

**Corporate Investments and Partnerships
Finance Department
CITY OF LONDON**

**REVIEW OF PROPOSALS
MIXED-USE DEVELOPMENT INCLUDING CULTURAL FACILITIES
AUGUST 2013**

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CONTEXT FOR PROPOSALS

This report reviews two development proposals received by the City of London in June 2013 in response to a call for expressions of interest for downtown mixed-use developments.

City of London Goals

The City of London's Investment and Economic Prosperity Committee (IEPC) is mandated to "accelerate growth of a strong vibrant economy and foster private sector investment in the city."

Projects which are developed to support the IEPC mandate are those which:

- Contribute to economic change
- Create jobs
- Leverage investment from others
- Provide spin-off benefits
- Create beneficial partnerships
- Benefit key economic sectors

Within this mandate, there are opportunities to achieve a wide variety of civic and community goals including those of London's cultural sector.

Projects which are being developed to support the IEPC mandate will evolve through six approval stages:

- Concept
- Planning
- Business Case
- Initial Funding Approved
- Final Authorization
- Execution

Mixed-use Downtown Development

The need for capital investment to continue to strengthen London's historic core combined with the community's need for a new live performance venue provides a good pairing of interests to meet the City's IEPC goals.

London is the only major city in Ontario which lacks a mid-size live performance venue hosting a wide range of attractions. Virtually from its inception, Centennial Hall was deemed to be inadequate and subsequent reports have confirmed its shortcomings.

Although, several studies for a new live performance venue have been conducted since the 1970s, none has resulted in a completed facility.

Call for Proposals

In 2012, the City issued a call for expressions of interest to parties who might produce mixed-use developments to further the IEPC's goals. In response, the City received proposals from:

- Music London
- The Grand Theatre

Both proposals are for mixed-use developments include live performance facilities. Both proposals assume that Centennial Hall is gone.

Assessment Process

In August 2013, the Corporate Investments and Partnerships division of the City of London engaged Novita Interpares Limited, Cultural Facilities Consultants, to assess the two proposals which had been received.

The work which was carried out for this review included:

- Review of documents submitted by proponents
- Discussions with City staff
- Preliminary discussions with proponents
- Attendance at public meetings
- Preparation of written report

EXECUTIVE SUMMARY

Essential Findings of the Assessment

If executed, either of these projects would meet the IEPC goals noted above. Other civic and cultural goals would also be realized.

Both proposals feature mid-size live performance facilities as their central feature and both proposals would involve the City in both capital development and operations. Ultimately, only one proposal could be pursued given the size of the London market for live performance.

Before addressing the question of which of the two proposals might be preferable over the other, the City will need to consider the extent to which either proposal is actually developed. Is the information in these proposals sufficient for decision making?

In terms of the IEPC's six stage approval process, these proposals are clearly still at the "concept" stage.

This report also advises that these proposals, even as concepts, are incomplete in key areas such as demonstrating the capacity for capital project execution and for capital financing.

In general terms, this report finds that:

- Both proponents are highly capable professional performing arts producers and presenters with decades of experience
- Both proponents have expended a significant amount of effort in assembling these proposals
- Both submissions propose mixed-use developments, differing in scale, and each incorporates a live performance venue
- Neither of the two proponents has capital development as their core business or any significant experience in capital development or specific experience in mixed-use development
- Private property owners of proposed sites have generally indicated their support but no private partner contributed to the development of the proposals
- No capital financing commitments (private or public) were identified
- Neither proponent provided a capital development plan
- Neither proponent owns the required development site(s)
- The capital costs cited in both proposals are not substantiated; they are incomplete and appear to be low (in regard to the live performance venue)
- Facility concepts in both cases are preliminary and highly provisional
- Most of the financial information which was provided in the proposals related to cultural program presentation
- Neither proponent provided a discrete budget for facility operations (i.e., building occupancy and operating costs)

Conditions for Success

For many years, there has been a considerable body of opinion which says that a new live performance venue is important to London's status as the major centre of south-western Ontario and to its civic, social and economic well-being. It is fair to say that "everybody" in London wants a venue which meets today's needs and standards.

While the end product of this process is to be a new performing arts venue, the means is real property development. Success will therefore depend on creating a viable capital development plan with appropriate oversight, financing and a project team whose specific mandate is to get the facility built.

