



TO:	CHAIR AND MEMBERS INVESTMENT AND ECONOMIC PROSPERITY COMMITTEE MEETING ON FEBRUARY 24, 2014
FROM:	HARVEY FILGER DIRECTOR OF CORPORATE INVESTMENTS AND PARTNERSHIPS
SUBJECT:	MIXED-USE DEVELOPMENT INCLUDING A PERFORMING ARTS CENTRE: BUSINESS PLAN PROPOSED CONDITIONS

RECOMMENDATIONS

That on the recommendation of the Director, Corporate Investments and Partnerships, the following actions **BE TAKEN** for the purpose of advancing the proposal associated of the Mixed-Use Development Including a Performing Arts Centre:

- a) That Council **APPROVE** the Joint Task-Force’s request of \$75,000 for the development of the proper Business Plan (subject to the successful completion of such) prepared by Novita, a respected Cultural Sector Consulting firm; specialising in facilities planning/theatre consulting. However, should the Joint Task Force choose an alternate firm; these funds will be used by Civic Administration to retain Novita to perform a thorough review of the business plan submitted by the project proponents.
- b) That City Council **ENDORSE** the proposed PAC Business Plan development approach, subject to Novita being the firm of choice agreed upon by the project proponents.
- c) That Civic Administration **BE DIRECTED** to review the formal business plan submitted by the project proponents, and present the findings to Council for further direction.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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1. December 18, 2012: *A Path to Prosperity: Community Business Ideas to Stimulate our Economy*, Investment and Economic Prosperity Committee, Corporate Investments and Partnerships
2. February 19, 2013: *Investment and Economic Prosperity Proposal Assessment Process Update #2*, Investment and Economic Prosperity Committee, Corporate Investments and Partnerships
3. April 29, 2013: *Investment and Economic Prosperity Project Updates*, Investment and Economic Prosperity Committee, Corporate Investments and Partnerships.
4. May 21, 2013: *Investment and Economic Prosperity Projects – Public Input*, Investment and Economic Prosperity Committee, Corporate Investments and Partnerships.
5. November 4, 2013: *Mixed-Use Development Including a Performing Arts Centre – Review of Proposals and Public Input*.
6. December 2, 2013: *Mixed-Use Development Including a Performing Arts Centre – Update*



BACKGROUND

On the 19th of February 2013, a report which outlined the prosperity project next steps with respect to the financial plan, public engagement plan and project operational plans was presented. In regards to the “Investment in the Downtown: Mixed Use Development Including a Performing Arts Centre” recommendation, this report identified that a second community consultation would take place once business plans were received from both project proponents and reviewed by an external party. In that regard, two public engagement sessions took place (February 19th, 2013 and September 11th/26th, 2013), where the opportunity for Music London and the Grand Theatre to join together in a joint proposal was a consistent theme.

Furthermore, the Corporate Investments and Partnerships Team engaged Novita Interpares Limited, Cultural Facilities Consultants, to assess two proposals (business plans) that were submitted by Music London and the Grand Theatre in June of 2013, as a result, Novita’s review of the proposals recommended that more work needed to be done with respect to the development of a formal business plan (Novita Interpares Limited, August 2013). As a result, at the November 4th, 2013 IEPC meeting, based on the public engagement results and the Novita Interpares report, additional information was requested of both project proponents.

Subsequently, on November 22nd, 2013 the Civic Administration received a joint letter from both project proponents, Music London and the Grand Theatre, requesting that a Joint Task-Force be formed. The Joint Task-Force continues to be led by an independent chair and is responsible for facilitating collaboration between Music London and the Grand Theatre. The purpose of the Joint Task Force was to advance the existing process and present a joint business plan.

The Performing Arts Joint Task-Force was formed on December 2nd, 2013 with a mandate to develop a business and operational plan for a proposed performing arts centre in the City of London. On February 10th, 2014 at a Special IEPC meeting the joint Task Force presented a “Community Cultural Investment Feasibility Study for a Downtown Arts and Entertainment District”. The “Mixed-Use Development Including a Performing Arts Centre” idea has now passed the Concept¹ and Consultation² stage and is in the Business Plan development stage. As a result, a request was made to the City to fund the development of a formal business plan in the amount of \$75,000.

