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Item No. 12.1.1

**Community Planning and Economic Development Standing Committee
May 16, 2019**

TO: Chair and Members of Community Planning and Economic Development
Standing Committee

Original Signed

SUBMITTED BY:

Denise Schofield, Director, Parks & Recreation

Original Signed

Jacques Dubé, Chief Administrative Officer

DATE: May 8, 2019

SUBJECT: **Bus Stop Theatre Cooperative Funding Request**

ORIGIN

February 21, 2019 Motion of Community Planning and Economic Development Standing Committee:

MOVED by Councillor Smith, seconded by Councillor Outhit

THAT the Community Planning and Economic Development Standing Committee request a staff report to identify potential funding options for the proposed expansion of the Bus Stop Theatre facility as outlined in the February 21, 2019 presentation. MOTION PUT AND PASSED.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter subclause 79(1)(av)(v): Halifax Regional Council may expend money required by the Municipality for... (av) a grant or contribution to ... (v) any charitable, nursing, medical, athletic, educational, environmental, cultural, community, fraternal, recreational, religious, sporting or social organization within the Province.

Administrative Order 1 Respecting Procedures of the Council.

Schedule 2, Community Planning and Economic Development Standing Committee Terms of Reference. *Oversight – Community Building Initiatives* 5. The Community Planning and Economic Development Standing Committee shall oversee the Municipality's Community building initiatives in the areas of arts, culture, recreation and heritage and related facilities strategies by: (a) promoting and enabling an inclusive range of arts, culture, recreation and heritage opportunities in the municipality; (b) promoting and enabling access to arts, cultural, recreation.

.....RECOMMENDATION ON PAGE 2

RECOMMENDATION

It is recommended that Community Planning & Economic Development Standing Committee recommend that Halifax Regional Council:

1. Decline the request for provision of a one-time contribution of \$500,000 from the 2019/2020 operating budget to The Bus Stop Theatre Cooperative;
2. Direct the Chief Administrative Officer to engage in discussions with the Bus Stop Theatre Company about a request for future funding as outlined in their business plan; and,
3. Pending the outcome of the discussions, direct the Chief Administrative Officer to return to the Community Planning and Economic Development Standing Committee with any subsequent recommendation prior to the budget deliberations for the next 2-year budget cycle (2021/2022 and 2022/2023).

BACKGROUND

This report originates with a request for funding in the amount of \$500,000 from Bus Stop Theatre Cooperative (BSTC) as presented to the Community Planning and Economic Development Standing Committee (CPED) on February 21, 2019. During BSTC's presentation, it was stated that a response to the funding request was required by June 2019, due to the impending sale of the privately-held building which houses the BSTC. The funds would be used to assist in purchasing the building by BSTC. The estimated purchase price of building and parcel of lands are listed in the business plan at \$725,000. During the presentation, BSTC indicated that a closing extension until June 3, 2020 could potentially be negotiated with the owner, if a credible intent to purchase was presented by June 3, 2019.

The BSTC's presentation is included as Attachment 1, and is further informed by the Cooperative's submitted Business Plan (Attachment 2) and Architectural Drawings (Attachment 3). The plan, developed by Strategic Arts Management with funding provided by the Province of Nova Scotia through the Department of Communities, Culture and Heritage, outlines the intended Cooperative's approach to:

- purchase the existing building along with associated lands to the rear (civic addresses 2203 Gottingen Street and 2268 Maitland Street, respectively);
- renovate the existing ground floor 70+ seat theatre space;
- develop cultural office space on the second floor (currently rental-income residential); and
- expand the cultural programming footprint of the existing space through the development of a second facility in the currently-undeveloped plot to the building's rear.

The new and connected space is proposed to include a second 80+ seat modern theatre space with dedicated, purpose-built rehearsal space on the second level. The combined budget for these three connected elements (land purchase, renovation of existing space and new facility development/expansion) is estimated at \$6,500,000. The business plan states that the building would be purchased outright and that a mortgage was not the preferred option.

Venue and Organizational History

The Bus Stop Theatre (Theatre) was founded in 2003 by a private operator, who purchased a former pharmacy with the intention of developing the building into a usable programming space for a variety of arts activities. The owner renovated the space to this purpose and operated the Theatre until 2008, whereupon its operation was assumed by another individual. In March 2010 the building was sold to a new owner who supported BSTC's continued use of the space as the Theatre. BSTC pays a rental fee and other operating costs, as per the financial section outlined in their business plan.

