

Staff Report



Development Services Department

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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: June 5, 2023

SUBMITTED BY: Emily Robson, Manager, Arts and Creative Industries, 519-741-2200 ext. 7084

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WARD(S) INVOLVED: All

DATE OF REPORT: May 17, 2023

REPORT NO.: DSD-2023-143

SUBJECT: Creative Hub at 44 Gaukel Pilot Report

RECOMMENDATION:

That staff prepare an issue paper for the 2024 budget process requesting an annual allocation for the ongoing operations of the Creative Hub; and,

That staff assess various options the long-term location of the Creative Hub, as outlined in report DSD-23-143, and return to City Council with recommendations for consideration as part of the 2025 budget process.

REPORT HIGHLIGHTS:

The purpose of this report is to explain the impact and transformation of 44 Gaukel Creative Workspace/Creative Hub, and to articulate the ongoing demand for affordable and supportive artists' space.

- The key finding of this report is that staff have established a model for supporting and cultivating a co-working space that attracts artists, builds community, and supports new cultural experiences.
- The financial implication is approximately \$234,000 per year in operating funds, to be referred to the 2024 budget process.
- Community engagement includes past consultations and current strategy documents, as well as new arts sector consultations in 2023 and surveys of active building users.
- This report supports A Vibrant Economy by advancing work on a Creative Hub.

EXECUTIVE SUMMARY:

During its 2019-2023 pilot period, 44 Gaukel Creative Workspace has become the dynamic and active focal point for the local arts community that was imagined. More than fifty artists and organizations currently rent or casually use the facility's spaces and resources to pursue their entrepreneurial goals and share rich, diverse, arts-based experiences with the public.

*** This information is available in accessible formats upon request. ***
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Staff have provided flexible options to artists and cultural workers to establish, develop and sustain their businesses and projects, created an innovative operating model for below-market-rate studios and in-kind skills trade arrangements, and brought new vibrancy and interest to downtown that will only grow beside a revamped Gaukel Block.

The efforts to realize this pilot project and consider its futures aligns with goals in both the *Make It Kitchener 2.0* strategy and the 2019-2022 corporate strategic plan. Early findings from consultation for the forthcoming Arts & Culture Plan indicate that affordable workspace is still a persistent and broad concern.

BACKGROUND:

In May 2018, Council allocated \$775,000 to establish a creative hub at 44 Gaukel. The initiative responded to many years of consultation indicating a need for affordable artists' workspaces and fresh public input to choose a suitable location to attempt a solution. Staff were driven by the idea that "the full potential of our city is unlocked when the connections between assets – buildings, people, resources – are strong and resilient" (DSD-18-019).

The Creative Hub's purpose is to provide affordable space for connection and production. In doing so, an underused City-owned building, was transformed into a conduit of the local arts scene. The result is the 44 Gaukel Creative Workspace.

Project Timeline

- July 2016: Accelerator Centre leased 44 Gaukel's second floor to support start-ups. Arts tenancies were added, with ArtsBuild Ontario as an on-site partner.
- 2018: Half of the sale proceeds (\$775,000) from the Legion building on Ontario St. were allotted to establish a creative hub project on the first floor from 2019-2023.
- 2019: A small renovation of the first floor created twelve additional tenant spaces.
- 2020: COVID-19 pandemic was declared. A full-building model was developed to replace Accelerator Centre's lease, with ArtsBuild Ontario as lead operating partner.
- 2021: Operations continued to adapt and limited programming resumed under Public Health restrictions.
- 2022: The facility reached 100% occupancy and a waiting list was started. Rent revenue, mostly investments by local artist tenants, exceeded \$100,000.

COVID-19 Impact

After minor renovations were completed, 44 Gaukel Creative Workspace was launched with an open house in February 2020. A significant community turnout led to early momentum and potential tenancies. Due to the pandemic, the facility closed to the public, rentals stopped and tenant demand disappeared. Creative entrepreneurs of in-person experiences or interactions were especially impacted as their incomes evaporated. Staff retained anchor tenancies by offering rent relief to offset some pandemic losses and assisted all tenants in adapting to public health measures.

