



ARTS AND LEARNING CAMPUS VALIDATION RESULTS

Issue

The results of the validation report for the proposed Arts and Learning Campus are provided to Council for consideration.

Motions Proposed by Administration

1. That the results of the validation report for the Arts and Learning Campus (ALC) Project be accepted as information;
2. That Council amend the approved multi year project as follows:

2020-2022 Multiyear Capital Project (Arts and Learning Campus Phase 1)

Budget Year	Approved Budget (\$Millions) May 27, 2019	Revised Budget (\$Millions) Post Validation
2019	1.0	1.0
2020	5.9	9.4
2021	10.1	7.9
2022	6.3	0
Total	23.3	18.3

Source of Funds: Grants, General Recap Reserve (for items considered as not eligible for grants) and Donations (Phase 1 only)

3. That Council approve the priority in which the added value incentive items will be considered in accordance with the table below: and

Added Value Item	Approximate Cost	Ranking
Paving Creamery Site parking area	\$0.15M	1
Grading United Church Parking Lot	\$0.075M	2
Net Zero Water	\$0.484M	3
Site Events Panel	\$0.025M	4
Improve Windows in Existing Library	\$0.187M	5
Photovoltaic Panels	\$0.367M	6
Improve Roof Insulation in Existing Library	\$0.75M	7
Net Zero Energy	\$4.4M	8

4. In negotiating the leases the following executive limitations must be contained within the lease:
 - a. In addition to the base rent, all leases must also be negotiated as triple net leases with the tenant being responsible for the ongoing expenses of the property including
 - i. taxes,
 - ii. building insurance and maintenance, and
 - iii. utilities
 - b. All leases by not for profits will include a minimum return on capital rate of the posted Alberta Capital Finance Authority 25 year borrowing cost; and
 - c. All leases by commercial for profit entities will include a return on capital rate of market +/- 2%.

Note 1: The Library is considered a Town asset and they will not be covered by a lease arrangement (see attachment 3).

Note 2: The potential Cameron Crossing Land/Asset Transfer may impact the lease payable by Foothills School Division and is still subject to negotiation.

Report, Analysis and Financial Implications

On May 27, Administration presented a report outlining the opportunities, risks and costs of the proposed Arts and Learning Campus and the impact on the 10-year Capital Plan Forecast. Council approved Phase 1 of a multi year project with the funding allocated as follows:

2019 \$1.0M
 2020 \$5.9M
 2021 \$10.1M
 2020 \$6.3M
 TOTAL Phase 1: \$23.3M

The anticipated funding sources were \$5.0M from Christ the Redeemer School Division (CRSD). The Towns contribution of \$18.3M was to come from Grants and the General Recapitalization Reserve.

Council added an additional \$51M into the 10-year forecast for Phase 2 of the project. Phase 2 of the project has not received budget approval at this point in time.

Through the validation process, to meet CRSD requirements it was identified that the cost would be \$1.0M higher than originally planned. In the review it was determined that since CRSD will own the entire third floor of the new building CRSD will pay their portion directly. The land ownership will remain with the Town. This will reduce the town funded project cost to \$18.3M. It was also determined through validation that the spending in years 2020 through 2022 would be different from the original forecast.

This results in a change to the 10-year Capital Plan forecast as shown below:

2020-2022 Multiyear Capital Project (Arts and Learning Campus Phase 1)

Budget Year	Original Budget (\$Millions) as forecast May 27, 2019	Revised Budget (\$Millions) Post Validation
2019	1.0	1.0
2020	5.9	9.4
2021	10.1	7.9
2022	6.3	0
Total	23.3	18.3

Source of Funds: General Recap Reserve, Grants, Donations (Phase 1 only)

Council directed staff to proceed with the validation process under the Integrated Project Delivery (IPD) model. Throughout the summer, the project team and the partners met weekly to develop the details of the project to ensure that it could be delivered to satisfy the requirements within the approved budget and required schedule. A key component of the validation process was to ensure that the ownership models and leasing arrangements could be verified to ensure cash flow/return to the Town.

