

CITY OF LONDON

Performing Arts Centre

Planning Status Report and Recommendations

January 9, 2015



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NOTE TO READERS

This report is the latest in a series of assessments produced by the Consultants for the City of London related to submissions by the Performing Arts Joint Task Force for a “Mixed-Use Development Including a Performing Arts Centre.”

Specifically, the assessment which is summarized in the following pages is focused on the Business Plan documents which were provided by the Joint Task Force for its “Celebration Centre” and include all information which had been submitted by the end of the 2014 calendar year.

During this assessment process, the City separately commissioned the Consultants to conduct background studies related to performing arts market development, design and site planning. These studies were commissioned to assist the City in the evaluation process and their results are summarized on page 2 following.

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Executive Summary

Recommendations

DIRECTION FROM COUNCIL

This report responds to a direction from London City Council at its meeting on September 2 2014 directing staff to work with the Consultants to:

- Review the business plan submitted by Music London utilizing the findings of the three studies (market, facility criteria and site criteria)
- Engage the Music Industry Task Force, Arts Groups, and Millennials in the planning process

RECOMMENDATION RELATED TO BUSINESS PLAN

After nearly two years of effort by Music London, the Business Plan for Celebration Centre remains an incomplete document. Its marketing plan is based on an outdated concept; the facility design is unresolved; the facility does not fit the site; the site is a questionable choice and the total project cost is unknown, among many other fundamental deficiencies.

This report therefore recommends that the City should close its file on the Celebration Centre, re-focus its efforts and pursue other options including a building concept which reflects current market realities and an appropriate site.

RECOMMENDATION RELATED TO SITE

This report also recommends that the City prepare a list of potential PAC sites with related acquisition strategies concurrent with the engagement process. This will allow the City to quickly match an emerging facility concept with possible locations.

This report recommends that the City should reconsider the Centennial Hall Site as a location for a major cultural facility.

RECOMMENDATION RELATED TO ENGAGEMENT

This report recommends that the City proceed on the basis of the September 2nd resolution to carry out a community engagement program to be completed in 2015. This engagement process will be the first step in determining project feasibility.

Context and Key Findings

POLICY CONTEXT FOR PAC

The rationale for the creation of a new Performing Arts Centre (PAC) in London has been articulated in a number of the City's cultural and economic prosperity initiatives over the past seven years. These initiatives confirmed that a new PAC is both wanted and needed in London and the potential benefits were clearly identified in various reports.

In June 2012, the City issued a call for ideas to stimulate and grow prosperity in London. Forty-nine submissions were received.

For each of the 49 submissions:

- Proponents were requested to complete a due diligence checklist
- Proposals and checklists were reviewed using a business centred approach focused on economic development
- An analytical tool containing 23 criteria directly related to the stated objectives was applied
- City of London financial constraints were considered
- Five recommendations were presented

For the projects moving forward, the City's Corporate Investment division established eight phases:

- Concept
- Consultation
- Business Case
- Initiating
- Planning
- Executing
- Monitoring and Controlling
- Closing

PAC PROPONENT SUBMISSIONS

As part of the City's call for ideas in mid-2012, two of the forty-nine submissions came from Music London and The Grand Theatre. Following the community response from two public participation meetings, these Proponents came together as a Joint Task Force in December of 2013. Further submission materials in support of its Business Case were provided by the Joint Task Force in January, February, May, July and August of 2014 regarding its concept for the "Celebration Centre" proposal.

CITY'S CONTRIBUTION TO PAC PLANNING

In parallel with the planning work of the Joint Task Force led by Music London, the City directed its Consultants, Novita Interpares, to carry out three studies related to market overview, facility design criteria and program and site analysis criteria in the summer of 2014.

The City's purpose with respect to this work was to create background and planning guidelines and to give the City further benchmarks for assessment.

CELEBRATION CENTRE BUSINESS PLAN REVIEW

Market Development Findings

This report was not able to compare the Market Development program for the Celebration Centre with the City's Market Analysis study because no market development plan was provided. The Proponent only committed to undertake such a program once the project had been approved to proceed.

This is a fundamental omission given that the marketing plan typically drives both the facility plan and the operational plan.

Facility Criteria Findings

This report compared the facility plans for the Celebration Centre with the City's Design Criteria and Space/Function Program study.