Following a gradual recovery, anticipated tenant occupancy, usage and activity resumed. Rent revenues have grown steadily from \$60,000 collected in 2020, to nearly \$70,000 in 2021, to more than \$100,000 in 2022. Achieving 100% occupancy (and a waiting list) following an uncertain adjustment period demonstrates the demand and need for this type of space.

Operating Partners

ArtsBuild Ontario became the City's lead on-site operator and collaborator in December 2020. Their primary role is to attract new occupants, support tenants with onsite needs, guide tenant culture, respond to inquiries and help to cultivate the space's goals and brand.

ArtsBuild is a not-for-profit service organization to thousands of arts and heritage groups and is dedicated to supporting cultural infrastructure projects. Coordinating tenants and activities at 44 Gaukel Creative Workspace enables ArtsBuild to practice the skills and training it offers, drawing interest from Canada Cultural Spaces Fund and Canada Council for the Arts. ArtsBuild also manages two resources for short-term rentals, including a rehearsal space.

The Facility

44 Gaukel was initially home to Canada Post. After they vacated the building, the second floor was converted to a private college. The City of Kitchener acquired 44 Gaukel in 2006, as part of the Joseph and Gaukel Street Reconstruction Project. For the Creative Hub, the building was adapted to support the current multi-tenanted layout with modest interior renovations to the main floor. The building has reached a stage in its lifecycle where future improvements will be required.

Tenants hold licence agreements with the City for 24-7 use of semi-private spaces. The thirty-four tenant spaces vary from 91 to 735 square feet, with monthly rents ranging from \$200 to \$1100. Staff implemented a flexible rate schedule based on class-B commercial market rates downtown, with lower rents to account for non-profits, interior units with no windows, etc. Licence agreements with four-month minimum terms were designed to be easy for tenants to test facility suitability for their needs.

REPORT:

This section highlights pertinent findings from the 2019-2023 creative hub pilot period.

Building Creative Capacity

In early 2023, Good Company Productions delivered a series of nine live music shows at THEMUSEUM, drawing thousands downtown on chilly Thursday weeknights. Good Co's director Amit Mehta was able to produce these high-quality packed-house events because of the significant time and resources he has invested in developing local music.

In addition to producing curated experiences, performance broadcasts and other artist-boosting ideas, Good Co has grown its 44 Gaukel footprint since 2020 to build capacity and interaction for local musicians, bands and visual artists. During the pandemic, Mr. Mehta created successful concert-in-a-box events out of the facility's flex space. He has supported intimate concerts to animate Gaukel Block, Vogelsang Green and other spaces. He also supported JJ Wilde on her way to winning a Juno for *Ruthless* in 2021 and he continues to cultivate new performers with jam space, mentorship and gigs.

Arts entrepreneurs like Mr. Mehta are the kind of creative practitioners the City needs to retain to support an active and compelling cultural scene. 44 Gaukel has provided Good Co. with a space to experiment and grow into this role in Kitchener's music ecosystem.

Space to Grow and Connect

44 Gaukel Creative Workspace serves both emerging and established arts workers, with current tenants ranging in age from 20 to 70. Tenants work in a variety of disciplines, including music production and instruction, visual arts and language education, theatrical and dance presentation, arts-based therapy, and a range of individual practices including painting, sculpture, printmaking, design, filmmaking, and photography.

Tenant successes have come in many shapes and sizes. In 2023, Just Ideas' first Juno nomination for best rap single was produced inside their 44 Gaukel Creative Workspace recording studio with musician Dom Vallie. Alanah Jewell and Luke Swinson co-created a mural at 44 Gaukel in 2020, became tenants for a few successful print sales, then quickly outgrew the space. They have since been hired by huge global brands such as Roots and the Toronto Maple Leafs.