DISCUSSION

Council approval of the above noted recommendations should be conditional on the satisfactory completion of a formal business plan, in which a well-supported business argument that clearly articulates the opportunity, the costs and the benefits of the potential project is presented. The expectation of the business plan is that of a well supported and verifiable document, prepared by Novita, a respected Cultural Sector Consulting firm; specialising in facilities planning/theatre consulting. However, should the Joint Task Force choose an alternate firm; the requested funds will be used by Civic Administration to retain Novita to perform a thorough review of the business plan submitted by the project proponents.

Civic Administration recommends Novita, for a number of reasons. First, the firm is Canada’s oldest cultural consultancy. The firm has more than 1,300 planning and development studies for arts, culture and heritage projects to its credit, and more importantly it was initially recommended by the project proponents.

Second, Brian Arnott was the partner-in-charge for more than 100 renovated and new live performance facilities completed by Novita. Brian is widely recognized as one of the leading designers of live performance facilities in North America. He has been a guest lecturer and

¹ **Concept:** The initial phase in which an idea is identified or brought forth through both internal and external communication channels. At this point in the process, only a high level understanding of the potential project costs and returns are known.

² **Consultation:** Through this triage-like process, the idea evolves into a more tangible proposal through the satisfaction of due diligence activities. Examples include: initial legal review; initial financial review; due diligence checklists; public engagement and initial cost/benefit and return investigations.



visiting critic at several schools of architecture. He holds a graduate degree in theatre (MFA, University of Alberta, 1970) and he has worked in the professional theatre as a company manager, production manager and designer in Canada, the US and the UK. Brian is a member of the American Society of Theatre Consultants.

Third, Novita's recent and current business planning assignments for live performance facilities include: Toronto Civic Theatres (Sony Centre, St Lawrence Centre, Toronto Centre for the Arts); Brampton Civic Theatres; and the Burlington Performing Arts Centre.

Finally, Novita has considerable experience in London including:

- Completed a planning study for a performing arts centre in London for PACT (Professional Association of Canadian Theatres) in the early 1990s.
- Completed a capital planning study for the McIntosh Gallery at Western in the same period.
- Novita was the theatre consultants for the Wolf Performance Hall in the Central Library.
- Novita carried out the re-development plan for Centennial Hall and a subsequent review/update.
- Novita was a member of the CUI/Sierra/Novita team for London's economic prosperity plan.
- Novita has been advising the City regarding the current PAC initiative since summer 2013.

To the best of our knowledge, there is no one in Canada with their experience and track record in the development, design, construction and operation of live performance facilities.

Furthermore, Novita has developed a proposed approach to the business plan that is collaborative and includes the Proponent's active involvement. This approach recognizes that the Proponent has a key role in making choices about the project -- with the authority for the process and final approval still being the City's.

THE PROPOSED PAC BUSINESS PLAN APPROACH

GOALS OF THE PLAN

The City of London has determined that it requires more information regarding the proposal for the Community Cultural Investment Proposal for a Downtown Arts and Entertainment Precinct. To this end, the City is commissioning a Business Plan in order:

- To ensure that the City has the comprehensive and complete information which will be required for its decision making purposes.
- To create the background for a report and recommendation to City Council.

GENERAL METHOD FOR DEVELOPING THE PLAN

The process for developing the Business Plan will be a collaborative venture between the Proponent and City.

The City's interest will be represented by Corporate Investments and Partnerships. The City will engage a Specialist Consultant to lead its team.

The Proponent will designate a representative for decision-making and a representative for day-to-day liaison with the City's team.

The work plan assumes that:

- Some information to be generated by Proponent.
- Some information to be generated by City/Consultants.
- Some information to be generated in collaboration.
- All information to be coordinated by City/Consultants.
- All recommendations will be made by City representatives.



City's Expectations

As a guide, the City will provide a list of questions which the Business Plan will be required to address.

WORK PLAN FOR CAPITAL DEVELOPMENT

Facility Design

- Proponent to provide statement of overall goals.
- Proponent to confirm preferred concept (type/seat count) for main hall and secondary hall.
- Consultants to develop functional program and relationship diagram.
- Consultants to develop systems and equipment program.
- Proponent to review and sign off on programs.
- Proponent to provide measured plan of preferred site.
- Proponent to identify all sub-grade conditions.
- City to provide urban design guidelines for subject site.
- Consultants to provide commentary on site location.
- Consultant to develop basic facility criteria.
- Consultants to develop schematic plan and section (1:100).
- Proponent to review and sign off on schematics.
- Consultants to test schematic plans and sections on preferred site including integration with other aspects of the development.
- Consultants to adjust as required.
- Proponent to identify alternate sites (as may be required).
- Consultants to test schematic plans and sections on alternate sites (as required).

