

HALIFAX

P.O. Box 1749
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B3J 3A5 Canada

Item No. 9
Halifax Regional Council
April 28, 2020

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed
Jane Fraser, CFO/Director of Finance, Asset Management & ICT

Original Signed by 
Jacques Dubé, Chief Administrative Officer

DATE: January 28, 2020

SUBJECT: Progress Report: Conveyance of 1588 Barrington Street, Halifax

INFORMATION REPORT

ORIGIN

May 22, 2018 – Regional Council approved the conveyance of 1588 Barrington Street, Halifax, through a less than market value sale to the 1588 Barrington Building Preservation Society. Section 2.03 of the Contribution Agreement obliges the Society to submit progress reports at 6-month intervals and Finance & Asset Management to submit an information report to Regional Council.

August 13, 2019 – Information report to Regional Council in accordance with Section 2.03 of the Buy-Back Agreement attached to the Agreement of Purchase and Sale for 1588 Barrington Street, Halifax.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, 2008, S.N.S c.39

Section 63(1) The Municipality may sell or lease property at a price less than market value to a non-profit organization that Council considers to be carrying on an activity beneficial to the Municipality.

Section 131(3) The Municipality may set off a sum due from a person to the Municipality against a claim that person has against the Municipality.

BACKGROUND

This information report provides an update on the Society's progress towards redevelopment of 1588 Barrington Street, Halifax, as an arts incubator and cultural hub.

Buy-Back Agreement: The Agreement of Purchase and Sale included a Buy-Back Agreement wherein if the Purchaser was unable to proceed with redevelopment within 24 months of the date of closing (transaction closed November 30, 2018) the Municipality may repurchase the property for the sum of one dollar (\$1.00)

Contribution Agreement: Under a Contribution Agreement, HRM agreed to a grant of up to \$250,000 towards holding costs and asbestos abatement. Under Sections 1.03 and 1.04 of the Contribution Agreement the grant is to be paid in two installments:

- (i) an amount of up to \$25,000 towards holding costs including insurance, utilities, snow and ice control and minor repairs;
- (ii) a capital contribution towards asbestos abatement and development fees upon written confirmation of a construction start date and itemized costs for the work and associated fees

Section 2.03 of the Contribution Agreement requires the Society to submit a written progress report to HRM Finance & Asset Management at 6-month intervals. The first report was due 6 months after the date of the first payment from HRM, to include the following:

- (i) confirmation of federal and provincial government funding;
- (ii) the implementation of a fundraising campaign indicating the pledges and any amounts received;
- (iii) a financial statement showing the Society's cash position; and
- (iv) any revised capital and operating budget projections.

The second progress report was due December 18, 2019. The second progress report was received on January 17, 2020 and is included in its entirety as **Attachments 1 and 2** of this report.

DISCUSSION

The original staff report of February 2, 2018 to Audit and Finance noted a risk that "should the property remain vacant for an extended period there may be additional deterioration in the condition of the premises." As such a 2 year buy-back was included in the Key Terms and Conditions of Sale specifying that

If, after two (2) years the Society is unable to proceed with re-development of the property the Municipality may invoke the Buy-Back Agreement and repurchase the property for the sum of \$1.00.

As such, this information report outlines the Society's progress in re-development of the property. Additional progress reports are due June 18, 2020 and December 18, 2020. HRM can exercise its buyback right on or after November 30, 2020.

In accordance with Section 2.03 of the Contribution Agreement the first progress report was received in June 2019 and an Information Report submitted to the August 13, 2019 meeting of Regional Council. The second progress report was received January 17, 2020. This report is being submitted in response to the January 17th report.

(i) Confirmation of Federal and Provincial Funding

As of the date of this report capital funding has not been secured from either the provincial or the federal government. An application for funding in the amount of \$1,568,377 submitted to Heritage Canada in 2019 requires that the applicant must have 50% of the projected financing confirmed. The total project cost is \$3,136,754. Of this amount the Society proposes to fundraise \$443,377 with \$225,000 from HRM, \$900,000

requested from the provincial government and the remaining 50% (\$1,568,377) from the federal government.

(ii) Fundraising Campaign

The Society has formed a fundraising committee to develop and implement a fundraising strategy. There is no stated timeline for commencement but achieving this element of the project's overall budget would help leverage consideration from government sources. Since August 2019 the Society has raised a total of approximately \$29,000 towards their target of \$443,377.