The present proposals tend to be focused more on eventual operations and related benefits of a new live performance venue. This is not surprising since both proponents are qualified and experienced program providers. But the proposals tend to put the cart before the horse – this is a facility development and management project first; and a live performance presentation program second.

Implications for the City of London

Having invited proponents to come forward, the City now has two proposals which are in the public spotlight. Whether intentional or not on the City's part, expectations have been raised and the City will need to take a clear position on this matter.

Whatever position it takes, this report affirms that there is insufficient information for the City to decide that one proposal might be preferable over the other. Also, both proponents must be treated equally at this stage in this process.

The City has a range of options with respect to these two proposals including:

- Acknowledge receipt of both proposals without taking further action
- Issue a request for more information and specifics from both proponents
- Actively engage in the process and enter into exploratory discussions with both proponents
- Remove the process from IEPC purview

LONDON COMMUNITY ARTS CENTRE

Proponent

This proposal was submitted under the imprimatur of “The Grand Theatre.” The proposal refers both to The Grand Theatre and The Grand Theatre Foundation as proponents.

There was no letter of transmittal from the Board of The Grand Theatre (GT) corporation to the City or from The Grand Theatre Foundation (GTF) -- a related entity with some overlapping directors (according to the GT website.)

The proposal consisted of:

- Descriptive text (11 pages)
- Schematic drawings (10 pages)
- Financial information (3 pages)
- Copies of letters of endorsement (10)

INSTITUTIONAL CAPACITY OF THE PROPONENT

The Grand Theatre/Grand Theatre Foundation is a fully operational and fully staffed producing and presenting organization with a decades-long track record and a building owner/operator of long standing.

The proposal states that The Grand Theatre has maintained an operating surplus for the last 14 years and has a track record of having raised \$7 million in capital dollars. The sources of these capital funds (private/public) were not identified.

No annual reports or audited statements were reviewed.

ORGANIZATION OF THE PROPOSAL

The Grand Theatre’s proposal was prepared with the assistance of the firm Architects Tillman Ruth Robinson inc.

COMMUNITY ENDORSEMENTS

Ten letters of support and endorsement were provided from:

- Trudell Medical Group, Mitchell A. Barn
- Richard Ivey School of Business, Carol Stephenson
- Downtown London, Janette MacDonald/Robert T Usher
- Emerging Leaders, Sean Quigley
- Farhi Holdings Corporation, Shmuel Farhi
- Ed Holder, MP
- London Convention Centre, Lori Da Silva
- Architects Tillman Ruth Robinson Inc, McMichael Ruth
- Sifton Properties Limited, Richard Sifton
- Calvin R Stiller

Description of the Project

BASIC PROPOSAL

The Grand Theatre's proposal is for a "Community Arts Centre" built as a mixed-use development including multi-party participation by The Grand Theatre/Foundation and the City of London. The role of private developers, if any, is not stated.

PROJECT RATIONALE

The project is intended to meet a wide range of civic and cultural sectors goals which are cited throughout the proposal.

The proposal states that "A Community Arts Centre presents an opportunity to provide an accessible, collaborative space that can meet the needs of all performing arts, be they theatre, dance or music."

"The Grand Theatre's proposal envisions a community-accessible venue that would encourage participation by all groups with a vested interest in the arts. The inclusion of rehearsal, classroom and studio spaces lends itself to the education of youth and opportunities for training in the performing arts."

SUBSTANCE OF THE PROJECT

The "performing arts centre" portion of the proposal includes:

- Re-built and enlarged public spaces and increased presence of The Grand Theatre on Richmond Street
- New 1,200 proscenium theatre
- New 150 seat studio theatre (with separate access)
- New rehearsal and incubation space for emerging producers/presenters
- Build new support and production spaces
- Retention and inclusion of the existing Grand Theatre

The other parts of this proposal include:

- An underground parking garage for 186 cars
- Two residential towers with a total of 21 units on the sixth, seventh and eighth floors

PROJECT LOCATION/SITE

The site includes the existing Grand Theatre property fronting on Richmond Street and the acquisition of additional and abutting properties fronting on Richmond and Dufferin Streets.

The site includes properties currently owned by two other private interests who have indicated their willingness to enter into discussions.

