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**Halifax Regional Council**  
**May 3, 2005**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**   
Peter Stickings, Acting Director, Real Property & Asset Management

  
Dale MacLennan, Director, Financial Services

**DATE:** April 21, 2005

**SUBJECT:** Alderney Landing

## **INFORMATION REPORT**

### **ORIGIN**

This report originates from staff and is a follow up to the Council Report dated November 29, 2004, titled "Alderney Landing", and an Alderney Landing Board presentation to Council December 14, 2004.

### **BACKGROUND**

Alderney Landing is an HRM owned facility on the Dartmouth Waterfront that was envisioned as a cultural based facility, originally conceived and approved by Dartmouth City Council that became a carry over project at amalgamation. The facility itself was the anchor feature of a larger waterfront development project that included an outdoor events area, Peace Pavilion, Children's Outdoor Activity Centre, park enhancements, a Park service building and a marina breakwater. Initially the facility was developed only to the concept stage under Dartmouth's "Green Book" with the theatre space loosely defined as an open box space and a budget estimate of \$3.37 million. A study known as the Jolliffe Report refined the concept a bit further, suggesting a new budget estimate of \$5 million with accompanying estimates of potential expenses and revenue. The final design and program needs, such as proper theatre amenities, were still being determined after approval and start of construction began. For this and a number of other reasons the project ran over budget with the final completed price tag of \$8.294 million. The project was funded through provincial grants totalling \$2,790,800; an ACOA grant of \$500,000; HRM funding of \$3,559,200; and the balance of \$1,444,000 which Council approved based on the funding plan put forth below.

The facility was nearing completion and the end of its budget when the Alderney Landing Board was

formed in November 1998 and assumed management of the building in January 1999. In May 1999 when the facility was opened it was not fully completed and had an outstanding cost overrun estimated at \$574,000 related to the construction program prior to the Board's involvement. In addition, the Alderney Landing Board of Directors identified the immediate need for additional capital work to complete the facility and allow it to perform to expectations. The amount of \$870,000 was identified as required to complete the remaining leasehold improvements to the building, including finishing exterior landscaping, stage for outdoor venues and awnings. At this time HRM was struggling with its own deficit and Council was hesitant to approve any additional funds for the facility.

In August 1999 the Alderney Landing Board of Directors approached Council with a proposal to complete the final required construction work and proposed that they undertake a capital fund-raising campaign to cover the costs required to bring the facility to completion. The Board also indicated, that they intended to fund-raise an additional \$574,000 to offset HRM costs associated with the original facility cost overruns, and would donate these funds raised to HRM to cover these costs. At the time, Mr. Tom McInnis, Chair of the Board, made it clear that the \$574,000 related to costs incurred prior to the Board coming into existence. Council accepted this proposal and approved the completion of the construction, at a total cost of \$1.444 million with repayment to be fully recovered by April 1, 2005.

It was later determined the cost overrun was only \$352,000, and Alderney Landing sought and received approval to redirect the remaining \$222,000 into additional leasehold improvements, including market level floor improvements and the construction of the gallery room.

The fund-raising campaign was undertaken and \$417K net funds were raised. This has left a shortfall of \$1.114M of building costs which will require debt funding. HRM staff and the Alderney Landing Board have been reviewing how the remaining capital debt can be serviced and repaid in order to ensure sustainability for the facility. Subsequently, Alderney Landing made a presentation to Council December 14, 2004, following which, Council requested staff to review options around the facility debt and long term success of the facility.

## **DISCUSSION**

A significant number of HRM's facilities that are operated under the guidance or management of a community-based board are servicing capital debt. Some utilize fund-raising campaigns to help meet these obligations while others rely on area rates. A few of these facilities are currently struggling and staff are working with them to explore options including restructuring their debt payment schedules.

Alderney Landing Board's capital cost obligations are now due and must be structured as outstanding capital debt and a repayment schedule developed. Having reviewed Alderney Landing's 10 year operating budgets, staff has concerns about Alderney Landing's ability to repay the capital debt within that 10 year time frame. A number of opportunities have been discussed with the Alderney Landing Board and with the agreement of the Board, it is the intention of staff to implement a three

part action plan to improve the facility's financial position.

1. Given the prime waterfront location occupied by the facility it is reasonable to expect the facility revenues can and should continue to grow. HRM staff is proposing to form a review committee in partnership with the Alderney Landing Board of Directors to complete a review of all space allocation within the Alderney Landing complex and adjacent areas with the intent of: generating maximum utilization of all space and synergies with respect to adjacent HRM properties to the best and highest public use, from both revenue growth and public perspective, consistent with the overall facility's current or potential enhanced mandate. Staff met with senior members of Alderney Landing Board who agree these areas need further exploring. Thus, staff will conduct, jointly with the Board, a more thorough review of current space usage with a view to increase the asset's performance.
2. In the interim, the Board's capital cost obligation must be structured as outstanding capital debt and a repayment schedule developed. Through the partnering process the development of an appropriate and sustainable capital debt repayment schedule for the Board will be completed to address the debt related to the building of the facility, outstanding as of April 1, 2005.
3. It is recognized that Alderney Landing carries a very small staffing complement to undertake some of the challenges ahead. Therefore, HRM staff, in conjunction with the Board, will examine specific opportunities where HRM may be able to share staff resources and expertise where doing so could be cost-effective for both HRM and Alderney Landing operations overall. This may result in future recommendations being brought to Council.

Given that Alderney Landing approached Council through their presentation requesting assistance, and staff's concerns with Alderney's future budget proposals, the status quo is not an option. Staff also cannot pursue nor recommend a partial or full relief of the debt obligations of Alderney Landing Board that were approved by Council in August 1999, as this would be inconsistent with funding support of all other facilities, and is in opposition to HRM's requirement for a sound business plan to support introduction of any new programs. It would also impact HRM's future capital and operating budgets.

Therefore, in summary staff, in conjunction with the Board, will be pursuing the action items mentioned above unless Council directs otherwise.

The above steps are in keeping with various approaches that have been brought forward with other facilities facing similar difficulties. Following the results of this partnered review committee, additional recommendations on Alderney Landing's debt obligations and repayment schedule will come back to Council in the fall.

## **BUDGET IMPLICATIONS**

There are no budget implications for the 05/06 HRM Capital and Operating Budget.

## **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

## **ALTERNATIVES**

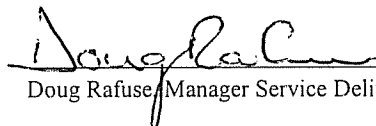
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## **ATTACHMENTS**

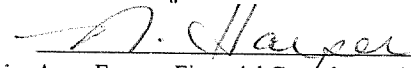
No attachments.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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