

The following is a copy of **Clause G1, Administrative Report No. 11-2011** which was **ADOPTED** by City Council at its meeting held on **June 13, 2011**:

Section G – CITY MANAGER

**G1) Capital Project 1786 - River Landing Destination Centre
Future Expansion Gallery Space and Second Level Underground Parking
(Files CK. 4129-15, x 1702-1 and CC. 4130-2)**

- RECOMMENDATION:**
- 1) that the Administration proceed to complete the final design and construction drawings for the Art Gallery of Saskatchewan (AGS) and parkade based upon the approved Schematic Concept Design;
 - 2) that the project be assessed at a land cost of \$2.36M to be pro-rated, on a dollar-cost basis between the AGS and the underground parkade;
 - 3) that a post-budget adjustment, as outlined in this report, be made to the AGS within Capital Project 1786 – River Landing Destination Centre to reflect a revised cost estimate of \$70.75M to be funded as shown on Attachment 1;
 - 4) that a post budget adjustment, as outlined in this report, be made to the parkade within Capital Project 1786 – River Landing Destination Centre to reflect an estimated cost of \$13.25M to be funded as shown on Attachment 2;
 - 5) that the Administration continue to update City Council as to the progress of fundraising activities with the intent of finalizing the final funding plan for the AGS;
 - 6) that the Administration report back to City Council the annual operating costs and business plan for the AGS prior to the release of the building tender (2012); and,
 - 7) that the Administration report back to City Council the final costs and funding plan prior to the release of the building tender.

BACKGROUND

During its special meeting held on May 30, 2011, City Council approved the following recommendations:

- “1) that the schematic design concept for the Art Gallery of Saskatchewan (AGS) and underground parking be approved and the Administration proceed to the public input phase of the project;
- 2) that the Administration report back to City Council by the end of June 2011, regarding the capital cost estimates and the funding strategy, including confirmation of the amount of community contribution through the AGS Capital Campaign as well as operating costs; and,
- 3) that the Administration be instructed to enter into a naming agreement for the new gallery if there is a significant contribution made to the AGS Capital Campaign and report further to Council at the appropriate time.”

The following report is in response to recommendation 2) identified above providing further details regarding the revised capital cost estimates for the approved schematic design; funding strategy to support the cost increases; and, a high-level overview of the operating costs.

REPORT

The schematic design concept addresses all of the requirements stated in the approved Functional Program Plan providing a gross floor area of 11,582.8 m² over a four-storey building. A variety of public elements and amenities have been captured in the schematic design to provide the most functional and appealing gallery possible, while enhancing the overall appeal of River Landing, and meeting the broader needs of the community. The public input meeting to review the schematic design is scheduled for June 22, 2011, at TCU Place. The format is a presentation of the design by the architects, and public viewing of the storyboards with an opportunity for public comment. Your Administration will report the comments from the public at the July 13, 2011, meeting of City Council.

FINANCIAL IMPACT

The original cost estimates approved by City Council, at a December 2010 meeting, identified the building and parkade at a total cost of \$67.32M, which included the building at \$56.53M and underground parking at \$10.79M.

Attachments 1 and 2 provide a summary of the revised capital cost estimate based on the proposed schematic design. The capital cost summaries identify the gallery building and underground parkade as two distinct projects which are separate operating entities. In summary, the total cost of the building and underground parking is estimated to cost \$84M. This includes the construction of the gallery building at \$70.75M and the underground parkade at \$13.25M. The estimated building capital cost excludes the Remai Arts Centre theatre expansion.

The following overview is provided to highlight the significant changes to the proposed capital budget:

Art Gallery Building/Land

- Construction of the gallery building including site development increase (\$5.12M). The gallery building costs have increased primarily due to an increase in the building size for the shell space to more efficiently accommodate future expansion and visitor circulation over four floors.
- Land cost estimated at \$45 per square foot is \$1.89M. The land cost is estimated at the same cost per square foot as the Parcel "Y" sale in 2010.
- Contingency is estimated at 12% (\$6.87M) due to the complexity of the project; unknown site conditions; unforeseen changes that may occur through the remaining design development stages and construction; and, potential cost escalation.

Underground Parkade

- The significant cost increases include: construction cost for a second level of parking (\$.65M); a portion of the land cost (\$.468M); and, a contingency of 12% (\$1.34M).