The validation process is now complete. The validation process has highlighted:

1. That Phase 1 of the Arts and Learning Campus can be delivered within the approved budget;
2. The space and program requirements meets the needs of all of the partners;
3. The building can be ready for occupancy by the summer of 2021 as required by both CRSD and Bow Valley College; and
4. The leasing rates and returns are within the estimated levels.

Background and History

The concept for the Arts and Learning Campus originated due to a number of drivers. The project met a number Council's strategic objectives and aligned with both the Environmental and Downtown Urban Design Master Plans. The project also met the needs of a number of key partners looking to expand and specifically requiring space downtown. Moving some of the stakeholders to this site would free up additional tax generating land in the downtown, which currently has a very low vacancy rate. While it is difficult to predict with certainty, it is expected that there will be sufficient demand for this new space created in the downtown. It would be costly to acquire lands for this project in other areas of the Town, and doing so would eliminate many of the benefits to the downtown as a whole and the partners.

The Integrated Project Delivery (IPD) model was chosen by administration due to the high number of stakeholders involved, the requirement for innovation and collaboration, the fluidity of the design, the need for certainty, and finally the ability to add in incentive items through the process. At the beginning of the validation process, the key stakeholders for Phase 1 of the project identified their square footage requirements. The validation report confirmed that the project will meet most of the initial wants of the partners, as shown in the table below.

Stakeholder	Area Requested (sq. feet)	Actual Area Provided (sq. feet)
Library	32,000	23,465
Bow Valley College	6,000	5,695*
Christ the Redeemer	17,000	16,858
Community Futures	5,000	5,565
Foothills School District	5,000	5,543*
Commercial Space	5,000	3,885*
Common Area	included	4,230
Total Area	70,000	65,241

*located in renovated Library space

There were extensive discussions with the Library Board, as well as extensive work completed by the project architect regarding their future needs. As is the practice for all new municipal facilities, the new library facility will adequately serve the community for the next 15-20 years based on projected growth rates. In addition, the new building is designed to allow for expansion with limited interruption to the operations of the tenants. All of the stakeholders are satisfied that the space provided will meet their needs, as identified at the outset of the process.

Budget Impacts

Budget Year	Approved Budget (\$Millions) May 27, 2019	Revised Budget (\$Millions) Post Validation
2019	1.0	1.0
2020	5.9	9.4
2021	10.1	7.9
2022	6.3	0
Total	23.3	18.3

Source of Funds: Grants, General Recap Reserve (for items considered as not eligible for grants) and Donations (Phase 1 only)

Operating Costs

The validation process also verified the assumptions that were made in the original project business case concerning revenue that could be generated over time. The overall business case and budget of the project were developed based on the financing of capital. Lease negotiations will determine the ultimate revenues realized from return on capital. The validation confirmed the original assumptions of the business case and subsequent budget. The leases will be constructed utilizing a triple net condition. A triple net lease is defined where the tenant or lessee is responsible for base rent plus the ongoing expenses of the property including taxes, building insurance and maintenance, and utilities.

To ensure transparency in the negotiation, it is recommended that Council formally direct the requirements of lease negotiations including the following executive limitations:

- a. In addition to the base rent, all leases must also be negotiated as triple net leases with the tenant being responsible for the ongoing expenses of the property including
 - i. taxes,
 - ii. building insurance and maintenance, and
 - iii. utilities
- b. All leases by not for profits will include a minimum return on capital rate of the posted Alberta Capital Finance Authority 25 year borrowing cost; and
- c. All leases by commercial for profit entities will include a return on capital rate of market +/- 2%.