The footprint of the existing Grand Theatre property represents about one-third of the proposed new site.

PERFORMING ARTS BUILDING TYPOLOGY

This is a proposal for a mid-size proscenium theatre with a stage tower.

NOTES ON THE PROJECT DRAWINGS

Content of Drawings

The drawings in the proposal included one orthographic sketch showing the exterior massing and organization of the programmatic components on the site; eight plans above grade; two plans below grade. No sections were provided. The proposal cover also included a rendering of the Richmond Street

façade.

The set of drawings was developed as schematics which mostly show functions, relationships and gross floor areas.

Program Fit to Site

The Grand Theatre's proposal claims that the site will accommodate the proposed program of functions and spaces.

An examination of the drawings reveals that this claim has yet to be proven. In fact, there is every reason to believe that the process of taking these drawings to their next level of development (preliminary design) would result in substantially reduced net areas.

Building Logic and Coherence

The completed project would produce two mid-size rooms with a common lobby and significant frontage on Richmond Street creating an easily recognized major presence along Richmond Row. The studio theatre and preparatory space would have a separate entrance with a modest frontage on Dufferin Avenue.

Capital Development Proposal

DEVELOPMENT AUTHORITY AND RESPONSIBILITY

The proponent states that “the Grand Theatre's staff and board are perfectly positioned to take the lead on the design, build, and operations of the Community Arts Centre.”

Despite the Grand's declared best intentions “to take the lead on the design, build...,” the proposal does not make explicitly clear how the organization will ensure and protect the authority and responsibility for development of the project including management of the full range of potential risks and contingencies from start up through to the point when the completed building is turned over to the occupant.

This is a critically important issue as this complex undertaking is:

- A project of significant size
- A project with multiple players (GT, City, private owners)
- A project with multiple sources of financing
- A mixed-use project (performing arts, residential)

Development Plan

Apart from a declaration of willingness to take on the project, the proposal did not indicate how project delivery would be organized and funded nor was there an acknowledgment that The Grand Theatre would need to have a business interruption contingency plan for about two years.

LAND ACQUISITION CONTINGENCY

The Grand Theatre's proposal is wholly contingent upon the acquisition of privately held lands adjacent to and abutting its present site.

The Grand Theatre's proposal contains letters from the two private developers who hold lands related to this project. Farhi Holdings indicated an interest in land exchange. Sifton Properties indicated willingness to work with The Grand Theatre. No other specifics were provided.

The process and timing for land acquisition is not defined in the proposal nor are any legal or other costs

assigned.

The capital budget assumes a donation “in-kind” by the City in the amount of \$5 million through land exchanges. Subject properties for exchange have not been identified or compared with respect to availability and relative value.

RELATIONSHIP OF NON-PAC COMPONENTS

Residential Towers and Private Partner Contingency

The residential towers are integrated into the project’s building and site but the ownership, managerial responsibilities and shared interest issues are not defined.

On the other hand, it would appear that the project is not contingent on the residential towers – their ultimate role would appear to be neutral in capital financing terms.

Parking Garage

The parking garage appears to be a fully paid up capital asset and a net income generator.

CAPITAL FINANCING PROPOSAL

Valuation

The total value of the project is estimated at \$109 million. No basis for the cost estimates for new construction, for the existing asset or for land transfers was provided.

Given the cost of recently constructed PACs, the estimate of about \$60 million for the new and renovated PAC facilities and two levels of underground parking would seem to be low. No basis for the valuations was provided.

Grand Theatre Asset Transfer

The proposal states that the Board is committed to pledging all Grand Theatre lands and buildings with “market value in excess of \$25 M” to the project.

According to the proposal, this asset would be transferred to the Grand Theatre Foundation which is a closely related entity – making it financially neutral in the project budget.

Construction of Residential Towers

There was no stated rationale for the inclusion of the residential component in this particular project or what benefit would accrue.

The residential towers are estimated to have a capital cost of \$19 million and that this amount would be provided through private development sources on a self-financing basis.

There is no indication of how much of these funds would be assigned to land value and common or incremental development and construction costs.

There is also no explanation of the relationship of the \$19 million assigned to “Private Development” (page 9) and the cost of constructing 21 private residential units.