This comparison raised many fundamental issues of concern including:

- The discrepancy in net area between the proposed scheme and the City's standard
- The overall fit of the proposed scheme to the site
- Size and relationship of spaces on the main floor level
- The unresolved nature of the Rehearsal Hall
- The lack of a life safety analysis and exiting plan

This report's greatest concern is about the Celebration Centre's basic concept as it appears to be based on a facility concept which has not stood the test of time in other communities and markets like London.

Site Criteria Findings

This report compared the proposed location for the Celebration Centre on the Centennial Hall site with the City's Site Analysis and Criteria study.

Based on consultations carried out previously by the present Consultants for the City, many informed respondents observed that the proposed site for a cultural facility on the east side of Victoria Park made it remote from the related cultural, entertainment, retail commercial business in the downtown core. The Consultants concur with this observation as per the 2007 feasibility study.

Further, the proposed site is considerably smaller than the City's study indicates as required for the building footprint, not to mention an additional service yard. The provision of dedicated parking for this proposal is also not resolved among other key issues.

Other Assessment Criteria

This report also includes assessments of the "state of compliance" under 15 headings and in every instance the Proponent's information was deemed to be incomplete.

CURRENT STATUS OF MUSIC LONDON'S BUSINESS PLAN

The material under review at this present time was submitted to the City by Music London Task Force in May and August 2014. In July, the proponents submitted building schematics and site plan for a concert hall.

The findings by the Consultants of these May and August submittals are contained in the other sections of this present report.

In essence, Music London's Business Plan was found to be incomplete and 17 items were identified for further development by the Proponent.

- Complete an analysis of the preferred site using the City's criteria in order to confirm the suitability of this site
- Confirm site acquisition
- Complete a comparison of its functional program with the City's Space and Function Program and to note both conformity and variance between the two
- Refine and clarify the Systems and Equipment list and budget
- Complete a comparison of its design criteria with the City's Design Criteria and to note both conformity and variance between the two
- Continue working to resolve all the fundamental design issues
- Engage a Life Safety consultant to review the schematic

- plans to ensure that all exiting requirements are met
- Prepare a comprehensive physical development budget which identifies and quantifies all the costs associated with constructing this facility
- Make the market development plan the highest priority and use the City's background document as a guide -- with specific reference to the development of a diversity of niche products and audiences in London
- Complete and submit a strategic plan for market development
- Identify all the operational development tasks to be completed through to opening day, in sequence and with responsibilities and costs identified, cash flow, etc.
- Revise its capital revenue estimates and adjust its capital revenue generating strategies accordingly
- Revise and re-submit the revenue forecast and demonstrate how the market development program will support the revenue projections for the initial years
- Revise and re-submit the cost estimates and demonstrate their strategy for achieving a balanced operating budget
- Provide a description of roles, relationships and responsibilities for all parties related both to the capital development of the project, the ownership and the ongoing operations
- Prepare a capital development plan and budget which will assist in identifying the true and complete cost of the project
- Identify an existing and qualified legal entity which will be the constant authority for the project

Music London in collaboration with the Joint Task Force has been in the process of developing its Business Plan for more than two years and it still has not produced a plan that meets the requirements that the City has clearly set out.

The results of this latest review of Music London's Business Plan strongly indicate that:

- The concert hall concept which this Proponent is proposing is not aligned with the market and no market development plan is underway to test the concept in its market
- The functional program and design submitted by the proponent has significant unresolved issues and appears to be too small.
- The site which has been selected by this Proponent appears to be too small for their proposed program and is probably not the optimal location for a PAC
- The full and true cost of the project remains unknown

Given the scope of the work ahead, it may be unrealistic for the City to expect that Music London will be successful in addressing the 17 planning issues identified in this report in a timely fashion.

NEW DIRECTION

The three studies commissioned by the city were presented to the IEPC by the consultants at its meeting on August 27, 2014. Three important themes emerged from the discussions which ensued from this meeting:

- The opportunities for London as a centre for music
- The need to engage the “millennial” generation in PAC planning
- The need to cultivate to local presenter community

Judging by the lively discussions which took place at the August 27th IEPC meeting, the City has succeeded with these studies in creating a new sense of optimism and direction for the PAC concept and this optimism is a tangible benefit to all stakeholders.

COMMUNITY ENGAGEMENT

Following the findings of the City’s Market Analysis and Council’s direction to staff on September 2, 2014 related to community engagement, this report provides criteria for the community engagement process and it identifies the conditions for its success.