The pilot period has involved many tenants, but their interests in locating at 44 Gaukel Creative Workspace have been similar - easy access to other creators. In a survey conducted in spring 2023, tenants articulated their appreciation for the creative community at 44 Gaukel Creative Workspace:

- "I really loved the creative vibe of the building, and the affordability was really important as I was just starting my business."
- "I was very attracted to being in a building with other artists and arts sector workers. Having moved to Waterloo Region from Toronto, it was the closest I could find to the Artscape model."
- "I've spent a lot of time working alone. This space has been wonderful to watch it grow and attract other creatives in the city."
- "There is a desire to create relationships, collaborations and community, which is central to my work as well."

Local artists' influence on such a centralized location also creates benefits for non-artists. The community and rehearsal spaces inside 44 Gaukel host dozens of organizations and hundreds of participants for art workshops, jam sessions, dance practices, rehearsals, and other meetups. Art\$Pay runs a Gaukel-facing window gallery of rotating artworks and organizes group exhibitions that welcome the public inside. Emmy- and Juno-award-winning tenant Vincent Marcone's 60'-long exterior mural has become a fabulous backdrop to an ongoing flow of events, markets, and other activities on the pedestrianized Gaukel Block.

Unlocking In-Kind Value

As part of the Creative Hub pilot, staff developed an in-kind exchange program. Selected tenants can provide skills trades for reduced rents, enabling tenant contributions of photography, design, video and music productions, art exhibits, facility features, broadcasts, and community events. These contributions help make the Creative Hub visible, empower tenants to act as project ambassadors, and provide experiences for residents and visitors.

The value of each skills trade is negotiated with tenants whose rental terms and creative disciplines aligned with short-term project goals. Staff have pursued in-kind skills trades with 11 individual tenants since late 2019, with rents discounted against their diverse services. These services have delivered approximately \$100,000 in value to the City and broader community. The results include live and recorded music performances produced by Good

Co. Productions, Midtown Radio segments featuring tenants, public art restoration work, murals and installations in the facility and co-creation of a signature program “The Beasting”.

Skills trades opportunities could be established to meet future project goals in the areas of communications, equitable access, professional development, and programming.

Affordability Equals Impact

Longstanding tenant Artshine, which supports youth development through arts instruction, was the City’s first skills trade partner at 44 Gaukel Creative Workspace starting in 2019. Their arrangement ensures that youth workshops are available at various community centres each year. In 2023, free monthly art workshops have been offered at Kingsdale, Chandler Mowat, Victoria Hills, and Centreville-Chicopee. The value of Artshine’s instructor wages, materials, and administrative expenses in delivering these programs are exchanged for a reduced annual rental rate.

Artshine’s ability to build and grow an operating model from a stable, affordable homebase in Kitchener has also led to incredible results beyond the region. Since 2015, Artshine has delivered more than \$1-million worth of free or subsidized workshops in schools, community centres, social service agencies, shelters, seniors’ homes, prisons and at many 2SLGTBQ+ events. Artshine’s mandate to share the healing, self-sustaining power of arts participation happens in both French and English, in nearly 20 cities across Ontario, and online internationally.

While Artshine’s example is exceptional, many small businesses in the arts sector are made more resilient with access to affordable workspaces. Tenant surveys indicate that lower rent allows artist entrepreneurs and small organizations to invest more time in doing their work (which is often unpaid), attracting, and retaining volunteers, offering services to low-income citizens, managing mental wellness, and keeping ticket prices affordable. “I do not sell enough art to make a living wage,” explained one survey respondent. “This allows me to have a studio.”

These insights fit with analysis of labour trends by the Cultural Human Resources Council. The rate of self-employed creative and artistic producers is more than three times greater than the average Canadian, including more than 50 percent of workers in sound recording, more than 41 percent working in live performance and more than 31 percent of visual artists. Wages are more than 10 percent lower than other workers. Many in the sector describe a pervasive “poverty mentality,” in which gig economy realities are exacerbated by a culture of unpaid training, practice, and preparation time. Insufficient or unstable earnings, low job security and lack of benefits, and the need to work over full-time hours, hold multiple jobs and juggle multiple projects are core challenges faced by arts workers and organizations. Affordability and creative community are essential to support creative production.

