

Place des arts Report to Council

September 13, 2016

Background

On November 27, 2015, Council received a presentation from Place des arts as one of the sixteen proponents participating in the Large Projects session. Economic Development staff, in consultation with representatives from other departments, evaluated this and the other projects. The analysis was brought forward to Council on April 12, 2016, and it outlined a number of next steps for Council's consideration.

Following a facilitated session on April 26, 2016, Council prioritized Place des arts as one of four projects and directed staff to proceed with the recommended next steps as follows:

1. *Convey Council's conceptual support of Place des arts to the GSDC Board to meet the condition outlined in the Board's resolution of February 10, 2016.*
2. *Direct staff to return to Council and/or appropriate Council Committees as soon as possible with a comprehensive plan to support the Place des arts project. This plan should address the following elements:*
 - a. *Transfer of land or other long term options to provide municipal property for the project, including the property tax implications of any options put forward and steps to mitigate for the loss of municipal parking spaces.*
 - b. *Confirmation that outstanding design challenges can be addressed*
 - c. *Capital funding totaling \$5 million to be provided starting in 2017 and completed by 2020*
 - d. *Recommendations for ongoing operational funding for the Place des arts facility including a framework for a future funding agreement and governance relationship, a review of best practices in other municipalities and an impact assessment on existing facilities.*

With regards to Step 1 above, following the April 26 Council meeting the GSDC funding was released to Place des arts in order to carry out necessary pre-capital work. Place des arts will be reporting back to the GSDC Board at the completion of that portion of the project to report on funding deliverables.

This report will focus on the items listed under Step 2: transfer of land, property tax implications, municipal parking implications, addressing design challenges, capital funding and ongoing operational funding.

In order for Place des arts to be eligible for capital project funding from the provincial and federal governments, a commitment is needed from the City in the form of land and capital support.

Timing is noteworthy in this project, particularly given the federal government's recent announcement that it will be investing an additional \$168.2 million within a two-year timeframe in cultural infrastructure through the Canada Cultural Spaces Fund, administered by Canadian Heritage. The implication of this federal announcement is that the City now has an opportunity to leverage these cultural infrastructure dollars to advance the Place des arts project.

Should Council wish to approve a capital contribution through the budget process, it is recommended that any contributions are made conditional upon confirmation of funding from other funders, including

the provincial and federal governments, thus reducing the risk of committing municipal funds to a project that is not supported by funding partners.

However, while this condition reduces risk associated with the City's capital contributions it cannot mitigate the impact of the foregone parking capacity and related revenue. Arguably the Place des arts facility will contribute to positively increasing assessed values of downtown properties which could, over time, replace the foregone parking revenue.

To further mitigate risk to the municipality, should Council approve a capital funding contribution, a Contribution Agreement should be established. This would outline specific requirements and regular reporting from the proponent prior to the disbursement of each payment, such as construction plans and other key milestones.

As part of any potential annual operational funding, the Contribution Agreement could also convey additional deliverables and conditions to the proponent, including annual reporting and performance measures. It would also be appropriate for Council to have direct representation as part of the governance structure.

Project Feasibility and Organizational Capacity

As noted in the staff report of April 6, 2016, Regroupement des organismes culturels de Sudbury (ROCS) has made significant progress in the development of its Place des arts project to date. Through consultations with its seven member organizations, the broader arts community, and educational institutions, ROCS has developed a plan to realize an opening of the centre by 2020. The Feasibility Study analyzed governance, costs, revenues and community need in order to assess whether the project would be feasible for Sudbury. The study showed positive results, which are contingent on Council's support towards capital costs totaling \$29,960,000.

The Place des arts Feasibility Study was presented to the GSDC Board in the summer 2015 and the full study is available upon request. It demonstrated positive results. The occupancy analysis, which involved consultations with seven ROCS members and eight "regular" users, projects an average of 250 days of occupancy per year for the various venues. This forecast is based on current and historic levels of programming activity for each of the constituent members. Additional one-off rentals would generate further revenue for the facility.

The projections indicate that in Year 1 of operations earned revenues will account for 65% of the budget, increasing to 70% by Year 5, with assumption made that the remainder would be subsidized by public funding of \$200,000 per year from the municipality, together with provincial and federal funding. Its revenue model hinges on the organization's ability to fill the rental calendar as much as possible, which means partnering with outside users.

The constituent ROCS organizations represent approximately fifty years of francophone arts and culture activity in Sudbury, largely taking the form of the creation of new works and fostering a growing community of professional artists. During this period, their programming, which is often offered in both French and English, has earned Sudbury a reputation as a rich francophone cultural centre provincially and, in some cases, nationally.

