Mayor's Task Force – Arts and Theatres
Recommendations on the Theatres

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Preamble

The Sony Centre for the Performing Arts, the St. Lawrence Centre for the Arts, and the Toronto Centre for the Arts, are all large civic performing arts centres, owned and operated by the City of Toronto. Each built under different circumstances, they contain distinct histories and tell different stories about the city. Their current mandates, operating models and programming vary widely, but they have in common, governance by Boards appointed by City Council, and annual subsidies to their operations by the City of Toronto.

Since the construction of major new performing arts centres (i.e. Four Seasons Centre for the Performing Arts, the Telus Centre at the Royal Conservatory of Music) and the demise of Livent, there has been ongoing discussion about the functions of these three civic facilities. Do we need all three? Why should we support them? What overall strategic objectives are being met with this support? Is the City's investment in the operations of these particular institutions providing good value? How are they relevant to their communities, the economy, and the creative sector? What kind of opportunities do they represent? Given the current financial constraints on the City's budget, what is a reasonable level of support?

On September 29, 2011, Mayor Rob Ford established the Mayor's Task Force – Arts & Theatres to examine the role these three performing arts centres play in the city's culture, economy and community, as well as the administration of arts grants. The latter is the purview of the Arts Panel and will not be addressed here. Two key documents underpinned the establishment of the Task Force. The first was the ***Creative Capital Gains*** report, endorsed unanimously by City Council in May 2011, which had as Recommendation 1.6 ***"Find ways to increase efficiencies and make the Civic Theatres affordable for community cultural use."***[1] The second was the City of Toronto Core Services Review report that was presented to City Council in September 2011. It identified options for the City: "***Consider the sale or lease of one or more theatre facility"*** or ***"Consider the amalgamation of all three theatres under a single board structure."***[2] The report also identified risks, implications, and potential savings for the City.

[1] Creative Capital Gains: An Action Plan for Toronto, May 2011, http://www.toronto.ca/culture/pdf/creative-capital-gains-report-august9.pdf

[2] KPMG, City of Toronto Core Services Review, September 2011, pp. 101-108, http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-39626.pdf

The Task Force assembled a Theatre Panel, comprised of citizens knowledgeable in arts governance and management, including artistic producers and former board members of these performing arts centres and tenant organizations. In the Terms of Reference (Appendix A), the Task Force was given as its objective:

> *"To help determine the future of City-owned theatres and the City's role in supporting them."*

The Task Force was asked to deliver recommendations to the Mayor by November 30, 2011. In order to meet that deadline, it has not been possible to perform a comprehensive review of all three performing arts centres, nor to explore to the fullest all potential options or anticipated impacts of major changes to these centres and their local economies. Any significant decisions regarding these centres must be based on fully informed discussions. While we are confident that the recommendations contained in this report will meet the objective of helping to determine the future of these City assets, the implementation of the recommendations should proceed in a manner which is prudent, rational, and based on facts and solid research. Further information and more detailed analysis is recommended before taking significant actions.

Scope

While the Terms of Reference may be interpreted broadly, the Task Force took as its scope to make recommendations on the future ownership, governance, and management of Toronto's three civic performing arts centres as identified in both the *Creative Capital Gains* report and the *Core Services Review* report. They are:

1. The Sony Centre for the Performing Arts (Sony)
2. The St. Lawrence Centre for the Arts (StLCA)
3. The Toronto Centre for the Arts (TCA)

Process

- Mayor's Task Force appoints citizen-led Theatre Panel
- Presentations to Panel by the General Manager of each of the three civic performing arts centres
- Two stakeholder meetings by invitation on Friday November 4, 2011 (stakeholder names attached)
- Two public consultations held at the St.LCA and TCA on November 9, 2011
- One-on-one meetings individually and as a panel with parties interested in pursuing management opportunities
- Full discussion of consolidated input, potential recommendations, and consensus on recommendations