During its first years of existence (2003-2012), the Theatre operated as a private business/social enterprise

with a mandate “to develop, present and promote original Canadian theatre”. The business model of the Theatre was to provide accessible venue space to emerging artists and community interests at an affordable and subsidized rate. Incorporated in 2012, the BSTC is an active non-profit Cooperative registered under the Nova Scotia Registry of Joint Stocks.

DISCUSSION

On April 16, 2019 Regional Council approved \$793.7-million in total municipal expenditures and a capital plan of \$164-million as part of the 2019-20 municipal budget. The funding request by BSTC to CPED occurred on February 21, 2019, which precluded consideration as part of the 2019/2020 budget deliberations or assignment to the “parking lot” category for further review.

In cases where funding has been awarded outside an established municipal grant program, specific conditions are required and considered as part of the funding request. This allows for an independent assessment on the viability of the request. Considerations for such an assessment may include:

- Alignment with Council Priority Outcomes;
- The timing of the funding request (i.e. whether it falls within a timeframe that allows consideration during Council budget-cycle development and subsequent deliberations);
- Other sources of funding from government, private fundraising or market financing that the requesting organization has secured or detailed plans to secure these funds; and
- Provision of a feasibility study, financial statements for previous years of operation, long-term financial plan, building assessments, zoning permissions, and/or other requirements,

Other levels of Government and Corporate Sponsorship

As noted in Table 1, the BSTC project expenses total \$6,500,000. Table 2 outlines anticipated funding sources identified by BSTC. There is currently no confirmed funding secured from other government partners, although both levels of government staff have noted consideration of such would not likely meet the timeline requested by the proponent. Staff also note that the proposed funding plan also includes a private sector funding allocation of \$1M. This may be challenging due to other fundraising campaigns currently operating in the relatively small cultural market. The timeline, pro forma financials and proposed funding sources are outlined in the BSTC presentation.

Table 1

Total Project Expense	
Building and land purchase and related expenses	\$ 725,000
New theatre and rehearsal halls	\$ 3,641,578
Revive current Bus Stop Theatre	\$ 1,252,990
Contingency (15%)	\$ 842,935
Administration and fundraising support	\$ 37,496
Total	\$ 6,500,000

Table 2

BSTC Proposed Funding Plan					
Source of Funds	Total Request	2019	2020	2021	2022
Federal Government	\$2,500,000	\$420,000	\$787,500	\$660,000	\$632,500
Provincial Government	\$2,500,000	\$420,000	\$787,500	\$660,000	\$632,500
Municipal Government	\$ 500,000	\$0	\$0	\$250,000	\$250,000
Private sector fundraising	\$1,000,000	\$0	\$325,000	\$330,000	\$345,000
Total	\$ 6,500,000	\$840,000	\$1,900,000	\$1,900,000	\$1,860,000

The \$500,000 request for Municipal funding is listed in the BSTC business plan as a phased approach occurring in 2021 and 2022. However, at the February 2019 CPED presentation, the BSTC indicated that the funding was needed sooner to enable them to purchase the property. The possibility of phasing the funding over two years, starting in 2019, was discussed at the CPED meeting and the Theatre indicated that it could be possible, but the funding commitment was needed in order to be able to provide an offer on the building by the June 2019 deadline. Therefore, in order to meet that timeline, the funding request would be considered in the 2019/20 fiscal year.

HRM Community Grants Program

Although the applicant has indicated they would prefer unencumbered ownership of the subject property this might not be an option. If sufficient government funding is not secured, or the Society fails to raise necessary private funding as per the business plan within the allotted timeframe, recourse to a mortgage secured by the asset might be an option. The maximum capital grant threshold under the Community Grants Program is \$25,000, subject to budget capacity, which could be used towards a down-payment on the purchase of a property. However, to secure a HRM Community Grant, the terms would require a pre-approved mortgage. The latter may be satisfied by a copy of the signed mortgage agreement or written confirmation from the lending institution that they have agreed to issue a loan, the amount, and the terms and conditions attached to repayment. The Municipality does not have the authority to serve as a guarantor.