For example, Editions Prise de parole has garnered prestigious recognition for its literary publications (Trillium Awards, Trille Or Awards and Governor General Awards). Le Carrefour francophone de Sudbury's concerts through La Sague have been recognized several times as Ontario's "best francophone concert promoter" (Trille Or and FrancoFlamme). Likewise le Théâtre du Nouvel-Ontario has been recognized locally and internationally for its "daring and original" plays since 1988 (Governor General Awards, Premier's Awards, Community Builders Awards).

To date, in developing Place des arts, ROCS has taken many steps to build capacity and work together as seven separate boards of directors and staff teams. It has worked through the steps leading up to the capital stage with caution in mind for the risk implications for each of the organizations. During this time ROCS has done significant work in coordinating engagement and forging partnerships beyond its membership and into the broader local arts and culture sector.

Best practices researched from other cities show that these types of collaborative relationships, involving the centre, its resident and community users and the City, can provide a proactive approach to service delivery at the arts centre for the benefit of the community. They also build partnerships and engage internal and external stakeholders to increase awareness and participation at the centre, while providing active support in the future development of organizations involved.

Place des arts will also request funding for the building/facility operations specifically, and would be distinct from the approximately \$224,000 in funding already received by the ROCS members through the Greater Sudbury Arts & Culture Grant program, which assists those organizations with programming, promotions and other activities.

By providing the stability of a permanent arts facility, the City may also help to maximize the investment of these grants in these arts and culture organizations, as the shared facility will potentially reduce some overhead costs such as administration and maintenance expenses. It also helps protect the City's capital investment by increasing the assurance that sufficient operating funds are available to support appropriate asset management practices.

Relationship to Other Large Projects

As part of the April 26 facilitated session of Council, four projects were prioritized for further action, including the Art Gallery/Public Library combined facility, the event centre and the Synergy Centre.

In addition to the requests for land and capital funding, this project will likely require ongoing resources in the form of staff time and expertise, in particular regarding ongoing site plan controls as design challenges are addressed, as well as staff resources to administer and manage potential funding agreements including annual reporting and review.

The previously noted Place des arts feasibility study, funded and endorsed by the GSDC, projected an economic return of \$1.7M GDP for the centre as well as \$7 million in new downtown traffic and visitors (source: *Tourism Regional Economic Impact Model*).

These four projects represent millions of dollars in funding contribution requested of the municipality, over and above the City's own capital and infrastructure investments required over the next several years. A contribution of \$5 million to the Place des arts project may prompt the deferral of the other

three large capital projects or limit the extent of other investments towards these projects by the municipality.

Despite a gap in the 600-800-seat range, Place des arts has opted to plan for a smaller capacity to suit the needs of its core members and the organizations it has consulted with. Its offering would not accommodate large conventions, for example, as proposed by some of the other large capital projects that presented to Council in November 2015.

Alignment with Strategic Focus

Place des arts leverages Greater Sudbury's francophone culture to bring a flagship destination in cultural tourism. The centre could enhance the community's reputation beyond what each of the ROCS members could do individually.

Research and case studies reviewed by CGS staff regarding cultural-creative space models provided by the Creative City Network of Canada indicate that in sharing space in a purpose built facility, the main benefit to users is the possibility of creating works of a higher quality. The cluster effect of co-location can also result in better use of funds by enabling tenant agencies to access economies of scale and "cross-pollination" between staff and volunteers.

In the case of Place des arts, ROCS members would be able to work more closely with both Francophone and Anglophone groups locally and regionally, also benefiting from an increase in exposure to new audiences for users, maximizing a prominent location that would serve as a marquee destination for the downtown.

In terms of downtown revitalization, arts centres in other town centres, such as the Shenkman Arts Centre in Orléans (Ottawa), are key focal points that broaden public access to local arts and realize the economic potential of the local cultural sector. Place des arts is identified as a priority project that could raise the profile of Greater Sudbury as a vibrant arts and culture hub for Northern Ontario. Place des arts, with its different options for space configuration, could also help to fill a need in the community for unique venues for events.

The Place des arts project also aligns with specific priorities outlined in City strategic plans, including *Greater Together: Corporate Strategic Plan 2015-2018*, the Greater Sudbury Cultural Plan, *From the Ground Up* Community Economic Development Strategic Plan, the Downtown Master Plan as well as EarthCare's Active Transportation Plan.

A summary of this alignment has been included as *Appendix 1* to this report.

Transfer of Land

As part of its feasibility study, Place des arts has selected as its preferred site a municipally owned parking lot, which is estimated to be worth \$600,000. This site runs along the west side of Elgin Street from Medina Lane to Larch Street.