The revised funding plan is identified in Attachments 1 and 2 which includes:

Gallery Building

The original funding plan included funding from the federal and provincial governments totalling \$29.764M. The Administration, in discussion with the AGS Fundraising Capital Campaign, has reviewed the funding opportunities and is recommending that the remainder of the project be funded as follows:

- The AGS Fundraising Capital Campaign - \$20M; and,
- City of Saskatoon - \$21M to be funded under the Major Recreational and Cultural Facilities borrowing plan. This borrowing plan includes the conversion of the annual cash contributions of \$500,000 of City assessment growth (previously dedicated to capital as a cash contribution) to debt repayment. This project may now require the allocation of up to two additional years of incremental revenue from assessment growth of \$500,000 in each of 2013 and 2014 (annual tax revenue from assessment growth is currently estimated at \$3M). This funding plan ensures no additional property tax increase.

Parkade

The original funding plan for the parkade included \$7M from the pool of reallocated capital funds made available in 2009. Your Administration has reviewed funding opportunities for the parkade and is recommending that a portion of the funding be from borrowing, supported through parkade revenue (\$5.88M). This, together with the previously approved capital funding allocation of \$7M and a small amount of provincial funding (\$369,000) from the approved allocation under the Building Canada Plan, provides the total funding currently required.

Operating Costs

The total operating costs for the Mendel Art Gallery (2011) is \$2.99M. This includes the costs to support the physical building infrastructure of \$1.45M (reserve contribution, operating/maintenance, and utilities) and salary costs of \$1.54M. The Mendel currently receives operating funds of \$2.17M from the City of Saskatoon.

The operating costs (2011 dollars) for the AGS are estimated at \$4.2M which includes the costs to support the physical building infrastructure of \$2M (excludes a contribution to the building reserve \$.6M which will be phased in over three years starting in 2016) and salary costs of \$2.2M. The preliminary cost estimate is identified using cost information from the Mendel building; cost per square foot estimates from the specialty consultants; and a cost comparison with the Art Gallery of Alberta. It is estimated that the City will contribute an additional \$.9M in operating funds in 2015 for a total of \$3.07M from the City. The Administration will firm up the salary and building infrastructure costs for the facility based on the schematic design and the development of a business model for program and other revenue capacities within the facility. Your Administration will report back to City Council on the business model and the operating costs for the new building, prior to the gallery project being tendered in 2012.

The Mendel Art Gallery Administration will continue to explore sources of funds to offset the operating costs. It should be noted that a contribution from River Landing for a portion of the main floor atrium that serves River Landing patrons (contribution of \$222,000 based on 874 m² of first floor atrium) would be factored into the various revenue considerations that the Mendel Art Gallery Administration will be considering. In addition, the Mendel Art Gallery Administration will undertake an exhaustive and complete analysis of all potential business enterprises that could potentially support an increased self-generated revenue model in support of the Art Gallery of Saskatchewan exhibition, programming, and operational requirements.

The operating cost for the two-level underground parking garage with 160 stalls is estimated at \$700,000 (2011 dollars). Our analysis indicates there will be sufficient revenue generated to pay the annual operating costs, to contribute to the building infrastructure costs for the portion of the first floor atrium of the AGS, to contribute to its portion of the land costs, and to fully fund the debenture.

ENVIRONMENTAL IMPLICATIONS

There are no environmental and/or greenhouse gas implications.

PUBLIC NOTICE

Public Notice will be required for any borrowing necessary for construction of the Art Gallery of Saskatchewan.

ATTACHMENTS

1. Art Gallery of Saskatchewan Cost Summary
2. Art Gallery of Saskatchewan Parkade Cost Summary

Art Gallery of Saskatchewan (AGS)

Cost Summary (000s)

	Revised Cost Estimate
<u>Project Costs</u>	
Prior year costs	\$ 811
Design	6,820
Building and site	50,014
Land*	1,890
Additional shell space	1,373
Contingency	6,873
Equipment and furnishings	2,400
Transition costs to AGS	570
Total AGS Estimated Cost	\$ 70,751
 <u>Project Funding</u>	
Building Communities (Province)	\$ 4,093
Building Canada Fund (Province)	12,651
Building Canada Fund (Federal)	13,020
AGS Fundraising	20,000
Borrowing (assessment growth supported debt)	20,987
Total AGS Project Funding	\$ 70,751

Parkade
Cost Summary (000s)

<u>Project Costs</u>	Revised Cost Estimate
Design	\$ 590
One level parking	5,338
Land	468
Second level parking	5,512
Contingency	1,341
Total Parkade Estimated Cost	\$ 13,249
<u>Project Funding</u>	
Re-allocation of capital	\$ 7,000
Building Canada Fund (Province)	369
Parkade Revenue supported debt	5,880
Total Parkade Project Funding	\$ 13,249