The report describes the outcomes which will flow from the process and demonstrates that, at the end, a viable concept for a performing arts centre (PAC) will have been formed.

This report also encourages the City to ensure that the engagement process is managed very carefully given London’s previous history of unsuccessful PAC planning initiatives.

CAVEAT

PAC planning in London goes back several decades with numerous initiatives having started and stalled over the years and hopes have been raised then dashed more than once. Any decision by the City to assume more of a leadership role in PAC process should, therefore, be taken carefully.

In particular, the City should define its own goals and parameters; it should clearly consider how it will manage public expectations; and it should have plotted its course in a detailed step-by-step plan including key decision points.

Assessment of Business Plan
Celebration Centre

May 2014 Submission
August 2014 Supplemental Submission

Information Required by the City

PURPOSE OF THIS REPORT

This report provides a review and update of the Supplemental Submission by Music London in collaboration with the Joint Task Force in response to the City of London's request for further information in May 2014 related to the Business Plan for Celebration Centre.

This report also provides commentary on the relationship of the Business Plan for Celebration Centre to the City's three recently completed background documents:

- Market Analysis
- Design Criteria and Facility Program
- Site Evaluation Criteria

BACKGROUND

The City of London has been in discussion for several months with the Joint Task Force comprised of Music London and The Grand Theatre. These discussions are related to a call for ideas to stimulate growth and prosperity in London.

Music London (the Proponent) is proposing a cultural facility concept named "Celebration Centre" which it has brought forward to the City for its review and comment. Following an initial review, the City identified the information it requires in order to make a decision about its possible involvement.

This present report has been prepared by Novita Interpares Limited at the direction of City Council as part of an ongoing assessment and evaluation of Music London's Joint Task Force proposal with specific reference to the May 2014 submission and the supplemental information provided in July and August 2014.

COMPONENTS OF THE BUSINESS PLAN

In order to entertain a request for its commitment of assets, capital funding and ongoing support for the Celebration Centre, the City of London previously identified the information which it requires.

The City expects the following information to be comprehensive at a "schematic" level of development; the information should be in keeping with accepted standards of capital project development in the public sector; and it should be capable of withstanding a "banker's" scrutiny.

Specifically, the City should expect to see:

- Site plan with all key issues resolved
- Functional program descriptions and relationship diagrams
- Systems and equipment programs and descriptions
- Key facility design criteria
- Facility schematics -- plans and sections
- Cost analysis for General Contract
- Analysis of the Southwest Ontario performing arts market with 5 to 10 year forecast
- Market development strategies and sample program for year 1
- Pre-opening operational plan and budget
- Operational revenue forecast in spreadsheet format for first three years with line item notes
- Operational cost forecast in spreadsheet format for first three years with line item notes
- Key terms/principles of third party agreements (e.g., management agreement, mixed-use development agreement)
- Comprehensive project budget for capital development including cash flow
- Comprehensive capital development plan and timetable
- Proponent's corporate profile and bona fides

Music London Submission

BUSINESS PLAN FOR LONDON'S CELEBRATION CENTRE, MAY 2014

On behalf of the City, the Consultants undertook a preliminary assessment of the "Business Plan for London's Celebration Centre" dated May 2014 as submitted by the Music London Joint Task Force.

This assessment found that the Celebration Centre project has the potential to meet many civic goals and deliver significant benefits. The Celebration Centre project also has the potential to address the longstanding need to replace Centennial Hall.

However, the Celebration Centre Business Plan of May 2014 did not provide the City with sufficient information for decision making related to the City's possible participation as a donor of land and cash and as a funder of ongoing operations.

The Proponent was advised that further work was required.

SUPPLEMENTAL SUBMISSION, AUGUST 2014

On August 7, 2014, Music London provided the City with 13 documents which responded to or acknowledged the following:

Proponent's Corporate Profile and Bona Fides

Key Terms/Principles of Third Party Agreements
Site plan with all key issues resolved
Key facility design criteria
Facility schematics

Programs

Functional program descriptions and relationship diagrams
Systems and equipment programs and descriptions

Market Analysis

Cost and Projections
General contract
Comprehensive project budget for capital development
Comprehensive capital development and timetable

Pro-forma

Market development strategies
Pre-opening operational plan and budget
Pro-forma financial statements
Operational revenue forecast
Operational cost forecast
Operating cash flow forecast

Recommendations Related to Supplemental Submission

PROPONENT'S SUBMISSION REMAINS INCOMPLETE

Following the Supplemental Submission by Music London in collaboration with the Joint Task Force in early August, it was clear that the Proponent had moved their thinking substantially forward, especially in relation to the articulation of the facility in schematic drawings.