The organization has requested that the City make the land available for the centre's development in time for construction to begin in spring 2018.

In the event that Council should approve the business case in the 2017 budget that will be presented for the combined grant of capital and land, the grant of the land will be addressed as follows: Council would be requested to declare the property surplus to the City's needs and to dispense with the provisions 2008-174, the City's Property Bylaw regarding disposition of a full marketability property. Council would also be presented with a by-law to authorize the gift of land to Place des arts.

Property Tax Implications & Financial Incentives

Upon issuance of the building permit and completion of the project, the Municipal Property Assessment Corporation (MPAC) will assess and classify the property in accordance with the Assessment Act of Ontario.

The proponents of the Place des arts project have expressed their intention to apply for a tax abatement, in addition to requested capital and annual operating contribution. In terms of property taxes, By-law 2003-95F stipulates that, through the Property Tax Rebate Policy for Registered Charities municipalities must rebate at least 40 percent of the taxes payable by eligible charities occupying commercial or industrial property.

If the organization meets the criteria outlined by this policy, Place des arts may qualify for this rebate. , The value of any resulting tax rebate depends on the assessed value determined by MPAC.

The City of Greater Sudbury offers a variety of incentives to stimulate remediation, redevelopment and intensification. These include the Downtown Sudbury Tax Increment Equivalent Grant and four programs offered through the Brownfield Strategy and Community Improvement Plan (Tax Assistance, Urban Brownfield Tax Increment Equivalent Grant, Planning and Building Permit Fee Waivers and Landfill Tipping Fee Waivers). The proponent has confirmed that they will not pursue any municipal incentive programs, if the \$5 million is approved. The project will not incur Development Charges given the exemption in downtown Sudbury.

Municipal Parking Spaces & Parking Implications

The parking lot being considered currently provides 60 parking spots on a pay-and-display basis. Although it is a well used lot, there are other parking lots in the downtown that are operating below capacity and could accommodate the loss of parking resulting from this proposed land transfer.

Should this land be converted from a parking lot to a multipurpose cultural centre it could be expected that people would have to walk farther to their destination downtown. This increased foot traffic could result in increased retail traffic as well, to the benefit of local businesses. According to the Place des arts Feasibility Study, which included occupancy analysis and consultations with 15 user groups, the Place des arts facility could generate approximately 50,000 visits to the downtown core each year, with many people coming for evening performances and daytime programming.

The estimate of 50,000 visitors to the centre is based on a conservative assumption of 60% to 70% of seat capacity in the various venues within the centre and the staffing levels of the ROCS members. Based on the reported total public participation, staff and volunteers who currently attend the activities hosted by ROCS members, which totals approximately 23,000 people per year (Canadian Arts Data/CADAC 2014-2015), these projections are in line with other centres reporting through CADAC.

This figure does not reflect an increase in programming expected from ROCS members in a new facility nor does it include the other users of the centre and future Place des arts staff.

There are currently approximately 4,057 parking spots in the downtown core, and the lot in question represents 1.5% of available downtown parking.

- Of the total parking, the City maintains 2,137 parking spots – 448 on-street meters and 1,689 spaces in lots.
- Of these spots approximately 900 are allotted to monthly parking pass holders, and the remaining are made available for short term use.
- There are also approximately 1,920 parking spaces available in private lots.

Gross revenue for this lot was \$74,366 in 2015, with net revenues of approximately \$55,000. If the lot is used as the site of Place des arts, the remaining available downtown parking spaces would need to replace this net revenue to sustain parking operations at current levels.

The question of adequate parking in the downtown core continues to be discussed with stakeholders to ensure that available parking continues to meet demand.

Addressing Design Challenges

The site plan proposed for the Place des arts project at the corner of Larch and Elgin Street was circulated to and reviewed by CGS staff from various departments with the goal of identifying significant planning or design issues associated with the proposed site plan. This process was based on the Site Plan Review pre-consultation process and was led by the Planning Services Division.

Several technical considerations were identified and shared with the proponents of the Place des arts project. These considerations centered on:

- The relationship between the proposed project, planned projects (e.g. Elgin Greenway) and existing buildings,
- The appropriate location for services (e.g. pick up and drop off, loading) and utilities (e.g. hydro transformer),
- The need for additional studies to address land use compatibility (e.g. noise and vibration studies given the proximity to the rail yard and corridor),
- The possible need for a Record of Site Condition given the final mix of uses in the proposed building.