Demand for Creative Space

The primary goal of the pilot was to animate an underused City facility and explore it as an affordable workspace for arts professionals. In the fall of 2022, 44 Gaukel Creative Workspace reached 100 per cent occupancy, and currently has a waitlist of about 20 individuals and organizations. Based on this, demand for artists’ spaces continues to outpace availability, the current building is too small to match demand, and the project is offering a meaningful response to a persistent issue raised by arts workers for years.

Early findings from community consultations for the development of an Arts & Culture Plan (to be provided in an upcoming staff report) highlight that arts sector workers continue to identify cultural production space as a priority resource. Artists across all groups and disciplines repeatedly invoked the idea of a physical hub where they could gather, work, and collaborate, with access to tools, spaces, grants, and events. Kingston's Tett Centre for Creativity and Learning was referenced as a desirable example from a city of comparable size. Beyond the utility of a one-stop-shop for sectoral supports, consultation respondents identified an opportunity to represent the transformative power of arts and culture in the form of a bigger, bolder facility project, comparable to a tech accelerator/incubator space.

Similarly, as part of the Harvard-Bloomberg City Leadership Initiative forum, nearly forty local arts and culture stakeholders identified core challenges to the community's creative and cultural sectors. Many participants cited the need for additional affordable workspace.

As immersive and interactive technologies rise, the creative economy is one of the planet's fastest-growing sectors. The Conference Board of Canada predicts the industry will grow 16 percent to \$123.1 billion from 2017 to 2026, with employment increasing by eight percent. They also predict a looming shortfall of more than 20,000 cultural occupations, particularly graphic designers, illustrators, web designers and developers. Scaled to the region, which could mean five hundred new local jobs to fill by 2026. Affordable and accessible cultural production space and active creative networks are essential to realizing this potential.

Expanding the Creative Hub Concept

Professional development opportunities in the future phases of the creative hub could include mentorship matchmaking, technical skills workshops, and cooperative initiatives. An arts business accelerator program could be developed, turning a portion of the hub into a launchpad for more local arts service operations. Subsidized tenancies could be created to bring additional focus to equity initiatives. Temporary project residencies could be designed to animate shared areas of the facility, Gaukel Block, or other spots in the city. Increased space could also aim to fill the local gaps in rehearsal and performance space.

44 Gaukel was originally selected as it was a vacant City-owned facility which could be easily adapted to serve this intended purpose. While it has served this purpose well, initial findings from a building condition and accessibility audit recently conducted by Facilities Management indicate that substantial and urgent improvements are required to support continued use. Likewise, due to the age of the HVAC system, utility costs represent a sizable portion of the operating costs. Considering the need for investments in the building, Economic Development and Facilities Management staff will work together to bring recommendations regarding the future of the building to Council for discussion. Staff will assess potential costs of remaining in 44 Gaukel against other locations. These include, for example:

- Appropriate locations to establish a long-term lease with a private landowner;
- A flexible tenancy model for workspaces at a variety of other City-owned facilities; and,
- Opportunities for establishing a new, purpose-built facility as part of a future redevelopment project.

Conclusion

Gaukel Creative Workspace has successfully transformed into the vibrant and central hub envisioned at the outset of the project. With more than 50 artists and organizations currently using 44 Gaukel's spaces and resources, the Creative Hub has become a thriving environment for pursuing entrepreneurial endeavors and showcasing a wide range of arts-based experiences to the public. As a result, staff recommend consideration of ongoing funding within the City's Operating Budget as part of the 2024 budget process. Given the investments needed at 44 Gaukel, staff recommend undertaking a comparative analysis to determine the optimal long-term location of the creative hub.

In the meantime, operation of the 44 Gaukel Creative Workspace should continue as the facility's future use and business case are determined. In its current form, 44 Gaukel Creative Workspace can continue supporting and benefiting from the arts sector workers who are using it to stimulate citizen interest in local cultural products and experiences. Gaukel Block's evolution and the perception of the City's support for the arts would be negatively impacted if the project suddenly concluded.