Nevertheless, Music London's submission remains incomplete as itemized in this report.

This report advises the City that much more work would be required to provide both the information and the assurances which the City of London needs in order to make an informed and responsible decision about its possible participation in this project.

OVERALL STATUS OF SUBMISSION

The overriding concerns related to the Proponent's submission are:

- The complete and true cost of the project remains unknown but will be significantly greater than the \$40 million estimated construction cost
- The operating plan is not viable as conceived and requires an approach that is in keeping with performing arts industry standards

RELATION TO PLANNING BY THE CITY

On July 29 2014, Council approved three background studies related to the development of a performing arts centre in London. These studies were presented to the Investment and Economic Prosperity Committee on August 27 2014 and were subsequently used in the assessment which is contained in this present report.

In relation to the City's Facility Program and Design Criteria study, this report notes the following key points in relation to the Proponent's 2014 Business Plan:

- The size of the facility as proposed is significantly less than required for the proposed functions
- There are significant unresolved issues of functionality at both the concept and schematic planning levels

In relation to the City's Market Analysis study, this report notes the following key points in relation to the Proponent's 2014 Business Plan:

- No analysis of the market for a performing arts centre has been completed
- The proponent does not intend to undertake this work until the project is approved

In relation to the City's Site Analysis and Criteria study, this report notes the following key points in relation to the Proponent's 2014 Business Plan:

- No analysis of the suitability of the proposed site has been completed
- The proposed site would appear to be too small
- No agreement to acquire the site appears to be in place

WORK TO BE COMPLETED

This report therefore recommends that, given the extensive list of deficiencies below, the City close its file on this proposal:

- Complete an analysis of the preferred site using the City's criteria in order to confirm the suitability of this site
- Confirm site acquisition
- Complete a comparison of its functional program with the City's Space and Function Program and to note both conformity and variance between the two
- Refine and clarify the Systems and Equipment list and budget
- Complete a comparison of its design criteria with the City's Design Criteria and to note both conformity and variance between the two
- Continue working to resolve all the fundamental design issues
- Engage a Life Safety consultant to review the schematic plans to ensure that all exiting requirements are met
- Prepare a comprehensive physical development budget which identifies and quantifies all the costs associated with constructing this facility
- Make the market development plan the highest priority and use the City's background document as a guide -- with specific reference to the development of a diversity of niche products and audiences in London
- Complete and submit a strategic plan for market development
- Identify all the operational development tasks to be completed through to opening day, in sequence and with

- responsibilities and costs identified, cash flow, etc.
- Revise its capital revenue estimates and adjust its capital revenue generating strategies accordingly
- Revise and re-submit the revenue forecast and demonstrate how the market development program will support the revenue projections for the initial years
- Revise and re-submit the cost estimates and demonstrate their strategy for achieving a balanced operating budget
- Provide a description of roles, relationships and responsibilities for all parties related both to the capital development of the project, the ownership and the ongoing operations
- Prepare a capital development plan and budget which will assist in identifying the true and complete cost of the project
- Identify an existing and qualified legal entity which will be the constant authority for the project

This report also advises the City of London to identify and quantify any and all direct costs it may have to incur in the completion of a PAC project over and above the costs set out by a Proponent.

Proponent's Supplemental Submission, August 2014

SITE PLAN

The City has requested a site plan with all key issues resolved.

State of Compliance, August 2014

The Proponent's submission of architectural schematics includes the plan of its preferred site which is at the north-east corner of Wellington Street and the (proposed) westward extension of Princess Street and includes land owned by London Life.

The Proponent has not submitted an analysis of the suitability of the preferred site but has provided a letter from a third party (Kirkness Consulting) endorsing the choice of this site.

The City recently commissioned Novita Interpares to prepare Site Evaluation Criteria which are now available for the city to use in its assessment.

Preliminary observations related to the Proponent's preferred site and the City's Site Evaluation Criteria include:

- The Proponent's preferred site is about 60% the size of the footprint for a typical facility as illustrated in the Site Evaluation criteria
- The Proponent's site does not provide space for a service yard
- It is not clear whether the Proponent actually has title to the site
- It is not clear whether the site provides the dedicated parking which the facility will require
- The site is in a predominantly residential neighborhood

FUNCTIONAL PROGRAM

The City has requested functional program descriptions and relationship diagrams.