These considerations are common to an urban intensification proposal such as this and can be resolved through the site plan and building permit process. The Place des arts proponents indicate that they will continue to work through these technical issues with City staff, and has confirmed that despite these challenges, this property remains the preferred site for the Place des arts building. They are prepared to undertake the necessary studies and adapt the building plans in order to proceed with this site.

As this work is still under way, it is the recommendation of staff that the final site plan and design includes specific solutions to address these challenges directly as a term of a Contribution Agreement, and that any scope changes of greater than \$2 million would trigger potential reductions to the City's contribution.

Depending on the direction of Council, the proponent has also requested access to the land to conduct environmental studies on the land prior to a potential land transfer in 2018. This would enable the organization to plan its construction budget according to any remediation work required that may be unforeseen at this time. Additionally this would provide the City with further information needed to assess the potential consideration of Place des arts under municipal incentive programs.

Capital Funding Request

Place des arts is seeking a capital contribution from the City in the amount of \$5 million according to the following breakdown: \$2 million in 2017, \$1 million in 2018 and a final installment of \$2 million in 2019.

The value of the land requested from the City is estimated at \$600,000, based on information from the CGS Real Estate department.

This contribution, including the value of the land contribution, represents 19% of the project cost of \$29,960,000.

The Place des arts budget also reflects anticipated contributions:

- \$12.5 million (42%) from the federal government
- \$8.75 million (29%) from the provincial government
- The remaining \$3.25 million would be raised by Place des arts and its seven founding member organizations, all of whom have been financially contributing to this project's pre-capital work since 2010 and have formally adopted the financial risk with a plan in place for temporary cash flow pressures.

As noted previously, federal funding agency Canadian Heritage would require confirmation of 70% of the funding as accounted for or in hand by March 31st, 2018. Based on discussions with the proponent, Place des arts would only proceed with construction once it has secured 100% of public funding and a minimum of 80% of private fundraising. Any fundraising outstanding (maximum 20% or \$650,000) would continue throughout the construction from 2018 to 2020.

It is recommended that the City's capital contribution would not be provided to the proponent until these fundraising goals have been met.

Operational Funding

Place des arts has requested annual City support in the amount of \$200,000 to subsidize the centre's operations in order to make it available for community use at affordable rates as recommended in the Place des arts feasibility study. This request would be brought forward to a future Council and, if approved, operational funding would not commence until the centre begins operations in 2020.

The Arts & Culture Grant Program is administered on behalf of Council through the Greater Sudbury Development Corporation. The seven founding members of Place des arts receive funding through the Arts & Culture Grant Program. In 2016 they received a combined \$224,152 through this program. Place des arts is requesting that operational funding to the ROCS members be maintained with the rationale that none of this funding was geared towards the development of Place des arts; instead they run year round concerts, theatre, festivals, publishing works, museum and gallery exhibitions and other community events. If these seven organizations move to Place des arts, they would all continue paying rent at the new centre and maintain their respective organizational autonomy. It could also be

anticipated that the shared facility, including administration, maintenance and other overhead expenses, would result in some economies of scale for each of the organizations.

Based on the results of its Pre-Feasibility Study, Place des arts concluded that in the new centre several of the ROCS members would incur higher overhead costs in exchange for the use of enhanced spaces that are significantly larger than those they currently occupy. Those organizations that would see savings in a shared facility would reinvest those savings into more programming.

For example, la Galerie du Nouvel-Ontario would need to increase its budget because it would host visual art exhibitions in a gallery larger than its current space on Elgin Street, and it would be required to extend its hours of operation for broader access. Across the seven ROCS members there would be an expected net gain with access to wider audiences.

In addition to housing the offices that would be rented to the seven founding member organizations, the multifunction and performance halls would be available for rent to outside user groups. Rental rates for these spaces would vary depending on the user, ranging from a reduced rate for founding members up to a commercial rate.

Governance Relationship & Review of Best Practices

Place des arts is an incorporated not-for-profit organization and is working to obtain charitable status as soon as possible. Currently the Place des arts board of directors is comprised of four members of ROCS, one professional artist and four community members. There are five subcommittees: marketing, finance, human resources, governance, tenants and artistic. The Place des arts board currently operates in French.

Based on research conducted by CGS staff on similar centres in other cities, it is recommended that the following considerations would be included in a formal agreement with Place des arts should the project be approved for operational funding:

- Ensure broad community engagement in the centre through a consultative or stewardship committee, which should include broad based representation of the community and act as a sounding board for Place des arts in its policies.
- Stipulate a minimum percentage of days to be available for bookings by local/public arts organizations.
- Invite a City of Greater Sudbury Councillor to be appointed to the Place des arts board.
- Require that groups wishing to book space in the facility may do so without French language being a barrier.
- Outline through a formal agreement the reporting requirements and deliverables and annual funding support.
- Encourage Place des arts to develop a long term infrastructure maintenance plan early on. (Place des arts has created a budget that includes a reserve which would increase over five years.)