New Construction and Renovation

It is proposed that the remaining cost of \$65 million be raised as follows:

Senior governments	\$50 million
Private sources	\$10 million

City \$5 million (non-cash/land exchange)

No further specifics were provided.

Ownership and Governance Upon Project Completion

PROPOSED OWNER

The proposal states that the “Grand Theatre Foundation will assume control and ownership of, and ultimate responsibility for, the Community Arts Centre” – that is presumed to be the existing Grand Theatre property and all the new construction.

The Grand Theatre Foundation “is a non-profit organization, with its own Board of Directors. The Board of Directors would be expanded to provide broad representation from the user communities.”

The proposal is not clear as to the ongoing relationship between the corporations of the Community Arts Centre and The Grand Theatre Foundation (are their objectives amalgamated?) and The Grand Theatre as a producing and presenting organization (does it continue or is it folded into the new entity? If it continues, does it now become a tenant in the building as it no longer has an ownership position?)

Operating Proposal

MANAGEMENT STRUCTURE

As noted immediately above, the proposal does not make the new management structure entirely clear and, therefore, the operating budget is not entirely clear.

INCREMENTAL OPERATING BUDGET

The proposal shows a balanced operating budget of about \$4 million for the Community Arts Centre. Both the revenues and expenses are identified as incremental to the existing operating budget of The Grand Theatre.

Net Revenues Sources

The proposal forecasts about \$2 million net revenue from the following sources as part of this budget:

- About \$800,000 from rentals (including Grand Theatre)
- About \$250,000 (food, beverage and advertising)
- About \$250,000 from parking
- About \$700,000 from the City

The Grand Theatre rental contribution is not quantified nor is it cross-referenced with the existing Grand Theatre budget. About \$110,000 in other rentals is shown in the table on page 25 making the Grand Theatre’s portion presumably about \$700,000.

The City’s contribution of \$700,000 is based on the current level of annual direct spending by the City on Centennial Hall (assumed to be gone) and that “the municipal operating subsidy for the new Centre represents a zero incremental cash outlay to the City of London.”

EFFICIENCIES OF SCALE

The proposal notes that the combination of the existing Grand Theatre management with the new administrative requirements will produce economies of scale not available in a separately sited facility.

DECLARED BENEFITS

The proposal identifies a variety of economic benefits including:

- Downtown improvement and economic regeneration
- One time spin off from \$47 million in new construction
- \$500,000 annual increase in assessments and property tax revenue
- \$3 million annually of local goods and services
- \$5 million annual consumer spending increase

- \$54 million on other new/residential development
- \$2 million annual increase in assessments and property tax revenue

In total, the proposal estimates \$260 million of economic benefit in the local economy over a 20 year period.

MUSIC LONDON CELEBRATION CENTRE

Proponent

The proposal was submitted under the imprimatur of “Music London” (ML) The proposal also refers to Orchestra London (OL) and the Orchestra London Foundation (OLF)

The proposal explains that “Orchestra London initiated a new paradigm ‘Music London’ that was designed to expand and sustain the music and entertainment community through three key strategic components...” (illustrated on page 29)

- Community-wide animator/increasing the impact of music industry
- Leading efforts to foster P3 and build and govern new PAC
- Fundraising to increase capacity locally (via OLF)

There was no letter of transmittal from the Board of the Orchestra London corporation to the City of London or from the other named related organizations, Music London or the Orchestra London Foundation.

The proposal consisted of:

- Business Plan (73 pages of which 39 were thematic pictures)
- Appendix (89 pages of which 17 were title pages)

INSTITUTIONAL CAPACITY OF PROPONENT

Orchestra London is a fully operational and fully staffed producing and presenting organization with a decades long track record. Its does not, however, have a track record as a building owner or operator.

The proposal states that Orchestra London has an operating budget of \$3 million.

Annual reports or audited statements were not reviewed.

ORGANIZATION OF PROPOSAL

Music London’s proposal was prepared by:

- An “Action Team” (30 members – listed in Appendix)
- A “Project Team” (10 members – listed in Appendix)

Professional input was provided by Ove Arup & Partners PLC and Nicholson Sheffield Architects Inc.

The proposal also states that the Music London Community Action Consultants and Project Management Team “...is reflective of a wide variety of business, institution and community arts organizations working together....”

The preparation of the proposal was augmented by a consultation process (68 individuals; 36 groups) and by information gathered from other venues.