Christ the Redeemer School Division

CRSD will occupy the third floor of the new building with their administrative offices and St. Luke's Outreach Centre. CRSD had initially committed \$5M towards the total allowable cost, but have now indicated that they will increase their portion of allowable cost to \$6M. CRSD Board held a special meeting Monday, November 11 to consider their contribution to the project. At that meeting, the board approved the following motion:

"That the Board of Trustees of Christ the Redeemer Catholic Separate School Division formally commit to the collaborative building project with the Town of Okotoks with a budget not to exceed \$6 million."

Their commitment provides a long-term owner to the campus and keeps a large employer in the downtown area. Agreements will be developed to outline proportional sharing of operating costs and capital costs as the project is further refined.

Flood Risk Mitigation

Through development of the site plan, it was important to respect the floodway and ensure that the buildings were constructed to mitigate flood damage. The validation report shows the new building will respect the existing 10-metre setback from the flood way required in the Town's flood policy, and the building elevation has been planned for 500-600mm above existing 1:100 flood event requirements (see attached Preliminary Site Plan). The current Alberta Environment requirements utilize a 1:100 flood event and 300mm freeboard. By respecting the 10m setback and utilizing the 500-600mm freeboard, the ALC project has provided additional conservatism in the design that puts the project as a model, should Alberta Environment ever move to a 1:200 flood event requirement.

All critical building systems will be located on the 2nd floor, and durable materials will be utilized to minimize flood damage.

Sustainability

One of the goals of the project was to show Okotoks as a leader in sustainability and environmental initiatives. The project as proposed will be certified LEED Gold within the allocated budget, and Net Zero Water elements will be considered as added value incentive items if savings are realized through detailed design. From an environmental perspective, the project will not affect the riparian area, and will minimize the removal of existing trees on the site (see attached Preliminary Site Plan). In addition, any trees that are removed will either be replaced, or compensated for in accordance with existing development regulations. Changes to the National Building Code that take place in January 2020 mean that there are minimal additional costs with LEED Gold certification.

Parking

The project team began with a goal to create a site plan that reflected a campus environment, and did not want to have parking requirements dictate the design. Elements of the Downtown Urban Design Master Plan around active transportation and pedestrian movement were used as guiding principles. A parking study was conducted and found that there are typically 63 unused parking stalls in the surrounding downtown area at any given time. The current Land Use Bylaw requirement for Phase 1 is 161 stalls. Further analysis shows that the new plan provides approximately 204 stalls. This includes on street parking on Riverside Drive and surrounding downtown area, the creamery site, as well as the United Church parking lot. Grading to ensure level access will be a recommendation to ensure ease of movement and access to the lots.

Through detailed design and the planning approval process, additional parking may be thoughtfully incorporated into the site plan to ensure that each of the partners has adequate parking both in terms of total stalls and their location. Accessible parking and electric vehicle charging stations will also be incorporated. Pedestrian connections will be provided from the parking areas to the facilities. The traffic study also confirmed that no major off site road or pedestrian network improvements will be required. There is future work planned for Riverside Drive that will need to consider the change in both pedestrian and vehicle movements to and from the Campus site.

Added Value Incentive Items

A key element of the IPD delivery model is the ability to develop improvements to the project that can be added if savings are realized through the process. Any savings realized through this process can then be incorporated as added value incentive items as prioritized by Council.

The additional items recommended for inclusion are:

Added Value Item	Approximate Cost	Ranking
Paving Creamery Site parking area	\$0.15M	1
Grading United Church Parking Lot	\$0.075M	2
Net Zero Water	\$0.484M	3
Site Events Panel	\$0.025M	4
Improve Windows in Existing Library	\$0.187M	5
Photovoltaic Panels	\$0.367M	6
Improve Roof Insulation in Existing Library	\$0.75M	7
Net Zero Energy	\$4.4M	8

Phase 2-Performing Arts Centre and Parkade

The Arts and Learning Campus project contains two phases. As the site plan evolved and due to the uncertainty around the timing of obtaining the remaining residential parcel, it was determined that it would be logical for the performing arts centre and parkade to be considered as part of Phase 2. The project team looked at two options after discussion with the Okotoks Arts Council; the first was for a 450-seat theatre at a cost of \$38.6M, and the second was for a 1000 seat facility at a cost of \$67.7M. Both options fit on the site within the area known as the Creamery Site, and both options include the construction of a 110-stall parkade. This will be investigated further closer to actual consideration and approval of the Phase 2 project.