(iii) Financial Statement

In 2019 the Society incurred \$56,000 in operating costs and almost \$26,000 in revenues for a net loss of \$30,000. Costs included property tax (arrears and current taxes totalling \$26,900), insurance (\$19,800) and Repairs/Maintenance and Utilities (\$6,000). The two sources of revenues were funds provided by HRM towards holding costs (\$21,700) and fundraising and donations (\$4,100).

Regional Council has approved property tax relief on a go-forward basis that is comparable to similar facilities. In 2020 its annual property tax bill is \$10,500 with HRM paying the remaining \$40,000. Further, as noted in the staff report dated June 19, 2019, the Society has tax arrears for the period prior to its application and acceptance into the Municipal tax relief program, in addition to its current tax obligations. The Society was referred to HRM's Revenue Division to consider a 2-year payment plan whereby arrears and current taxes are "blended" into monthly payments with no interest. Commencing March 1, 2020, the Society will have fixed monthly payments irrespective of earned revenues and undetermined fundraising.

The Society has only \$340 in cash, a decline from last year's cash balance of over \$26,000. Cash on hand is insufficient to address accounts payable of over \$32,000. This places the Society in a difficult position as it has no working capital to pay bills and operate the facility. Its fundraising efforts have been geared towards building recapitalization, not operations. To date, the Society appears to have spent the small amount of fundraising it has received on ongoing operating costs.

(iv) Revised Capital and Operating Projections

To reduce holding costs, notably liability insurance for a vacant building, the Society anticipates adopting a phased approach by initially remediating only the first floor to re-open on a temporary basis. Although some operating costs will be incurred, hourly rental income could generate modest revenue, elevate the building's profile and encourage donor support, and possibly decrease the high insurance premium which accounts for approximately 35% of current holding costs.

If, as proposed, the Society proceeds with partial asbestos abatement for only that portion of the premises they intend to use in a temporary capacity, it would be prudent to request a revised cost estimate for the remediation work prior to the release of all or some portion of HRM's capital funding. A revised timeline for completion should also be requested.

(v) Other: Proposed Name Change

If as proposed the Society changes its registered name to that of the Turret Arts Space Society contractual agreements with the Municipality will remain in effect provided this is simply a name change; and the entity itself is not changing, by, for example, its mandate for service provision as a cultural hub for the arts community. To facilitate continuation of the contractual agreements the Society must:

- provide HRM with a certificate of name change provided by the Nova Scotia Registry of Joint Stocks Companies; and
- because the Buy-Back Agreement is registered on title the certificate of name change should also be registered at the Nova Scotia Land Registration Office; and

- the Society's application for continuation of tax relief in fiscal year 2020/2021 should include a copy of the certificate of name change so that the applicable Schedule is amended and HRM's tax account updated for billing purposes.

The Society was advised of HRM's notification requirement in a letter dated January 24, 2020.

FINANCIAL IMPLICATIONS

None. This is an Information Report only.

COMMUNITY ENGAGEMENT

Not applicable.

ATTACHMENTS

1. Progress Report to HRM from 1588 Barrington Building Preservation Society, dated January 17, 2020.
2. Financial Statement Year Ended December 31, 2019.

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.

Report Prepared by: Peta-Jane Temple, Team Lead Grants & Contributions, Finance, Asset Management & ICT 902.490.5469



1588 Barrington Building Preservation Society
PO Box 36155 Halifax, Nova Scotia B3J 3S9

ATTACHMENT 1

January 17, 2020

HRM Progress Report

Dear Halifax Regional Municipality,

Re: Property Conveyance and Contribution Agreement: 1588 Barrington Street, Halifax

As required under Section 2.03 of the Contribution Agreement, below is our progress report for the first 6-month interval (June 18, 2019-December 18, 2019).

1. Confirmation of receipt of federal and provincial government funding (for example, the name of the program, amount, and applicable terms and conditions);

As previously reported, we submitted an application to the Canada Cultural Spaces Fund for \$1,568,377. The program funding cannot be recommended or approved until proof two thirds funding (including the ask to PCH) is submitted. With HRM contribution of \$250,000 (roughly 8% of total project costs), we need to confirm another approximate 8% in order to move the approval process forward. PCH has indicated a willingness to connect with Nova Scotia Communities, Culture and Heritage at a funders table.

We are continuing to build a file for this project with Christopher Shore, Director of the Communities, Culture and Heritage department for Nova Scotia. We have been invited to present to the Province of Nova Scotia Standing Committee on Community Services on our project on February 4, 2020.

2. Implementation of a fundraising campaign and funds received or pledged;

Between July and September 2019, the society participated in the Regeneration Works Launch Pad Coaching program with the National Trust for Canada. Through coaching sessions with industry experts, our society developed fundraising strategy and increased board member skills and confidence in fundraising activities.