COMMUNITY ENDORSEMENTS

Letters of intent and support were provided from Project Team members:

- Ellis-Don, J. King – agreement to project manage
- Global Spectrum, Frank Russo, Jr – agreement to manage and operate
- Nicholson Sheffield Architects Inc, John Nicholson – agreement to provide architectural services
- Connect Dot Management Inc, Holly Doty – agreement for fundraising services
- F.J.Galloway, Fred Galloway – letter of support
- Kirkness Consulting, Laverne and Adrienne Kirkness – letter of support

Letters of support were also provided from:

- CTV, Don Mumford
- Good Foundation Inc, James M Good
- North London Dance Centre, Kelly Hajar
- Voyageur Transportation Services, Perry Ferguson
- Stevens Exhibit Design Group, Cameron Stevens
- Amabile Choirs, Wade Baillie
- Siskinds LLP, Christopher Collins
- Wm Murray Faulkner (retired Chief of Police)
- Susan Agranove
- J.B. Kelman

Description of the Project

BASIC PROPOSAL

The Music London proposal is for a “world class concert hall” built as a mixed-use development including multi-party participation by Music London/Orchestra London, the Orchestra London Foundation and the City of London. The role of private developers, if any, is not identified.

PROJECT RATIONALE

Music London’s proposal responds to Council’s endorsement of IEPC recommendation for a “mixed-use development/investment” in the downtown.

The project is intended to meet a wide range of civic and cultural sector goals and produce benefits which are discussed at length in the proposal.

“The core business of Celebration Centre is to retain, grow and attract investment in the music and entertainment sector and thereby advance the economic impact of this increasingly important industry in London.”

Celebration Centre will be “designed and marketed as a regional destination facility” and a “state of the art concert venue” with the “finest acoustical environment in Ontario” which will focus on:

- Professional series
- Rentals
- Community animation

SUBSTANCE OF THE PROPOSAL

The “performing arts centre” portion of the proposal includes:

- 1300 seat main hall (with orchestra pit)
- 400 seat, flat floor, community dance and recital hall
- A Welcome Lobby for non-theatrical events

The other parts of this proposal include:

- 200 unit 24 storey luxury condo tower
- 12 storey commercial office tower

No indication is provided as to the need or viability of these two buildings in the London housing and office markets.

PROJECT LOCATION/ SITE

Music London has no property of its own. Four potential sites are offered for the project:

- London Life, Wellington Street
- Farhi Holdings, Fullerton at Queens
- Sifton property, Dufferin Street
- St Peter’s property, Richmond Street

The proposal includes a comparative analysis of sites by Nicholson Sheffield Architects (including The Grand Theatre’s proposed site) and three of the four potential site owners have indicated their interest.

One potential owner, Farhi Holdings, has provided a written commitment to “donate space for the construction of the new Celebration Centre “...at either our Talbot Street or Fullerton Street sites.” Farhi estimates the value of this donation at “several million dollars.”

No terms (e.g., rights in lieu, density allowances, etc) were indicated for this donation.

PERFORMING ARTS BUILDING TYPOLOGY

Music London’s proposal is nominally for a mid-size concert hall.

NOTES ON THE PROJECT DRAWINGS

“This is a vision of a new concert hall for London, Ontario –one that musicians will love to perform in it...a world class facility for world class talent...”The proposal further states that it must be a high quality venue reflecting the best traditions and current thinking in music and entertainment hall design and fully equipped to accommodate a wide range of uses.

The supporting documentation for this facility entitled “Plan of Main Floor” (no section was provided) does not show a concert hall which fits the current practice of concert hall design and appears to be short in overall functional area.

Some exterior 3D concept renderings were provided.

Program Fit to Site

The plan for the Celebration Centre does not appear to be site specific.

Building Logic and Coherence

While the “Plan of Main Floor” does not provide much detail, the internal proportions and relationships of the main programmatic areas (public, presentation and support) require much more work.

Capital Development Proposal

Music London’s proposal states that the Celebration Centre will be owned by the Orchestra London Foundation but it says very little about capital development except to correctly state that one of its project team, Ellis-Don, “is a world class design-build company...”

While this implies that Music London has a highly qualified builder on its team, its proposal does not provide insights into how the other aspects of capital development will be managed.