Core principles and considerations

Background

The City of Toronto has a major role to play in supporting culture and providing civic cultural leadership. The cultural sector is a significant economic force in this city and helps drive prosperity, innovation and entrepreneurship. Culture creates jobs, vibrant neighbourhoods, helps to attract and retain an educated workforce and directly contributes to the economy. Direct employment, as well as indirect employment created through culture's multiplier effects in the tourism and hospitality industries help to retain jobs in Toronto. Cultural activity strengthens communities, helps to revitalize older, industrial neighbourhoods and can help to increase property values resulting in a greater tax base. All citizens: children, families, youth, seniors, those established for generations or newcomers to the city, all benefit from a healthy cultural sector. It is a message that the panel heard repeatedly through consultations, from stakeholders and the public, commercial operators and not-for-profit organizations, large organizations and individual artists. The leaders of Business Improvement Areas, small business owners, and local residents delivered the same message: Culture benefits everyone.

Economic Impact

The performing arts sector serves an important role in ensuring Toronto's vitality, global competitiveness, and contributes to the cultural economy, supporting tourism and local business such as hotels, restaurants and small businesses. In 2008, consumer spending on performing arts in Ontario ($600M) was more than double the amount spent on live sporting events ($280M)[3] and Torontonians accounted for about 45% of that spending ($270M in 2008).[4] The question of what to do with Toronto's three civic performing arts centres is not simply a question of the management of public assets, but rather also of investing in arts and culture funding effectively.

Quality cultural infrastructure is as important to the city's well-being as libraries, parks and recreation facilities, arenas, pools, community centres. We understand the value of public infrastructure in providing services to our citizens. Performing arts centres are gathering places for citizens of all backgrounds to share in a collective experience through art, spectacle, dance, music and storytelling, and to reflect and ask questions about each other. Cultural infrastructure is a necessary component of overall municipal public infrastructure. City Council's unanimous endorsement of the *Creative Capital Gains* report in May of this year is evidence of the City's previous commitment to the development of the arts sector. The first recommendation of that report was that "the City ensure a supply of affordable, sustainable cultural space." Access to high quality performance venues with excellent

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[3] Kelly Hill, *Consumer Spending on Culture in Canada, the Provinces and 12 Metropolitan Areas in 2008*, November 2010, Hill Strategies Research, p. 35

[4] Ibid. p. 36

sightlines, acoustics, technical equipment and staff, backstage and front of house amenities enhances the presentation of live arts for the audience, the artists, the producers and presenters. They allow Torontonians to enjoy the work of local, national and international artists. They also create conditions for Toronto's performing arts sector to develop and prosper, to create product and create jobs.

Municipalities and Performing Arts Centres

Virtually all municipalities within the Greater Toronto Area and most metropolitan centres in Southwestern Ontario own, operate and financially support at least one performing arts centre (Living Arts Centre in Mississauga, Rose Theatre in Brampton, Oakville Centre for the Performing Arts, Centre in the Square in Kitchener-Waterloo, River Run Centre in Guelph). Growing municipalities have recently invested heavily in constructing new civic performing arts centres in Burlington, Richmond Hill, Barrie and St. Catharines. The justification is consistent: access to cultural services is integral to healthy, creative cities. Providing quality space for audiences to access professional and community programming is a function of most municipal governments. The Task Force considers access to various kinds of cultural infrastructure as a central factor in any decision-making about the future of the centres. The supply of, demand for, and access to certain kinds of spaces and their relevance to cultural participation must also be taken into consideration.

Toronto's Theatre Ecology

Toronto has the largest variety of theatres and performing arts companies in Canada and few North American cities have similar levels of local artistic production, a commercial theatre sector, and the supply of venues that Toronto has.[5] There are 32 purpose-built performing arts venues of over 400 seats or more (7 commercial, 6 institutional, and 19 not-for-profit, Appendix B) and that does not include sports venues, restaurants, and lecture auditoriums (Convocation Hall for example) that are also used to present cultural programming. Together, these 32 venues have a capacity of over 38,000 seats. There are dozens of other smaller venues, black box theatres, comedy clubs, music clubs, and increasingly, non-traditional spaces, where creators, participants, and audiences practice, perform, and create cultural experiences. The future of Toronto's three civic performing arts centres must take into perspective the overall ecology of the performing arts in Toronto.