Alignment with the Long Term Financial Health Framework

The finance and audit committee and Council have just completed the first review of Budget 2020. The review highlights the level of Reserves, Debt and Investment in the 10 year Capital Plan for the Town are in compliance with Councils financial indicators. As operating costs are covered by the lease the impact on the operating budget has been mitigated. One component of the long term financial health framework still under development is the alignment of the long term financial health plan of the library in alignment with the Town of Okotoks. That work is expected to occur this winter to ensure impacts of the requisition and tax requirements for the Town are considered in tandem.

Summary and Next Steps

With the validation process now complete, Administration has determined that the project is in compliance with the approved budget amount, allowing the site to accommodate an expanded Library, Bow Valley College, Christ the Redeemer, St. Luke's Outreach Centre, Cameron Crossing School, Community Futures, and limited retail options in Phase 1. The validation report also confirmed that the new building will be finished by July 2021 to allow both Bow Valley College and Christ the Redeemer to meet their requirements. The project team will now move into detailed design of the building and the site. For the next 4 months, the stakeholders and the project team will work through the development approval process. The approval process will involve land use bylaw amendments, parcel consolidation, as well as

application for development permits and building permits. Construction start is targeted for March 2020.

Strategic Plan Goals

<input checked="" type="checkbox"/>	Manage Community Growth	<input type="checkbox"/>	Provide Strong Governance
<input checked="" type="checkbox"/>	Provide Quality Community Infrastructure	<input checked="" type="checkbox"/>	Healthy and Safe Community
<input type="checkbox"/>	Enhance Organizational Excellence	<input checked="" type="checkbox"/>	Foster Economic Vitality
		<input type="checkbox"/>	Promote Environmental Excellence

Governing Policies/Bylaws/Legislation or Agreements

- Municipal Development Plan
- Downtown Urban Design Master Plan
- Sheep River Valley Management Plan
- Roger Brooks Branding, Development and Marketing Action Plan
- Growing Together: A Culture, Heritage and Arts Master Plan II
- Flood Policy

Public Participation Strategy

An information session was held at the Okotoks Recreation Centre on October 3, 2019 to display the conceptual design. During the detailed design process, additional consultation will occur concerning the look and the feel of the buildings and the future event and gathering space.

Alternatives for Consideration

n/a

CAO Comments

The Arts and Learning Campus is a transformational project for the Town. The opportunities and benefits are important for the long term vitality of the downtown, our economic transformation and the ability to have post secondary education options for the long run. The funding for the Town's portion is grant funded and operational costs for the tenants are neutral to the Towns operating budget. With MSI funding from the Town, the project can be grant funded. The one ineligible portion for grant funding may be the retail portion which may have to be reserve funded. This will not be known until such time as the Province determines grant eligibility.

Attachment(s)

1. Preliminary Site Plan-Arts and Learning Campus
2. Tab 6: 2020-2029 Financial Plan Creating Opportunities for the Future
3. Municipal Councils and Library Boards – Roles and Responsibilities

Prepared by:
Jamie Dugdale
Corporate Strategist
November 15, 2019



Town of Okotoks
Funding Sources for Operating and Capital Projects 2020-2029 (\$M)