State of Compliance, August 2014

The Proponent's submission of architectural schematics includes a list of the spaces and functions (117 individual spaces) which are shown on the drawings together with their areas assigned as follows:

Basement	2,383 sq ft
Orchestra Level	18,954 sq ft
Lower Balcony	10,166 sq ft
<u>Upper Balcony</u>	<u>6,644 sq ft</u>
Total NET area	38,148 sq ft
Total GROSS area	75,760 sq ft

The City recently commissioned Novita Interpares to prepare a Space and Function Program for a typical 1,200 seat performing arts centre having a 400 seat secondary hall which is now available for the City to use in its assessment.

The City's intent is to use this Space and Function Program as a benchmarking and evaluation tool, not as the prescription for a specific facility.

Preliminary observations related to the Proponent's list of spaces and the City's Design Criteria and Space Function Program include:

- The Proponent's net area is 60% of the net area of the typical facility

SYSTEMS AND EQUIPMENT

The City has requested systems and equipment programs and descriptions.

State of Compliance, August 2014

The Proponent has submitted a 6 page spreadsheet entitled "Furniture, Fixtures & Equipment Requirements."

The related "Trade Budget Summary" prepared by Ellis-Don identifies:

Equipment	\$1,865,000
Furnishings	\$645,000
Acoustic Canopy	\$1,000,000 (in Metals budget)

Preliminary observations related to this budget include:

- The equipment infrastructure costs are not specifically identified
- The pit lift and chair wagons are not accounted for
- The sound system and rigging budgets appear light
- No allowances are made for other variable acoustic devices
- No equipment is shown for the secondary hall
- Other items on the equipment list (e.g., pianos) do not appear in the Trade Budget

DESIGN CRITERIA

The City has requested key facility design criteria.

State of Compliance, August 2014

The Proponent has not provided design criteria per se. Some design criteria can be inferred from the set of 9 renderings by Nicholson Sheffield Architects (NSA) including elevations, cut-aways and section drawings.

The City recently commissioned Novita Interpares to prepare Design Criteria which are now available for the City to use in its assessment.

The City's intent is to use these Design Criteria as a benchmarking and evaluation tool, not as the prescription for a specific facility.

FACILITY SCHEMATICS

The City has requested facility schematics -- plans and sections.

State of Compliance, August 2014

The Proponent has submitted a full set of well developed building schematics including 6 plans and 2 elevations (some section information is also presented in the NSA design renderings.)

The Proponent has chosen a "concert hall" as its preferred building type.

Preliminary observations related to these schematics include:

- The Proponent's functional program is a very tight fit on this site producing a problematic main floor layout
- An exiting and life safety plan has not been completed
- The "Rehearsal Hall" is an unresolved space
- While there are two truck bays, there is no service yard

GENERAL CONTRACT COST

The City has requested a cost analysis for the General Contract.

State of Compliance, August 2014

The Proponent has submitted 15 page capital cost estimate including a "Preliminary Trade Budget" produced by Ellis-Don.

This budget shows a General Contract construction cost in the order of \$39.7 million for a facility having a gross area in the order of 79,000 SF (7,400 M2.)

The budget also includes a page showing 13 "Budget Exclusions." In other words, there are more costs beyond the \$39.7 million General Contract.

MARKET ANALYSIS

The City has requested an analysis of the Southwest Ontario performing arts market with 5 to 10 year forecast

State of Compliance, August 2014

The Proponent has not provided any market analysis except to refer to previous work by others.

The City has taken the position that market analysis is central to both facility operations and to facility design.

To this end, the City recently commissioned Novita Interpares to prepare a Market Analysis which is now available for the City to use in its assessment.

MARKET DEVELOPMENT

The City has requested market development strategies and sample program for Year 1

State of Compliance, August 2014

The Proponent has not submitted any market development information except to advise that this is "To be completed following project approval."

PRE-OPENING PLAN

The City has requested a pre-opening operational plan and budget.

State of Compliance, August 2014

The Proponent advises that the pre-opening plan was "included in our original submission." This report advises the City that the information related to pre-opening operations is incomplete.

OPERATING REVENUES

The City has requested an operational revenue forecast in spreadsheet format for first three years with line item notes.