The not-for-profit (NFP) and commercial performing arts sector in Toronto are complementary and audiences, artists, technicians, and managers move fluidly between both. Professional artists are engaged by both sectors and artistic product is often developed by and in collaboration with the non-profit sector before becoming commercial (e.g. *The Drowsy Chaperone*, *2 Pianos, 4 Hands*; *'Da Kink in my Hair*, *My Mother's Lesbian Jewish Wiccan Wedding*, etc.) These shows were first produced and developed by NFP companies in facilities under 200 seats. Commercial producers then invested in them and they later played in 800 – 1000 seat venues, in Toronto and around the world. There is no

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[5] Government of Ontario, *About Ontario, People and Culture*
http://www.ontario.ca/en/about_ontario/004566.html

inherent conflict with the idea of not-for-profit arts organizations sharing facilities with for-profit commercial producers and presenters, as long as the different needs of both are met. The city's theatre ecology requires a range of different sized venues to build a homegrown commercial theatre sector.

Sony Centre for the Performing Arts

The oldest and largest of Toronto's civic performing arts centres is the Sony. With 3,191 seats, it is the largest performing arts venue in Canada and public subsidies directed towards it raised the most questions from stakeholders and participants. Because it no longer has resident companies (the National Ballet Company and the Canadian Opera Company moved to the Four Seasons Centre for the Performing Arts in 2006), the programming mandate has changed to serve diverse, ethno-specific audiences. However, the size of the facility dictates that the programming is essentially commercial in nature. Unlike the other two civic performing arts centres, the Sony not only rents out its venue, it also programs it. The question arises: why should commercial product be publicly subsidized and compete in the marketplace against other presenters and producers (Mirvish Productions, Live Nation, The Corporation of Roy Thomson Hall – Massey Hall) who also operate facilities but do not receive subsidies? Can the Sony Centre continue to operate as a performance venue without annual subsidies? In fact, another large City-owned venue, the Queen Elizabeth Theatre (1,370 seats) in Exhibition Place does just that. It is leased to a private company which operates the venue without an annual subsidy and it is able to do so because the programming is wholly commercial.

Divesting the Sony Centre is complicated due to existing contracts such as the naming rights, and the Sony's long-term capital debt. The Sony's air rights were already sold in previous real estate transactions. The Sony also has designation as a heritage building. Selling the Sony Centre would not be simple, but finding a manager to operate it without subsidy may be viable.

The St. Lawrence Centre for the Arts

Of the three civic performing arts centres, the St. Lawrence Centre for the Arts stands apart because both of its venues function as homes for the city's major not-for-profit performing arts organizations. The StLCA's main resident companies are not-for-profit in both the Bluma Appel Theatre (Canadian Stage) and the Jane Mallet (Music Toronto, Harold Green Jewish Theatre Company, Opera in Concert, and more) and some of these companies have been there since their inception. The facility is an essential part of the NFP arts infrastructure in Toronto. As one major private arts funder wrote, "We would advocate that any changes considered related to the city-owned theatres reflect the vital importance of these facilities in the non-profit arts sector and the manner in which that sector's work impacts Toronto's citizens."[6]

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[6] J. Alexander Houston, President and CEO, Metcalf Foundation, Letter dated November 18, 2011

The StLCA is an integral part of the NFP arts community and must continue to serve that community. While there may be ways to decrease operating costs and increase revenues, the panel feels strongly that a facility which houses venues of these approximate sizes must be available at reasonable rates to the NFP user groups. Limitations on height and density in the areas surrounding the StLCA may limit developer interest. Nevertheless, sale and/or redevelopment of the site by a third party developer willing to incorporate replacement theatre venues into a new development remains a possibility as does a user driven redevelopment of the theatre itself.