Project Cost Analysis

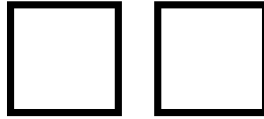
- Proponent to provide estimates of capital costs specific to PAC.
- Proponent to provide estimates of shared and related capital costs.
- Consultants to identify project development and pre-opening costs.
- Consultants to aggregate project costs.
- Proponent to review and sign off on project budget.

Project Revenue Plan

- Proponent to provide its capital revenue plan including campaign leadership, case for support, campaign targets and levels of giving, naming opportunities, revenue commitment milestones, cash flow and financing arrangements.
- Proponent to identify expectation of City's role in capital development and financing.
- Proponent to provide risk management and contingency plan in the event of capital revenue shortfall.
- The City/Consultants to review the capital revenue plan and provide commentary.

Development Authority and Ownership

- Proponent to provide full legal and financial particulars of the entity which will take on responsibility for development of the project.
- Proponent to provide description of the asset which this entity will own at the time of completion of construction.
- Proponent to provide description of ownership relationships to other components of the mixed-use development.
- City/Consultants to review the ownership issue and provide commentary.
- Proponent to describe full legal and financial particulars of the entity which will take on responsibility for all cost overruns associated with capital project development, management and construction; including indemnification of the City of London against these costs.



Capital Project Timetable

- Proponent to provide schedule of design, site development and construction.
- Proponent to provide schedule of expenditures related to design, site development and construction.
- Consultants to provide schedule of expenditures for pre-opening.
- Consultants to aggregate schedules.
- Proponent to review and sign off on project timetable and cash flow.

WORK PLAN FOR OPERATIONAL DEVELOPMENT

Operational Relationships

- Proponent to describe operational relationships with all other components in the mixed-use development.
- Proponent to describe full legal and financial particulars of the entity which will take on responsibility for operation of the project including operational mission and goals, governance and stewardship, commitment to City's policy goals, indemnification of the City against operational losses.
- Proponent to identify expectation of City's role in operational development and financing.
- City/Consultants to review and provide commentary.

Trend Analysis

- Consultants to identify industry trends in PACs.
- Proponent to provide results of their existing research into market and usage.

Market Analysis

- Consultants to identify product market (for self-presentations).
- Consultants to identify product market (rental usage).
- Consultants to review consumer market capacity.
- Proponent to fully describe their management philosophy and model.
- Proponent to provide a proposed calendar of events for year 1 (by type of use/monthly).
- Consultants to develop staffing model (described as organizational chart).

Operational Budget

- Proponent to provide template for their preferred management contract.
- City/Consultants to review and provide commentary.
- Proponent to provide their preferred rate card.
- Proponent to provide estimates of net revenues from self-presentation and gross revenues from rentals.
- Proponents to provide estimate of annual energy consumption.
- Consultants to develop occupancy cost estimates.
- Consultants to aggregate income and expenses into operational budget.

CONCLUSIONS AND RECOMMENDATIONS

- Consultants to provide executive summary.
- Consultants to provide recommendations.



Moreover, Civic Administration proposes that through a formal business plan for a performance space, there are a number of questions that should be addressed at a minimum.

PROJECT TIMETABLE

- What are the significant project milestones and where do they fall in the proposed project development calendar?

CONSTANT AUTHORITY FOR DEVELOPMENT

- Which corporate entity will have full and final authority for development of the project?
- What are the qualifications and capacities of this corporation related to this project?
- Who will guarantee the construction costs (cost overruns)? (EllisDon? it should be clear that it will not be the City).
- What are the various default provisions?
- The agreement should model the Bud Weiser Gardens agreement.

OWNERSHIP

Upon completion of the project:

- Who will own the fixed asset? (*If not the City, the proposed organization should provide their audited financial statements, highlighting their assets and liabilities*).
- If a multiple ownership is proposed, how will this ownership be divided and what are the relative rights and responsibilities of the parties?
- Who would be on the board of Directors?
- A fully articulated governance structure need be put forth.