This is a critically important issue as this complex undertaking is:

- A project of significant size
- A project with multiple players (GT, City, private owners)
- A project with multiple sources of financing
- A mixed-use project (performing arts, residential)

Development Plan

Apart from a declaration of willingness to take on the project and identification of a builder, Music London’s proposal does not indicate how the mixed-use project delivery would be organized and funded.

Music London’s proposal does identify the steps which it proposes to take in advancing the project:

- Research other centres
- Prepare sustainable business plan
- Conclude site assessment and selection
- Finalize the P3 legal and financial agreements
- Ownership governance and operational agreements
- Final drawings, site plans and construction

The proposal states (page 9) that the first two tasks are complete with the balance of the work to come.

LAND ACQUISITION CONTINGENCY

Music London’s timetable for the project forecasts an opening day of July 1st 2017 – less than four years from the time of this writing.

Music London’s proposal is wholly contingent upon the acquisition of privately held lands whose availability to the project is undetermined. Typically, the approvals process for a large mixed-use development would also be longer than usual.

The process and timing for land acquisition is not defined in the proposal nor are any legal or other costs assigned. The capital contribution by the City is estimated at \$10 million.

RELATIONSHIP OF NON-PAC COMPONENTS

Residential and Commercial Towers and Private Partner Contingency

The residential and commercial towers are integrated into the project’s building and site but the ownership, managerial responsibilities and shared interest issues are not defined. The cost of the condominium tower

is estimated at about \$55 million and the cost of the office tower is estimated at about \$94 million (page 15.)

There is no indication of how much of these funds would be assigned to land value and common or incremental development and construction costs.

Parking

The Music London proposal does not indicate how the related parking for the concert hall will be provided or if it is part of the overall development. If there is a dedicated parking garage, the same questions about ownership and management would apply.

There is an “associated parking garage” shown in the office tower prospectus.

CAPITAL FINANCING PROPOSAL

Valuation

The total value of the project is estimated in an order of magnitude of about \$200 million. No basis for the cost estimates for land, development or construction was provided.

Given the cost of recently constructed PACs, the estimate of about \$40 million for 1,300 seat state-of-the-art concert hall would appear to be low.

Asset Transfers

The Music London proposal does not include any existing assets which would be transferred into the project as a credit.

Construction of Residential and Office Towers

The towers are presumed to be built through private development sources on a self-financing basis – conventional financing, condo sales, etc.

Concert Hall Construction

Music London’s proposal for its capital budget for construction is about \$40 million (\$46 million less \$5 million for endowment.)

The proposal indicates that \$10 million would come from the City and \$28 million would come equally from the two senior governments.

Ownership and Governance Upon Project Completion

PROPOSED OWNER

Music London proposes that the Celebration Centre will be owned by the Orchestra London Foundation.

The proposal further states that “Music London will remain proactive in its support of the local arts... and be responsible for community governance, accountability and prudent financial management of the Centre.”

The proposal also says that “Music London will establish a community Board of Directors to oversee the Centre and provide transparency and accountability to the community” and that governance would include a Resident Users Committee (authority not defined.)

Operating Proposal

MANAGEMENT STRUCTURE

Music London's proposal states that the Celebration Centre would be managed and operated by "a not for profit joint venture subsidiary company of Orchestra London Canada..." so that "...Orchestra London Canada will remain focused on their core competencies..."

Business model will follow "the successful model of Budweiser Gardens..." where a "facility and event management company will manage the professional series and undertake all risk-based business..." Project Team partner, Global Spectrum "...is a proven renowned private sector event and promotion company..."

The proposal further states that the Celebration Centre staff would be "hired by the Music London Board of Directors."

"The professional service company (presumably Global Spectrum) and the resident animation organization (presumably Music London) will rent space from the rental operations department."

INCREMENTAL OPERATING BUDGET

Celebration Centre will have "three operational services as the main revenue and cost centres..."

- Facility and rental services
- Promotion and event services
- Animator services

The proposal forecasts that Celebration Centre will have 300 events and activities -- two thirds local. All cultural interests will be served

Collaborations and partnerships are anticipated, as are the provision of shared services with local groups.