HRM Budget Capacity

There is no available funding source to meet the BSTC request for \$500,000. Should Council wish to consider the request, staff would need to identify a combination of reallocation of planned grants and funding for other projects. Therefore, consideration of a one - time or phased contribution would be better able to be assessed as part of the 2021/2022 budget process. This timeline would also align with the BSTC business plan which indicates a municipal contribution of \$250,000 in 2021/22 and a further \$250,000 in 2022/23. In addition, it would allow the BSTC to complete a feasibility study and confirm additional government and private funding support which could reduce the level of risk the current submission appears to indicate.

Contribution Agreements

The municipality has made monetary contributions to community and cultural venues through property leasing, below market sales and grants for capital expenditures. In the absence of a funding program for large capital grants, awards may be issued outside an established municipal grant program under a Contribution Agreement. This is a contract that sets out the terms and conditions of funding.

In terms of funding to cultural groups in support of cultural venues, HRM has made two significant recent commitments. The submissions from Culture Link Performing Arts Society and 1588 Barrington Building Preservation Society provided a feasibility study, building condition assessment, projected 5-year capital and operating budgets, signed funding agreements with other levels of government and private funds (Culture Link).

1. In December 2018, Regional Council approved a \$1.0 million capital grant to Link Performing Arts Society, towards the development of a cultural facility on Argyle Street. Culture Link is considered a 'Creative Hub' that will provide performance space, rehearsal space and office space to not-for-profit and professional cultural groups. The funding commitment is phased, with three progress payments that are dependent upon the successful completion of strategic project benchmarks.
2. In March 2018, Regional Council approved the sale of 1588 Barrington Street, Halifax, to the 1588 Barrington Building Preservation Society for \$1.00, under the Community Interest section of Administrative Order 50. In addition, a capital grant of up to \$250,000 towards associated costs was approved. The Society acquired title to the subject property with a view to renovating and expanding the building to operate a cultural hub and arts incubator. The term "arts incubator" refers to the provision of space and resources to emerging artists and arts organizations within a collaborative, multi-disciplinary environment.

The Bus Stop Theatre Cooperative business plan provides projected revenue and expenses for the next 5 years. While the building and renovation plans are detailed, BTSC did not submit a long-term feasibility study, and the operational and financial plans would require further development in order to be reviewed for a request of this nature.

Therefore, it is recommended that further discussions occur with the BSTC about their long-term plans, feasibility and business case, and that staff subsequently return with a report to CPED in advance of the 2021-2022 budget cycle regarding the requested funding outlined in the business case.

FINANCIAL IMPLICATIONS

BSTC currently receives operational funding through the HRM Professional Arts Grant operational funding. BSTC received \$10,000 in 2018.

As noted, there is no available funding for consideration of the request in the 2019/20 fiscal year.

RISK CONSIDERATION

The assessed risk to the Municipality is low and primarily reputational. Assessment of reputational risk rates minor, insofar as in the absence of an open call for submissions, formal policy and evaluation criteria, other qualified non-profit organizations may be denied equitable consideration.

COMMUNITY ENGAGEMENT

Not applicable in relation to unsolicited funding request.

ENVIRONMENTAL IMPLICATIONS

None Identified.

ALTERNATIVES

The Community Planning and Economic Development may recommend that:

Alternative 1: Regional Council approve the provision of a grant to Bus Stop Theatre Co-operative for the full amount requested or some portion thereof in the 2019/2020 fiscal year. If this alternative is chosen, a report would need to be provided to the Audit & Finance Standing Committee with a recommendation from the Chief Administrative Officer on a funding source, identified from a combination of reallocation of planned grants and funding from existing operating and/or capital projects.

Alternative 2: Regional Council approve the provision of a grant to the Bus Stop Theatre Co-operative for the full amount requested or some portion thereof to be considered as part of the 2020/2021 budget through the Audit and Finance Standing Committee mid-cycle budget review. If this alternative is chosen, it is recommended that funding be conditional upon receipt of documentation including a detailed feasibility study, confirmation of other funding partners, and other information identified in the discussion section above.

Alternative 3: Regional Council decline to provide funding outside an established municipal grant program and refer the Society to the 2020 Community Grants Program.

ATTACHMENTS

- Attachment 1: BSTC Presentation to CPED
- Attachment 2: BSTC Business Plan
- Attachment 3: BSTC Architectural Drawings

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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