Moving forward, should Council decide to make a deeper investment in flexible, subsidized workspace for arts sector development, a balance will need to be found between expenses for operations, maintaining a state of good repair, and the workforce-boosting, culture-enriching possibilities of purpose-built, scalable arts resources.

STRATEGIC PLAN ALIGNMENT:

This report supports A Vibrant Economy by advancing work on a Creative Hub.

FINANCIAL IMPLICATIONS:

Capital Budget – The recommendation has no impact. Facility related capital costs will be assessed through the next phase of analysis as highlighted in the report.

Operating Budget – The recommendation could impact the 2024 operating budget.

Tenancies in approximately 11,150 square feet of rentable space recover approximately 33% of operating expenses. Staff estimate the annual shortfall between revenues and ongoing facility operations to be between \$225,000 and \$250,000. This is comparable to other projects within the sector:

- \$295,980 in combined cash and in-kind grants from CoK to THEMUSEUM in 2023
- \$244,634 is CoK's Tier 1 community grant to Homer Watson House & Gallery in 2023
- \$261,849 was granted to thirty-three local artists by the Region of Waterloo Arts Fund in 2023

Based on the experience at 44 Gaukel, a creative hub operating budget, without any capital investment, staff forecast that an appropriate level of operating funding would be as follows:

REVENUES		Notes
Projected annual rent, 44G tenancies	\$ 100,000	Estimated based on 80% or more occupancy
Rent deferred to in-kind contributions	\$ 25,000	Estimated from 2022 in-kind arrangements
Estimated municipal operating funding	\$ 234,000	To be considered as part of the 2024 budget process
TOTAL	\$ 359,000	

EXPENSES		
Common area maintenance/utilities	\$ 125,000	Based on 2019 to 2022 actuals
Property taxes	\$ 50,000	Based on 2019 to 2022 actuals
CAMs/tax contingency	\$ 9,000	Estimated 5% increase, or other discrepancy
On-site operations support	\$ 55,000*	On site staffing
Internet services	\$ 20,000*	Based on current operations
Custodial labour & supplies	\$ 40,000*	2022 actuals plus expanded service to meet increased use
In-kind program/promotional value	\$ 25,000	Contributions from tenants for reduced rent
Programming/production/improvement	\$ 35,000*	Programming including exhibitions, events, workshops etc.
TOTAL	\$ 359,000	
NET	\$ -	

*These expenses are based on both current and forecasted operations. They are discretionary and are scalable based on the occupancy and use of the Creative Hub.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City’s website with the agenda in advance of the council / committee meeting.

CONSULT – Staff have engaged with the users of 44 Gaukel Creative Workspace, impacted organizations and the Arts & Culture Advisory Committee (ACAC). While this project has been discussed numerous times by ACAC, on May 16, 2023, the committee expressed their support for the recommendations offered in this report. Staff have also engaged the Economic Development Advisory Committee.

PREVIOUS REPORTS/AUTHORITIES:

- [DSD-18-019](#) Creative Industry Hub Next Steps (May 15, 2018)
- [FCS-17-128](#), [P17-024](#) Lease of 44 Gaukel Street & the Creative hub (June 19, 2017)
- [CAO-16-034](#) Options for a Creative Industry Hub (December 5, 2016)
- [CAO-16-025](#) Community Engagement for Creative hub – Status Update (October 3, 2016)
- [CAO-16-015](#) Community Engagement on Potential Arts Hub & Potential of 48 Ontario St. N (May 19, 2016)

- [CAO-16-016](#) Animating 44 Gaukel 2nd Floor for Start Ups and Arts & Culture (April 26, 2016)
- [CAO-15-037](#) Kitchener's new economic development strategy, Make It Kitchener (November 16, 2015)
- [CAO-13-004](#) Kitchener Studio Project Business Case (April 22, 2013)

APPROVED BY: Justin Readman, General Manager, Development Services

ATTACHMENTS:

- Appendix A – Results from survey of tenants and short-term renters of 44G
- Appendix B – Summary of skills trade partnerships developed with 44G tenants
- Appendix C – List of current and former 44 Gaukel Creative Workspace tenants, arts, and culture sector