It is of benefit to both Place des arts and the City to ensure broad community engagement in this type of centre. Discussions between Place des arts representatives and City staff have been positive and it can be assumed that if this project moves forward there will be opportunity to maximize this collaboration.

In addition, community support for the project can be strengthened through regular reporting by Place des arts to City Council describing project scope, progress on deliverables and performance results once the facility is operational.

Subject to the terms of the agreement that would be negotiated pending Council direction, it is recommended that progress updates and performance reports would provide a foundation for assessing the City's contribution each year, whether it should be maintained or reduced if results are lower than anticipated. This is in line with the municipality's own approach for evaluating its programs and services via regular reporting, business planning and budgeting processes.

Industry Scan of Other Municipalities

Staff has researched other similar centres including those in Edmonton (La Cité francophone), Ottawa (the Shenkman Arts Centre and la Nouvelle Scène), Montreal (Usine C), Quebec City (Théâtre Péricope), North Bay (Capitol Centre), Moncton (the Aberdeen Centre), St. Catherine's (First Ontario Performing Arts Centre), Vancouver (Artscape) and Toronto (Artscape).

Examples of financial contributions from municipalities include loans, in-kind contributions and grants. While details vary according to each situation, generally the decision to provide municipal support is linked to the project alignment with and accomplishment of a community strategic priority. *Appendix 3* provides a comparison of municipal contributions in other cities.

According to a national study on cultural infrastructure, there are a number of problems facing cultural infrastructure across the country (*Under Construction: The State of Cultural Infrastructure in Canada*, Centre of Expertise on Culture and Communities). From this review, the following lessons can be derived for Greater Sudbury's context:

- When investing in cultural infrastructure, the costs to subsidize operations should not be overlooked. One-time capital contributions do not guarantee that the space will be able to operate while offering accessible rental rates without ongoing public funding.
- Long-term federal and provincial partnerships are necessary to ensure sustainable operations.
- A capital reserve should be set in place early on by Place des arts to accommodate scheduled and unforeseen upgrades, ensuring that not only the City would be responsible for significant future costs.
- Strong dispute resolution provisions should be contained within partnership agreements.
- Annual performance reports should be publicly available to demonstrate to stakeholders the progress being made and the value perception of the centre's activities.
- Community engagement is crucial in order for cultural centres to optimize capacity.

With regards to a plan addressing the need for capital reserves to cover upgrades, staff has discussed options with the proponent. For example, ArtsBuild Ontario provides a tool, the *Asset Planner for the Arts*, that allows facility managers to proactively track and calculate the costs for the replacement of key building components and time expenses according to priority. Place des arts' forecasted operating budget includes an allocation to this type of reserve.

Impact Assessment on Existing Facilities

The need for dedicated professional arts spaces was a theme that came out strongly during the cultural planning and consultation process in 2013-2014. For this reason one of the strategic pillars in the *Greater Sudbury Cultural Plan 2015-2020* revolves around Creative Spaces.

Staff has formally reached out to five organizations in Greater Sudbury that also operate spaces with a primary mandate of serving events. Their comments have been attached as *Appendix 2* to this report.

From these comments it can be deduced that some competition for rentals will occur should Place des arts be developed according to the plans provided. Nevertheless, there is also a feeling that the resulting increased growth within the arts and cultural sectors could benefit the community as a whole and could increase on both supply and demand for rentals.

Conclusion

The need for increased access to creative and cultural spaces has been well documented over the years and Place des arts seems to service this need. As outlined in this report, there are significant costs that Council would incur should it wish to proceed with this project. The contributions sought by Place des arts would mean that the City would incur the loss of parking revenue, provide potential property tax rebates, grant a multi-year capital contribution and potentially increased annual operating funding as well.

In return the community would have access to a multipurpose cultural centre. It would be available for rent and encourage more artistic and cultural programming with an estimated 50,000 visitors per year. The Place des arts feasibility study projected an economic return of \$1.7M GDP for the centre as well as \$7 million in new downtown traffic and visitors, source: Tourism Regional Economic Impact Model. This project has a strong potential of aligning with Council endorsed strategic plans (Cultural Plan, Economic Development Strategic Plan and Downtown Master Plan). It addresses a perceived gap in Greater Sudbury's current arts and culture infrastructure and would service an evident need in the community.