

Report to Council



Date: November 22, 2021
To: Council
From: City Manager
Subject: Performing Arts Centre Funding Feasibility Project – Final Report
Department: Partnership Office

Recommendation:

THAT Council receives, for information, the report from the Partnership Office dated November 22, 2021 regarding the Performing Arts Centre Funding Feasibility Project.

Purpose:

To receive an update on the funding feasibility for a new Performing Arts Centre.

Background:

The Kelowna Community Theatre (KCT) opened in 1962. With the approval of the Civic Precinct Plan in 2016 and the redevelopment of the adjacent site at 350 Doyle Avenue, the future of KCT has become a topic of conversation with some in the community.

To enable long-range planning for renewal of KCT, staff retained the consulting services of Colliers Project Leaders to identify and analyze funding options for a new Performing Arts Centre (PAC) and provide preliminary insights into transition strategies during the renewal of KCT. This report summarizes the consulting team's [PAC Feasibility Study report](#).

Discussion:

The methodology undertaken by the consulting team included:

- Case studies from peer communities – to learn from their experiences with funding, building and operating larger performance venues;
- Funding and approval strategies – to assess potential funding contributions from public and private sector sources;
- Delivery model options – assessing preferred construction and operating approaches;
- Risk analysis – identifying and commenting on a range of risk categories.

Members of the consulting team will be presenting key findings. Highlights are:

1. Case Studies

- The capacity and functional plan for a new facility should be primarily driven by the needs and opportunities for the local cultural sector, with the needs of touring users being a secondary consideration. This is particularly important when looking at seating and technical capacity in the main auditorium. A touring headliner show will demand maximum capacity on an infrequent basis, but the majority of local bookings may not require maximum capacity.
- Local user needs are diverse, and facility planning should embrace flexible, multi-purpose options to help maximize revenue and audience support.

2. Funding and Approval Strategies

a) Electoral Approval for Borrowing

The City's capacity to undertake borrowing for the PAC is constrained by borrowing imperatives for priority projects such as the renewal of Parkinson Recreation Centre, and others identified in the 10-year Capital Plan. As a result, moving forward with the PAC will require an evaluation of the timeline within which the level of borrowing required would be possible within policy limits, and a determination of where the PAC would rank among other capital priorities.

b) Grants

Senior government grants for cultural infrastructure are rare. When application intakes are announced, they usually have short turnaround times for 'shovel ready' initiatives. Current national programs such as the [Canada Cultural Spaces Fund](#) (Department of Canadian Heritage) are highly competitive and unlikely to generate a significant portion of project costs. Further, the City will need to commit its own capital budget to match potential grant contributions.

c) Advocacy

Advocacy to support direct requests to senior levels of government for funding support for the PAC is an additional option once more detailed planning is in place. The City will need to determine whether the PAC, ranked against other infrastructure needs, is a priority for an advocacy approach.

d) Philanthropy and Sponsorship Potential

The Colliers Report has a depth of information regarding philanthropic and sponsorship opportunities, including a scan of communities and facilities in which philanthropic and sponsorship funding has played a role.

If a \$10 million lead donation could be identified and secured, the consultants advise that our region would likely be positioned to undertake a fundraising campaign with a target of approximately \$32 million.

e) Managing a Fundraising Campaign

Experience in other communities indicates a public reticence toward making philanthropic contributions to government entities. Additionally, although the City has

systems and personnel capable of handling gift processing, accounting, financial reporting and IT support, the City does not have sufficient dedicated personnel with the necessary expertise to manage a campaign of this size in accordance with best practices. In view of public reticence to donate to government entities, establishing an in-house team to lead a donor campaign may not be the best option.

As an alternative to in-house campaign leadership, the City could work with an established external charity. A recent example of this approach is the successful Okanagan Rail Trail campaign, which worked with the Community Foundation of the North Okanagan and the Central Okanagan Foundation to collect and process contributions. The report highlights the need to carefully work through fund and donor stewardship arrangements and ensure that the external charity is the right fit for the project.

Another option is the creation of a new charity, specifically for a new Performing Arts Centre campaign.

3. Transition Strategies

It is important to acknowledge that there will be an impact for the City, for artists and for audiences during any venue closure. The benefits and value of a new, larger, state-of-the-art facility in a prime location will outweigh that impact, but the City has a responsibility to do what it can to ease that impact. A clear, extended timeline for redevelopment will assist organizations which, by necessity, must plan their performance seasons many years in advance. Developing an inventory of alternative spaces and matching those spaces to the needs of performers and audiences is also an important step.

Consideration of alternative spaces opens up some interesting opportunities for the City to deliver 'legacy' benefits which go beyond addressing needs during the transition to a new PAC. A prime example is reconsidering the upgrade to the Island Stage in Waterfront Park. By making an investment to tackle space and technical improvements to the Island Stage, the City can improve its utility as an alternative space during the transition period and deliver a legacy space which will go on to host a diverse range of performances for many years to come. An additional example is the 6,000 square foot Creative Hub space and adjacent Civic Plaza included in the redevelopment of 350 Doyle Avenue, both of which have the potential to provide flexible accommodation for a range of smaller scale performances and could be built out in advance of the PAC project.