State of Compliance, August 2014

The Proponent has submitted a 14 page “Operating Pro Forma” prepared by Global Spectrum Facility Management including both revenues and expenses. The budget shows revenues from “Events” at about \$684,000 and “Other” revenue at about \$1,200,000 for a total of about \$1.885,000.

“Other” revenue (representing 64% of total) includes \$750,000 annually from the City.

Preliminary observations related to this budget include:

- The budget format is not consistent with performing arts industry formats
- Event revenue projections are very low
- There is no revenue shown from self-presented events
- Much of the “Other” revenue is unrealistic for this type of operation

OPERATING COSTS

The City has requested an operational cost forecast in spreadsheet format for first three years with line item notes.

State of Compliance, August 2014

The Proponent has submitted a 14 page “Operating Pro Forma” prepared by Global Spectrum Facility Management including both revenues and expenses.

The budget shows costs for “Salaries & Benefits” at about \$874,000 and “Materials, Supplies and Services” at about \$980,000 for a total cost of about \$1,854,000.

Preliminary observations related to this budget include:

- The budget format is not consistent with performing arts industry formats
- Projected staffing levels are about half the industry standard
- The overall cost is about half the industry standard

KEY TERMS AND PRINCIPLES

The City has requested key terms/principles of third party agreements (e.g., management agreement, mixed-use development agreement, etc.)

State of Compliance, August 2014

The Proponent has advised that letters of intent were included in their original submission and that memoranda of understanding will be executed with consortium partners.

CAPITAL DEVELOPMENT BUDGET

The City has requested a comprehensive project budget for capital development including cash flow.

State of Compliance, August 2014

The Proponent had previously submitted an outline of its capital revenue plan. In light of the fact that many costs remain unidentified and unquantified, a new capital number will need to be determined.

CAPITAL DEVELOPMENT PLAN

The City has requested a comprehensive capital development plan and timetable.

Such a plan would typically be a flow chart (or similar graphic representation) which identifies all the tasks to be completed through to opening day, in sequence and with responsibilities and costs identified, cash flow, etc. This plan would include all costs related to the design, construction, development and launch of the facility.

State of Compliance, August 2014

The Proponent has not provided a capital development plan.

CORPORATE PROFILE

The City has requested the Proponent's corporate profile and bona fides.

State of Compliance, August 2014

Before considering any commitments, the City is advised to ensure that any proponent is a known constant authority, presumably a corporation without share capital with a board having the capacity to oversee a project of this complexity and magnitude.

As it was in May, the Proponent has not officially notified the City that the owner (Music London Foundation) exists as a legal entity and, if so, whether its proposed modus operandi would conform to current practice in Canadian charitable law.

Significant Themes and Issues

RECOMMENDATION TO CLOSE THE FILE

The Celebration Centre proposal put forward by Music London in collaboration with the Joint Task Force after nearly two years of work remains incomplete.

This report recommends that the City close its file on this proposal and re-focus its efforts, thereby avoiding the many risks posed by this project.

This recommendation is made on the basis of the following significant themes as well as all the other analysis contained in this report.

CONSTANT AUTHORITY AND GOVERNANCE

While a commitment has been made to incorporate Music London remains largely a committee of interested and dedicated individuals who are volunteering their time.

PROJECT ORGANIZATION AND MANAGEMENT

Along the same lines, the Music London organizing committee is comprised of representatives from several participating partners and service providers each with its own area of expertise. This team is not an over-arching authority which integrates the work of the contributors.

MARKET READINESS

It is clear that substantial work needs to be done on market development to ensure the success of a PAC in London.

In order to succeed, it is imperative that the PAC has maximum market penetration on Day 1. This means that the market must be well understood and it must have been fully cultivated in the development period. A solid plan that is well resourced is required.

The recently completed Market Analysis for performing arts in London provides the context for market development and it provides the prime strategy cultivation of the local presenter and audience markets.

The plan to make the proposed facility ready for its market is a very high priority. Market cultivation in the

pre-opening period is especially critical in light of the fact that there may be no regular programming opportunities during the construction period.

FACILITY CONCEPT

In the same way that a vision is required at the organizational level, a vision is also required at the artistic level. This vision should drive both the operational concept and the facility concept.

The recently completed Market Analysis has opened the door to new thinking about the facility as a destination and how a wide diversity of uses and appeals can contribute to operational viability without compromising the goal of creating a premier musical venue.