FACILITY OPERATIONS

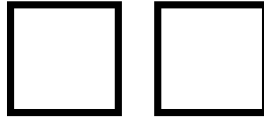
- Will the various components of the mixed-use project be operated separately? If so, what are the relative rights and responsibilities of each operator?
- What, if any, usage conflicts might exist and how would they be resolved?
- What corporate entity will have full and final authority for the operation of the live performance venue?
- In the event the management contract goes out for tender, who will award the contract? (What are the rules surrounding the issue where the proposed operator has equity in a competing facility, should the operator be required to provide a detailed operations plan?)
- What are the qualifications and capacities of this corporation as a live performance facility operator?
- What is the full list of operating costs for which the live performance facility operator will be responsible?
- What is the full list of operating revenue sources?
- What is the plan for unanticipated revenue shortfalls and risk management of the operating budget?
- What is the plan for a capital reserve/capital maintenance fund?

CAPITAL FINANCING

- What costs will be incurred prior to signing a General Contract tender and how will these costs be financed?
- How will construction be financed and what are the cash flows and sequences?
- Will the project require density bonuses or other allowances (that are not cash or assets) from the City?

CAPITAL COST CONTROL AND RISK MANAGEMENT

- What is the plan for cost estimating and cost control for the overall project?
- What is the plan for capital cost contingencies for the overall project?



LIVE PERFORMANCE DESIGN, COSTING AND FINANCING

- Identify the key requirements for the live performance venue as a component within the mixed-use development? (Footprint, height and volume, relation of main floors to grade, access and egress, structural implications, mechanical implications, and other related design elements).
- Will the cost of the live performance venue be a separate section of the project budget? If so, how will joint, common and related costs (e.g., common structure, etc.) be identified and what is the cost sharing mechanism?
- Will the live performance venue (as defined within the project) be funded independently? If so, what are the cash flow requirements to meet the overall project schedule?
- What strategies are to be used in raising capital revenues through grants and donations?
- What, if any, capital or operating funds will flow from the other project components to the live performance component?

FACILITY SCHEMATICS

- Is the proposed site big enough? The fit-to-site of a 1,300 seat hall in this location needs to be demonstrated.
- Is the proposed 1,300 seat hall the appropriate size, or should it be larger?
- Is this the right location for this hall? Is it too remote from the rest of the downtown's cultural/entertainment and related assets to best capitalize on spin-off benefits?

OTHER COMPONENTS

- How do the residential, commercial and parking components relate to urban development and market needs in London?

MARKETING PLAN

- The potential market and target customers should be described.
- Estimate the total potential market (number of potential customers and the immediate target market); these estimates should be supported with factual data.
- The competitive advantage should be defined and how the offering satisfies the needs of this market.
- The growth potential of the immediate market and possible future markets.
- A clear connection between the demand for specific arts and culture activities and the intended operational undertakings of the performance space.

WORKING WITH THE CITY OF LONDON

- What are your expectations of the City of London in the development period leading up to the start of construction?
- What are the expectations of the City of London once the project is operational?

In addition, it is strongly recommended that the City contribution toward the proposed "Mixed-Use Development Including a Performing Arts Centre" not exceed 25% of total cost (*Council may wish to set an upper limit*), and be conditional on the successful commitment for the remaining 75% of the total project cost, satisfactorily contributed by the Federal and Provincial Government, a Community Fundraising Campaign, and any other private funding commitments.

Once the formal business plan is completed, members of the Civic Administration will then review, evaluate and provide feedback to Committee and Council for further direction. It is important to note that the subsequent steps in the process will be dependent on the direction of Council.



CONCLUSION

The arts and culture sector offers many benefits to the local economy. The sector possesses an opportunity to strengthen and embrace London’s diversity and cultural identity, as well as build vibrancy in the downtown. Arts and Culture generates an opportunity to create jobs, attract investment and stimulate the local community through tourism. For example: music halls, theatres and studios produce economic activity by attracting local and distant visitors. Cultural facilities can be a powerful community revitalization asset, as they can become hubs for various kinds of activity, attracting people for many different reasons: from local gatherings, civic events to world renowned performances.

Furthermore, “Performing Arts Facilities” possess the ability to generate community and economic benefits that justify the required subsidy. In that regard, Civic Administration recommends that Council support the development of a formal business case, which will clearly identify and support the required subsidy. In addition, the business plan will also outline how the arts sector, in particular the proposed Performing Arts Facility, has the potential to generate numerous social, civic, cultural and economic benefits.

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