However, exploring the future management of the StLCA by a third party without subsidy should be considered. In particular, there may be partnerships among not-for-profit groups that might consider managing the venues, or partnerships with other sectors such as Ryerson University or George Brown College. Innovative ideas may arise through a Request for Expressions of Interest.

<u>The Toronto Centre for the Arts</u>

The Toronto Centre for the Arts has one venue (the Main Stage) purpose-built for commercial theatre, and two smaller venues (George Weston Hall and the Studio Theatre) which are essential to the not-for-profit arts communities. In some ways, this facility poses the most difficult challenge to the City. The smaller venues are essential infrastructure to community arts groups in North York who have built audiences and developed their organizations by having access to them. On the other hand, the Main Stage has mostly been used by a commercial producer (DanCap Productions in recent years) and when there is no product, the theatre sits dark. However, because all three venues within the facility are integrated in terms of building operations (hydro, HVAC, etc.), it is expensive and impractical to operate them separately.

If the TCA were to cease operations, a large and important segment of Toronto residents would be underserved in terms of access to quality performance space in their own community. Divestment of the TCA is further complicated by the fact that the land that the TCA sits on belongs to Ontario Power Generation (OPG) and has been leased by the City for 99 years. Before any discussion of divestment can occur, the City must revisit its agreement with OPG and potentially renegotiate terms of the agreement.

<u>Investment and Payback</u>

The Theatre Panel recognizes that the City of Toronto faces budget constraints and that both the 2012 City Budget and future budgets must find places to reduce spending and make up the difference between revenues and expenditures. The Panel recognizes that the City is determined to reduce overall expenditures. In 2010, the City's overall net contributions to the operating budgets of the Sony, the StLCA, and the TCA totalled $3,487,300 ($1,087,100 to the Sony, $1,420,200 to the StLCA, and $980,000 to the TCA.) The combined attendance in 2010 of the six venues contained within the three theatres was

793,720, but it must be noted that the Sony Centre only reopened in October 2010 following renovations. The approved 2011 budget for all three theatres was $3.299 Million with slight decreases projected across the board.

Without concrete economic data and analysis, we cannot really determine to what extent the annual investment of that amount returns an overall economic benefit to the city. Anecdotally, for example, while the Sony Centre was closed for two years for renovations, the local restaurants experienced an overall loss of business and a couple went out of business. However, whether that was due to the Sony or due to the economic downturns of 2009 would need greater examination.

One of our recommendations is for greater information about the economic impact of these performing arts centres in terms of employment, surrounding businesses, and revenues generated.

Conclusion

The Task Force supports the idea to open up the potential sale, long-term lease, and/or management of the performing arts centres through a Request for Expressions of Interest for each of the three civic owned theatres outlined in the report. We caution against any drastic measures such as the divestment of any of these assets without much more thorough analysis and full disclosure of all mitigating factors. Further, there are major international events coming to Toronto in the next few years (International Pride 2014, Pan/Parapan American Games 2015), in which the City's cultural infrastructure will likely play an important role in staging cultural programs. Pursuing a variety of management options and greater operating efficiencies, as well as ideas to drive revenues so that the amount of subsidies to these venues can be reduced are where we believe the City should direct its attention over the next three years.

Recommendations

Our recommendations are structured in three parts. The first set of recommendations (1.1 – 1.3) are for immediate action to have impact on the 2013 budget. The second set of recommendations (2.1 – 3.7) are contingent upon the first set, and are for the short term (2012-2014). The third set of recommendations (4 - 6) are for the long term (beyond 2014).

Each of the three performing arts centres have different operational models, existing legal and contract complications, and therefore represent different opportunities. Since City officials are already charged with preparing documentation for the disposal of these three performing arts centres, it is our opinion that the City is best served by attracting the widest range of interest by issuing three separate Requests for Expressions of Interest (REOI), one for each centre. Different assessment criteria shall be applied to each performing arts centre, taking into consideration their community purpose and function. Subsequent recommendations are contingent upon the collection and evaluation of the Expressions of Interest for each performing arts centre.