CAPITAL COSTS AND REVENUES

This report assumes that ALL costs incurred prior to Day One of operations will be capitalized and paid for prior to opening.

This report raises the concern that the true and complete total cost to design, construct, equip and launch the Celebration Centre remains very elusive. It raises the further concern that the unidentified and unknown costs are anticipated to be a significant percentage of the eventual total.

OPERATING CONCEPTS

The proposal to contract the operation of the Celebration Centre to a facility manager is not consistent with the way in which performing arts facilities typically run by non-profit corporations and municipalities. Over and above facility management skills, performing arts facilities require dedicated staff who have the skills and experience to work collaboratively with a diversity of program providers from the community and to select and co-develop a wide range of programs.

OPERATING COSTS AND REVENUES

Operational viability for a performing arts facility rests heavily on maximizing the facility's utilization potential. Utilization forecasts depend upon market analysis, market development strategies and program mix. As there appears to be no detailed programming plan, it is not possible to estimate operating revenues based on the Proponent's submission.

The projected operating revenues are about \$1.93m. (This amount is a bit more than half the likely cost of operations -- at least \$3.5m.)

Income breakdown of the proposed budget shows

- Rentals income at 21% of \$1.93m total
- City grant at 38% of \$1.93m total

Non-core activities including advertising, naming rights, fundraising, office space rental are shown at 22.5% of \$1.93m. All these sources are unproven.

On the cost side, the proposed organizational chart does not reflect how facilities such as this actually operate either in terms of areas of responsibility or numbers of people. The proposed cost of operations is anticipated to be at least double the Proponent's projections.

RISK ASSESSMENT

Promise of Indemnification

As per previous reports, it must be said again that the Proponent's claim to indemnify the City against capital cost overruns and operational loss was found to be not a true guarantee due to factors beyond the Proponent's control and the Proponent's lack of an asset base to shore up operational shortfalls.

Mistaken Assumption

Also, the Proponent is continuing to request the City's endorsement in order leverage other public and private funding based upon this Business Plan. It is a mistake for the Proponent to assume that other funders will not be looking for much more information than is currently being provided.

Engagement Plan
City of London

Engagement Process

ENGAGEMENT CONTEXT

The lively discussion which took place at the IEPC meeting on August 27th together with the endorsement of the Music Industry Task Force report and recommendations marked a turning point in PAC planning in London.

In this meeting, the focus shifted from replacing Centennial Hall (still very much on the agenda) to optimizing London's potential as a centre of music and, in this context, the need to create a PAC facility for the next generation.

At its meeting on September 2nd, Council directed staff to engage the Music Industry Task Force, Arts Groups and Millennials in the evaluation process.

ENGAGEMENT RATIONALE

The Music London Joint Task Force model for the PAC facility and operations was developed in the 1970s has become outdated in other Canadian cities.

Public engagement is therefore required as the first step toward determining the feasibility of a new model.

In order to create a viable concept for this new model for London, the widest possible range of Londoners clearly need to be involved. Previous engagement was not nearly wide enough and did not take the Millennial generation into account.

The primary goal is to come out of the engagement process both with a new concept and a concept that meets current and future needs and preferences.

The second key goal of engagement is to change public perception and opinion about a "PAC" for London. This report believes that a well conceived and executed communications plan is central to restoring confidence and creating optimism in the new way forward for London.

KEY QUESTIONS

This report recommends that the City proceed to plan an engagement process beginning with the following key questions:

- How should the engagement process be carried out?
- What results should it produce?

PRINCIPLES OF ENGAGEMENT

The standard principles of transparency, broad-based participation, ease of access, clarity of purpose and commitment to outcomes should be applied to the design of the engagement process.

In addition, and given the climate of skepticism which exists in London about PAC planning, the City will need to manage the engagement process carefully and should take into consideration:

- Defining and disseminating the goals and expectations for engagement
- Identifying the key questions which the engagement will address
- Defining and disseminating the form and structure of the engagement
- Supporting the engagement with a communications plan
- Providing logistical support for in-person engagement/ meetings
- Providing a platform for on-line, two-way participation

The engagement process should have a "sponsor" within the City administration; the sponsor will require some resource allocation for co-ordination and logistical support; some resources from the City Communications department will also be required.

The engagement process and interactions will be carried out by the City's professional consultants.

