deemed a condition precedent by the University of Alberta for their participation in the project.

The timeline for construction of the Royal Alberta Museum has a significant impact on construction schedule and cost of the pedway as it crosses the Museum's property. LRT Design and Construction has completed a concept plan (Attachment 3) that confirms the opportunity for construction of the pedway is limited to 2014-2105. The construction of this pedway after 2015 would not be possible due to the Museum's design, servicing constraints, and the proposed development over a portion of the pedway.

The funding necessary to advance the pedway design and utility relocations is:

- 2014 - \$5 million (\$3 million for design and \$2 million for utility relocation); and
- 2015 - \$13 million for construction of a pedway shell north of 104 Avenue.

Funding has not been identified for the LRT pedway construction. The total estimated cost for the project (an underground pedway from the Galleria, under 103A Avenue to Churchill Station) is in the magnitude of \$40 million.

While significant progress has been made by both Administration and the Foundation, the specific issues and concerns that have arisen require resolution in order for the project to move forward. The issues revolve around the difficulty in funding construction requirements that need to be accelerated as a result of the Royal Alberta Museum development, and to enable the City to take advantage of an opportunity to secure the replacement property for the Edmonton Public School Board relocation

In view of these emerging issues, the Foundation is requesting the City to consider a contribution in the order of \$108.3 million over 2014-2017 as follows:

- 2014 - \$20 million (design, relocation of utilities, and purchase of land for the relocation of the EPSB maintenance building);
- 2015 – \$18 million (pedway shell, and privately held properties);
- 2016 – \$20 million; and
- 2017 – \$50.3 million.

Policy

The proposed Edmonton Downtown Academic and Cultural Centre is consistent with the following policies:

The Way We Live: Edmonton's People Plan.

Capital City Downtown Area Redevelopment Plan – Bylaw 15200
The Art of Living: A Plan for Securing the Future of Arts and Heritage in the City of Edmonton 2008-2018

Corporate Outcomes

This report is aligned with The Way Ahead, the City's ten-year strategic goals of transforming Edmonton's urban form and improving Edmonton's livability:

- *The Way We Grow* – Edmonton's Municipal Development Plan
- *The Way We Live* – Edmonton's People Plan

Budget/Financial Implications

The City of Edmonton would be a funding partner in this venture but is not leading the efforts.

Initial estimates for the City's contribution to the identified project elements were in the range of \$91 million. To date, the only funding identified within City capital projects is \$50 million through the Stage II Downtown Community Revitalization Levy projects. There is potential that additional Community Revitalization Levy revenue could be generated as a result of this project to allow for the recovering of the City's investment over 20 years. However, additional analysis is required to fully confirm that outcome.

Further, Stage II Community Revitalization Levy projects were not anticipated to be funded until 2017 or later.

There is no funding related to this project in the 2012 to 2014 Capital Budget.

Attachments

1. Proposed Galleria Project
2. Framework for the Galleria Project
3. Location of City Owned Surplus Land to be Transferred to the Edmonton Downtown Academic and Cultural Centre Foundation
4. Executive Summary of the Galleria Pedway Concept Plan
5. Proposed Galleria LRT Pedway Map and Staged Construction
6. Current Funding Request for Galleria Project - City Contribution

Others Reviewing this Report

- L. Cochrane, General Manager, Community Services
- L. Rosen, Chief Financial Officer and Treasurer
- D. Wandzura, General Manager, Transportation Services