Immediate Action

1) It is recommended that the City issue a Request for Expressions of Interest for

   1.1 Sony Centre for the Arts

   Essential Criteria: the potential sale, long-term lease, and/or financial management and accountability of the Sony Centre. Purchase of the Sony Centre should include the assumption of the facility's capital and long-term debt and existing naming rights revenue and obligations. Preference will be given to expressions of interest that respect the building's heritage and its continued use as a performing arts venue.

   1.2 St. Lawrence Centre for the Arts

   Essential Criteria: the potential sale, long-term lease, and/or financial management and accountability of the StLCA ensuring the facility will continue as its primary function, to serve as a reasonably priced venue for non-profit performing arts organizations in Toronto to present their work. The interests of resident non-profit arts organizations must be served. Partnerships among not-for-profit organizations and other sectors (e.g. education) should be invited. The Canadian Stage Company would be one of those consulted. Any proposal for the redevelopment of the site by a third party developer must include two performance venues of the equivalent size and standards of the existing venues or provide alternative space at a different site of equivalent size and standards, all on terms acceptable to the City.

   1.3 Toronto Centre for the Arts

   Essential Criteria: the potential sale, long-term lease, and/or financial management and accountability of the TCA providing that any ensuing management changes ensure community access to the George Weston Recital Hall and the Studio Theatre at reasonable rates. Any proposal for the redevelopment of the site must include two performance venues of the equivalent size and standards of the existing smaller venues or provide alternative space at a different site of equivalent size and standards all on terms acceptable to the City.

Short Term Recommendations (2012 – 2014)

If the REOI process yields results which will reduce the required subsidies to the performing arts centres based on our recommendations, they should be pursued.

2) It is recommended that:

2.1) any net proceeds from the management or sale of the performing arts centres be redirected to a special capital fund to address the state of good repair needs of existing cultural facilities in the city. The funds will be disbursed through the reinstatement of the Culture Build program or a similar program for facilities owned and operated by non-profit cultural organizations;

2.2) using the 2011 subsidies as a baseline, any net reduction in operating subsidies to the three performing arts centres be redirected towards the City's budget allocation for arts grants as in 2.1 and not merely used for debt reduction.

If no viable Expressions of Interest are received through the REOI process or to the extent they do not apply to all the venues,

3) It is recommended that:

3.1) the St. Lawrence Centre for the Arts remain owned and operated by the City of Toronto;

3.2) the Boards of the Sony and TCA be amalgamated so that the administration of both performing arts centres can be consolidated to achieve cost efficiencies and operational synergies in operations and programming;

3.3) the City explore revenue-sharing agreements with Green P Parking for all three theatres in acknowledgement of their catalytic role in filling these lots;

3.4) economic impact studies be undertaken to determine the impact each of these performing arts centres on the local economy;

3.5) all Capital Improvement Funds received by the centres should be shown as revenue received on their balance sheets to show these amounts as revenue receipts as they truly are;

3.6) the StLCA and the TCA consider the sale of naming rights for a period of years and the revenue that would result;

3.7) the management of the performing arts centres cooperate with the City and Toronto Tourism to encourage marketing co-operation.

<u>Longer term Recommendations (beyond 2014)</u>

In the event of the continued ownership of the theatres by the City, it is recommended that:

4. the City develop a long-term strategy for the three performing arts centres and determine appropriate performance measures for each of them. Performance measures shall include an economic impact assessment of each theatre on its immediate local economy, as well as the measures presently used (patrons served, usage, gross and net revenues generated, etc.). Periodic studies quantifying and updating the indirect economic benefits the theatres generate are advised.

5. in the case of the Sony, the City should aggressively pursue a third party purchaser, or a long term, subsidy and risk free, third party management agreement, with terms acceptable to the City. However worthy the cultural context, we are not satisfied the Sony should continue to program commercial operations in competition with other commercial operators while under City ownership and management.

6. the City explore options such as a cultural trust with property management and performing arts facilities operations expertise to manage City-owned performing arts centres.