METHODS OF ENGAGEMENT

The engagement should be conducted using various methods including:

- In person interviews with individuals
- Facilitated panels of interest group representatives
- Facilitated panels of mixed representatives
- Facilitated public meeting
- On-line access for commentary and two-way exchange
- Visioning workshop

The engagement should culminate in a public event which will present the results of the engagement and the next steps as appropriate.

PARTICIPANTS IN ENGAGEMENT

The local participants in the engagement should include:

- Music Industry Task Force
- Producers and presenters (all performing and digital arts)
- Creators and performers (all performing and digital arts)
- Other cultural producers and presenters
- Public educators and private teachers
- Parents with young children
- School age (8-12) children
- Young people in the 13 to 19 age group
- Representatives of the 20s age group (in school/working)
- Representatives of the 30s age group
- Representatives of 40s and older age groups
- Downtown business representatives
- Community development and social service representatives
- Major employers

RESEARCH RELATED TO ENGAGEMENT

In order to test the local engagement results against an external context, the engagement should reach out beyond the local community.

Program Development for the Next Generation

One of the key ideas which emerged from the recently completed Market Analysis was that the PAC needed to be planned for (and with) the generation which would inherit it. (The short-hand term used in performing arts market research sources for this generation is “millennials” and this is the term used in Council’s directive.)

Further research should therefore be conducted in order to fully understand the tastes, preferences and modes of experience of the millennial generation and to identify how performing arts presenters are adapting their

program development and marketing to reflect the needs of this generation.

New Programming in Existing Facilities

Also, since London is not alone in needing to create programming for the next generation, conversations with the managers of existing facilities who are engaged in making the transition from an older operating model to a newer one should be undertaken.

ENGAGEMENT TIMING

In order to carry the planning momentum forward, the optimal goal would be to complete the engagement in 2015.

Since the engagement process will take six months, it would need to begin in Spring 2015.

Prior to beginning, an engagement plan should be developed.

ENGAGEMENT BUDGET

The cost of carrying out the engagement will be specifically determined by the engagement plan but are anticipated to be in the following order-of-magnitude:

Engagement Plan	\$5,000
Research	\$25,000
Personal Interviews, Group Discussions, Workshops, Public Meetings	\$45,000
On-line Engagement	\$10,000
Launch Event	\$5,000
Related Expenses	\$7,500
TOTAL	\$97,500

OTHER COSTS

Additional costs would be incurred related to updating the market development, program and design, and site studies. These costs may vary depending on the extent to which the facility concept changes and whether there is a formal site selection process.

Outcomes from Engagement

THE CITY'S INTENT

As was the case with the three background studies which were completed in the summer, the intent of the engagement process and its outcomes would be to provide a context for the development of a PAC in London. This report recommends that the information from this process will be made available to any and all proponents for their use in preparing plans and concepts to meet the City's economic, social and cultural goals.

MARKET DRIVEN OPERATING CONCEPT

The Market Analysis report provided insights into the ways in which the performing arts facility model which is exemplified by Centennial Hall, Centre In The Square and many others is no longer viable.

Changes in performing arts product and product distribution together with societal changes driven by demographics and technology have put many existing facilities into a state of existential crisis.

One of the goals of the engagement process is to help create an operating concept for the PAC which fits the new realities. It is reasonable to expect that the engagement process will contribute substantially to an operating concept which would be defined under the following headings:

- Mission and Community Mandate
- Stewardship and Governance
- Ownership
- Administration
- Marketing and Programming
- Revenue Strategies
- Budget principles

PURPOSE DRIVEN FACILITY CONCEPT

Similarly, the operating concept will determine the facility's overall form as well as the program of spaces and functions which will be required to support the proposed operating format.

Most important, the results of the engagement process will be instrumental in shaping the facility's identity in its market, its key relationships and the number and nature of its principal spaces.

This information will then allow for a preliminary sketch of the facility's footprint and massing to be developed.

SITE OPTION EXPLORATION

Two questions about the PAC's location can then be pursued:

- Given its identity and function, what are the optimal neighborhood conditions for this facility?
- What potential sites in London might be the right size and location?

This report recommends that the City should begin now to compile a list of potential sites and to explore acquisition strategies.

CONCEPT DEFINED

At the conclusion of the engagement process, the City will have laid the foundations for a successful PAC through:

- Understanding the market
- Creating an operating concept that responds to the market
- Defining a building which meets the needs of the operating concept
- Identifying the best site