Programming Presentation Budget

A revenue forecast for events programming is included in Music London's proposal:

Ticket revenues	\$6.7 to \$8 million
Box office fees	\$200,000 to \$240,000
Facility fees	\$135,000 to \$160,000
Concessions	\$220,000 to \$240,000
Utilization	\$170,000 to \$180,000

No budget for facility operations and overheads was provided, although the "Other Operating Expenses" budget in Appendix 7 does contain a number of facility operation line items.

Music London's proposal assumes a wide market including all of SW Ontario; local market intensification; the broadest range of offerings; music and dance; non-theatrical meetings and conferences. The proposal estimates "100,000 visitors" will be drawn to London.

EFFICIENCIES OF SCALE

This proposal suggests that the City should give Music London control of Centennial Hall for the years immediately preceding the opening of the Celebration Centre. This is presumed to be to assist in building capacities that do not currently exist.

OPERATIONAL FINANCING PROPOSAL

A detailed “Programming Budget” is provided in Appendix 7.

DECLARED BENEFITS

Music London’s proposal devotes many pages to benefits including:

- A section on the general arguments for investing in culture
- General description of types of community benefits from Celebration Centre project
- General description of the specific benefits to arts community
- General description of educational benefits
- A statement that the Celebration Centre would have a stimulus effect on downtown investment/assessments as the Covent Garden Market and the JLC
- A statement that there would be economic impact from the 200 unit 24 storey luxury condo tower and the 12 storey commercial office tower

The proposal also identifies:

- Attraction and leverage of \$30 million in Federal and Provincial investment
- Attraction and leverage of \$150 private sector funds
- Creation of 1,500 jobs in the design and building phases
- Additional \$2 million to City tax revenue base

CONVERSATIONS WITH PROPONENT REPRESENTATIVES

Following completion of the initial review of proposals and prior to the proponents receiving drafts of the review document, telephone conversations took place between the City's consultant and representatives of each proponent.

These conversations focused on six questions which were provided in advance:

- Will the PAC be a separately financed component within the overall development?
- What information do you have to support your capital cost projections for the PAC?
- What, if any, capital funds do you expect to flow into the PAC component from the other project components?
- What strategies do you propose to use in raising capital revenues thorough grants and donations?
- What are your anticipated cash requirements prior to signing the construction contract?
- What is your plan for cost and risk management?

Music London

The conversation with Music London representatives occurred on Tuesday September 3 2013 and included:

David Canton
Chair, Music London

Jim King
Senior VP Ellis Don

Joe Swann
ED, Music London and Orchestra London

Holly Doty
Connect Dot Management

Joe O'Neill
President, Orchestra London

Ali Soufan
York Development Group

Murray Faulkner
Music London

Meaghan Weiler
Connect Dot Management

John Nicholson
Nicholson Sheffield Architects Inc

Brian Ohl
Global Spectrum

SYNOPSIS AND KEY POINTS

- The live performance component of the project will be separately funded
- The project team feels that the live performance component can be built for about \$500/SF
- Costs will be managed by EllisDon and the project will be designed-to-budget
- Pro-rated cost sharing will occur on common items (e.g., servicing, design)
- Financing for the entire project will be in place at the start of construction
- The project will not require bonusing or special allowances from the City
- Music London will have raised 100% of its capital prior to building occupancy so that no debt servicing costs will be assigned to operations
- Music London is confident of capital support from senior governments and expects to engage an existing capital fundraising agency for the private campaign
- Each of the partners in this venture will develop their own budgets for the pre-construction period; these costs will be managed by Ellis Don

The Grand Theatre

The conversation with The Grand Theatre representative occurred on Wednesday September 4 2013 and included:

Ron Koudys

Chair, The Grand Theatre Foundation

Member, The Grand Theatre Board

SYNOPSIS AND KEY POINTS

- The live performance component of the project will be separately funded; the parking and residential components will be separately funded and are costed at \$19 million together
- A transfer of air rights is anticipated; new tax revenues will offset any net cost to the City
- The project team feels that the live performance component can be built for the amount they have allotted; costing is based on input from architects and builders
- Costs will be managed by the constructor working in a design-build P3 delivery format
- Discussions have been held with senior governments who need to know what the City's commitment will be
- Discussions have occurred with high profile volunteers who are prepared to lead the campaign team
- Cost control will be managed on a design-to-budget basis