In addition to moving performances to other theatre spaces in the community, other options include adapting existing spaces to serve different artistic disciplines, adapting non-traditional spaces to host performance, and creating temporary venues. The Colliers Report provides multiple examples of these adaptations from other jurisdictions.

4. Next steps

The Colliers Report suggests that rather than a linear approach which resolves planning components one at a time, it is possible to continue the planning journey along parallel paths which may overlap and intersect at different points.

As part of workplanning for 2022, and based on ideas in the report, staff propose to undertake the following:

- a) Through the capital planning process, identify the long-range timeline for the PAC project;
- b) Ensure that ongoing maintenance and operations of the KCT and delivery of a new Performing Arts Centre are appropriately reflected in the Strategic Facilities Master Plan and 10-Year Capital Plan so that KCT can continue to serve the community with optimal functionality until the transition to a new PAC;
- c) Investigate the possibility of advancing other capital improvements to serve the performing arts community so that these improvements are funded and completed prior to the PAC project;
- d) Assess specific needs of performing arts organizations requiring the largest footprint and the longest advance planning timeline. Pair those against known, existing venues and develop a set of specifications to overlay against potential alternate venues at a time closer to a potential closure.

Conclusion:

KCT enters its 60th year in 2022 and in 2027 will reach the 'retirement' age of 65. Improvements to the facility in 2021 have enhanced its functionality and other operational changes such as a programming review and the introduction of an in-house box office will ensure that KCT continues to be a welcoming and successful venue while planning advances for a new Performing Arts Centre.

A new Performing Arts Centre, regardless of its ultimate size, will be among the City's most significant building initiatives in current times. Based on the insights provided in the Colliers Report, it will be incumbent on the City to commit to a vision and a timeline which inspires community support. To deliver on the vision, philanthropic and sponsorship relationships offer significant financial potential but this is a new approach for the City and will require unique expertise and planning.

The work toward a Strategic Facilities Master Plan in the coming year will provide additional context for sustaining the functionality of KCT into the future, and understanding the drivers for a new, larger facility to meet community needs.

A project of this magnitude is not without risks, including multiple financial constraints and impacts for the City, disruption to theatre users and audiences, and community reaction to additional borrowing and taxation. While the current report cannot address the many uncertainties and unanswered questions about the future, it is a certainty that KCT must eventually enter retirement and that a plan is needed.

A pro-active approach to the transition toward a new Performing Arts Centre reflects interest and momentum in the community and manifests the City's long-standing commitment to arts and culture as an essential part of the community's quality of life.

Internal Circulation:

Cultural Services

Policy & Planning

Parks & Building Planning

Finance

Communications
Real Estate
Partnership Office

Considerations applicable to this report:

Existing Policy:

Imagine Kelowna:

- Create great public spaces that bring people together
- Cultivate an accessible and engaging arts and culture scene
- Foster resident-driven solutions

Cultural Plan 2020-2025

- Strategy 1.5 Invest in Cultural Infrastructure
- Strategy 4.2 Establish future direction for the development or redevelopment of cultural facilities
- Strategy 4.3 Find creative solutions to garner support for the construction of new cultural facilities including traditional and non-traditional funding models

Cultural Facilities Master Plan (pending)

- Key Recommendation 5: Reimagine what's possible with innovative approaches
- Action 12: Explore the role of municipalities in conducting fundraising campaigns, sponsorship, advertising and philanthropy for cultural facilities.
- Action 13: Investigate models that engage new partnerships and enhance future cultural facility development.

Financial/Budgetary Considerations:

Replacement of KCT is indicated in the pending 10-year Capital Plan as an unfunded Priority 2 project in 2025, with a cost estimate of \$75.26 million. This estimate is derived from the [May 2018 Colliers Project Leaders Report](#) which set out high-level costing for three capacity options (850/1,000/1,200 seats) for a new Performing Arts Centre. The estimate in 2018 dollars for the largest capacity option was \$61.7 million and the current estimate includes cost escalation factors since 2018.

While the current Capital Plan reflects the highest capacity option, no decision has been made regarding audience capacity for a new Performing Arts Centre. Capital cost estimates may be reduced if future analysis indicates that a smaller audience capacity can meet community needs over the lifespan of a new facility.

KCT generates annual revenue of approximately \$492,000 (2019 data) and employs 4.5 FTE municipal staff.

The July 2019 'Kelowna Creative Sector Economic Impact Assessment' reported \$339 million in direct economic output (revenue) from Kelowna's creative sector, with 626 establishments and 3,168 FTE jobs (based on 2018 data).

External Agency/Public Comments:

Beginning in 2020 and continuing throughout the project work in 2021, staff have had regular meetings with representatives and allies of the [Kelowna Citizens for a New Performing Arts Centre](#). The organization has been provided with KCT usage data, updates about the consulting work, and information about the City's capital program and budget and planning processes. A member of the consulting team also met with representatives of the organization.

Considerations not applicable to this report:

Legal/Statutory Authority

Legal/Statutory Procedural Requirements

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