We have since formed a fundraising committee, with members including Sammy Davis from the Well Consulting and Councillor Wayne Mason.

Since our last report, we have received \$25,000 in grant funding and \$2,000 in pledges and donations from individuals.



3. A financial statement showing the Society's cash position;

As at December 31, 2019, our Society's cash balance was \$340. See attached financial statements for the period ending December 31, 2019. On January 16, 2020 our society received a capital contribution of \$25,000.

4. Any revised capital and operating budget projections; and

We have determined that a phased plan for our redevelopment is a necessary course of action. Previously, we were operating under the assumption that we would need to raise the majority of our capital goal before proceeding with any space use of the building. However, carrying costs on the vacant building are high, and this is an unsustainable use of resources. We have been able to determine that a phased approach will allow our society to begin using the space safely (after hazardous material abatement has occurred on the first floor) and reopen in a temporary capacity. As of January 16, 2020, we have received a \$25,000 capital grant towards this aspect of the project.

Our goal is to open two rooms on the first floor of 1588 Barrington Street in Winter 2020 as community rental spaces. These temporary rental spaces will be available for short-term rental while we continue our fundraising activities, launch a full Capital Campaign, and prepare to renovate the site.

Occupancy in the building will benefit the public and our society in the following ways:

- Temporary space for programming including, but not limited to, artistic production, art exhibitions, community events
- Arts activation in downtown Halifax
- Increased awareness of our project and its community benefit
- Decreased property insurance costs for our society
- Modest revenue stream for our society



1588 Barrington Building Preservation Society
PO Box 36155 Halifax, Nova Scotia B3J 3S9

5. **Any other related initiative that the Society wish to bring to Council's attention (for example, charitable status, a consultant's evaluation undertaken after conveyance, any formal agreements with Neptune Theatre or tenants etc).**

We are in the process of pursuing a name change to the Turret Arts Space Society. Our current society name is unwieldy, and we want to bring our society name in line with the name for the future space.

We are in the process of revising and restarting our submission to Canada Revenue Agency for Charity status.

Don't hesitate to contact us should you have any questions or concerns.

Sincerely,



Emily Davidson
President
1588 Barrington Building Preservation Society

**1588 BARRINGTON BUILDING PRESERVATION
SOCIETY**

Financial Statements

Year Ended December 31, 2019

(unaudited)

1588 BARRINGTON BUILDING PRESERVATION SOCIETY

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Year Ended December 31, 2019

(unaudited)

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1588 BARRINGTON BUILDING PRESERVATION SOCIETY

Statement of Financial Position

December 31, 2019

(unaudited)

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 340	\$ 26,574
Prepaid expenses	<u>2,519</u>	
	2,859	26,574
CAPITAL ASSETS		
	<u>1,469,118</u>	1,469,118
	<u>\$ 1,471,977</u>	<u>\$ 1,495,692</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 32,425	\$ 3,920
Forgivable loan	3,000	3,000
Deferred contributions	<u>-</u>	21,654
	35,425	28,574
NET ASSETS		
	<u>1,436,552</u>	1,467,118
	<u>\$ 1,471,977</u>	<u>\$ 1,495,692</u>

ON BEHALF OF THE BOARD

XXXXXXXXXXXXXXXXXX

Director

Director

1588 BARRINGTON BUILDING PRESERVATION

Statement of Revenues and Expenses

Year Ended December 31, 2019

(unaudited)

	2019	2018
REVENUES		
HRM funding in-kind	\$	\$ 1,462,499
Provincial funding		17,250
HRM funding	21,654	3,346
Fundraising and donations	4,127	1
	<u>25,781</u>	<u>1,483,096</u>
EXPENSES		
Board development	935	300
Dues and fees	31	31
Feasibility study		18,093
Fundraising expenses	1,740	
Insurance	19,813	4,576
Interest and bank charges	957	14
Social media		300
Website		78
Property taxes	26,881	
Repairs and maintenance	2,731	
Utilities	3,259	
	<u>56,347</u>	<u>23,392</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (30,566)	\$ 1,459,704

1588 BARRINGTON BUILDING PRESERVATION

Statement of Changes in Net Assets

Year Ended December 31, 2019

(unaudited)

	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 1,467,118	\$ 7,414
DEFICIENCY OF REVENUES OVER EXPENSES	<u>(30,566)</u>	<u>1,459,704</u>
NET ASSETS - END OF YEAR	\$ 1,436,552	\$ 1,467,118