		BUDGET			FORECAST																											
2019		2020			2021			2022			2023			2024			2025			2026			2027			2028			2029			
Estimate		Contributions	Uses	Funding Remaining	Contributions	Uses	Funding Remaining	Contributions	Uses	Funding Remaining	Contributions	Uses	Funding Remaining	Contributions	Uses	Funding Remaining	Contributions	Uses	Funding Remaining	Contributions	Uses	Funding Remaining	Contributions	Uses	Funding Remaining	Contributions	Uses	Funding Remaining	Contributions	Uses	Funding Remaining	
Grants/Donations:																																
Subtotal Grants/Donations		20.615	8.349	10.146	18.818	8.424	12.661	14.581	5.609	9.106	11.084	5.609	2.414	14.278	5.609	2.207	17.679	5.609	0.613	22.675	5.609	1.388	26.896	5.609	8.098	24.407	5.609	27.028	2.988	5.609	5.577	3.019
Reserves:																																
Subtotal Operating Reserves		4.317	4.071	2.599	5.789	1.224	1.045	5.968	1.604	0.995	6.577	2.005	0.737	7.846	2.418	0.625	9.639	2.418	0.573	11.483	2.418	0.525	13.376	2.418	0.525	15.268	2.418	0.525	17.161	2.418	0.525	19.054
Subtotal Capital Reserves		29.100	7.673	30.126	6.646	11.027	6.217	11.456	12.217	7.826	15.848	13.495	4.964	24.378	14.928	24.471	14.836	14.928	29.418	0.346	14.928	11.603	3.671	14.928	4.092	14.508	14.928	3.409	26.027	14.928	41.477	-0.521
Total		54.032	20.093	42.871	31.254	20.675	19.923	32.005	19.430	17.927	33.509	21.109	8.115	46.502	22.954	27.303	42.154	22.954	30.604	34.504	22.954	13.516	43.943	22.954	12.714	54.183	22.954	30.962	46.176	22.954	47.579	21.552
Town Reported Balances																																
GRANTS		20.615	8.349	10.146	18.818	8.424	12.661	14.581	5.609	9.106	11.084	5.609	2.414	14.278	5.609	2.207	17.679	5.609	0.613	22.675	5.609	1.388	26.896	5.609	8.098	24.407	5.609	27.028	2.988	5.609	5.577	3.019
RESERVES		33.417	11.744	32.725	12.435	12.251	7.262	17.424	13.821	8.821	22.425	15.500	5.701	32.225	17.346	25.096	24.475	17.346	29.991	11.829	17.346	12.128	17.047	17.346	4.617	29.776	17.346	3.934	43.188	17.346	42.002	18.533
		54.032	20.093	42.871	31.254	20.675	19.923	32.005	19.430	17.927	33.509	21.109	8.115	46.502	22.954	27.303	42.154	22.954	30.604	34.504	22.954	13.516	43.943	22.954	12.714	54.183	22.954	30.962	46.176	22.954	47.579	21.552
RESERVES OSL IMPACT		-2.921	5.014	19.348	-17.255	4.000	1.108	-14.363	4.000	0.508	-10.871	4.000	2.106	-8.976	4.000	22.280	-27.257	4.000	27.022	-50.278	4.000	10.340	-56.618	4.000	1.034	-53.652	4.000	2.159	-51.811	4.000	22.932	-70.743
GRANTS		20.615	8.349	10.146	18.818	8.424	12.661	14.581	5.609	9.106	11.084	5.609	2.414	14.278	5.609	2.207	17.679	5.609	0.613	22.675	5.609	1.388	26.896	5.609	8.098	24.407	5.609	27.028	2.988	5.609	5.577	3.019
RESERVES w/o RESERVES OSL		36.338	6.730	13.377	29.690	8.251	6.155	31.787	9.821	8.313	33.295	11.500	3.595	41.201	13.346	2.816	51.731	13.346	2.969	62.108	13.346	1.788	73.665	13.346	3.583	83.428	13.346	1.775	94.999	13.346	19.070	89.275
		56.953	15.079	23.524	48.508	16.675	18.815	46.368	15.430	17.419	44.379	17.109	6.009	55.479	18.954	5.023	69.410	18.954	3.582	84.783	18.954	3.176	100.561	18.954	11.681	107.835	18.954	28.803	97.987	18.954	24.647	92.294



