

# Staff Report

Development Services Department



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**REPORT TO:** Finance & Corporate Services Committee

**DATE OF MEETING:** December 6, 2021

**SUBMITTED BY:** Bluhm, Cory, Executive Director, Economic Development, 519-741-2200 ext. 7065

**PREPARED BY:** Robson, Emily, Manager, Arts & Creative Industries, 519-741-2200 ext. 7084

**WARD(S) INVOLVED:** All

**DATE OF REPORT:** November 15, 2021

**REPORT NO.:** DSD-2021-167

**SUBJECT:** Conrad Center for the Performing Arts Interim Operating Model

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## RECOMMENDATION:

That the Mayor and Clerk be authorized to execute a two-year lease agreement with the Kitchener Waterloo Symphony at the Conrad Centre for the Performing Arts, with terms and conditions generally consistent with the current lease agreement, said agreement to be satisfactory to the City Solicitor, as outlined in Development Services Department report DSD-2021-167; and

That the proposed grant program to support access to the Conrad Centre for Performing Arts, as outlined in Appendix A of Development Services Department report DSD-2021-167 be approved with an annual budget in 2022 of \$80,000; and

That the Deputy Chief Administrative Officer and General Managers be authorized to execute agreements with recipients pertaining to the proposed grant program; and further,

That staff develop a scope of work and Terms of Reference for the development of a long-term model for the Conrad Centre for the Performing Arts.

## REPORT HIGHLIGHTS:

- The purpose of this report is to seek direction to execute an interim operating model for Conrad Centre for the Performing Arts.
- The key finding of this report is that a short-term lease with Kitchener Waterloo Symphony and a grant program to support affordable access are necessary to achieve the objectives at the Conrad Centre for the Performing Arts.
- The financial implications are \$80,000 allocated for a new grant program funded by the rent collected from the lease agreement with Kitchener Waterloo Symphony and the Economic Development Reserve Fund.

- Community engagement included consultation with Kitchener Waterloo Symphony.
- This report supports A Vibrant Economy.

## **BACKGROUND:**

In early 2021, the Conrad family gifted the city a 24,000 square foot performing arts facility located in Downtown Kitchener at 36 King Street West, known as the Conrad Centre for the Performing Arts (CCPA). The venue is a key component of realising the City's Make It Kitchener 2.0 vision for both a strong creative industries sector and enabling platforms for our community to create a vibrant city.

The facility has been occupied by the Kitchener Waterloo Symphony (KWS) since 2009. The KWS is the main tenant of the CCPA and operates the facility on a cost-recovery basis. The KWS currently pays the City \$38,000 in rent and is responsible for the building's operating expenses.

Current rental costs at the CCPA are prohibitive for many local performing arts groups and therefore securing third party bookings has proven to be a challenge. KWS has recently entered into an agreement with Green Light Arts to assist with securing and supporting third party rental bookings. KWS has never received public subsidy for its stewardship of CCPA, which might have been used to mitigate other users' costs.

As part of the donation of the facility, the City made a commitment to the Conrad family to bring the facility to life and see it play a prominent role in local performing arts. Staff propose meeting this expectation through a two-phase process:

Phase 1 – Interim operating model that includes a lease agreement with KWS focused on enabling increased use through a City-issued grant (subject of this report).

Phase 2 – Comprehensive review of the CCPA operating model in 2022-2023 (future report).

The performing arts sector has been greatly impacted by the COVID-19 pandemic. What was already a challenging financial model has been further hampered by reduced house sizes and the impact of other public health constraints. For this reason, efforts to improve affordability at the CCPA are also efforts to support the development and recovery of the performing arts sector.

## **REPORT:**

The CCPA is a highly valued community asset and sophisticated theatre venue. The current operating model has proven cost prohibitive for local performing arts groups. With the building now in public ownership, the City has an opportunity to steward a new operating model that will drive higher levels of utilization.

Management of performing arts venues, particularly those with the degree of complexity of the CCPA, requires specific expertise. As such, staff propose a two-phase approach which will stimulate an increase in performances during phase one, while providing a window of time for the City to:

- I) Better understand the operating opportunities and challenges of the CCPA;
- II) Engage experts in the field of managing performing arts venues;
- III) Engage the local performing arts community; and,
- IV) Consider the role of the CCPA in relation to other performing arts venues under City ownership.

### ***Phase 1—Interim Operating Model***

To ensure the CCPA continues operations in 2022-2023, and to support increased performances/pandemic recovery, the following two actions are proposed:

1. Enter into a 2-Year Lease Agreement with KWS

Staff recommend execution of a lease agreement between the City of Kitchener and the Kitchener-Waterloo Symphony for an 18 to 24-month term. The terms of the lease will largely be taken from the KWS's lease with the Conrad family, including annual rent of \$38,000. The lease would permit KWS to utilize a third-party operating partner to support increased use of the theatre. KWS would maintain responsibility for general building operations, security, internet, custodial, and interior maintenance. The City would be responsible for life safety systems and building envelope projects (i.e., new roof, elevator maintenance etc.). An Issue Paper was included in the 2022 Budget Process identifying costs associated with these responsibilities.

Further detail on this analysis is included in the CCPA Interim Model Business Case (Appendix B).

2. Establish a Grant Program to Support Increased Programming

As the operating tenant, KWS remains a key partner in increasing theatre usage. The KWS currently operates the theatre on a cost-recovery basis. Staff have assessed KWS's current cost structure for theatre rentals and confirm that this structure is reasonable for KWS to break even. As a result, the only immediate method to boost live performances would be through subsidization. As such, staff propose development of a grant program with the following objectives:

- Increase the dates booked at the CCPA from 55 (2019) to 70-80 annually in 2022 & 2023;
- Decrease the cost to performing arts users to rent the facility; and,
- Support a greater diversity of programming.

To achieve this volume of performances, staff estimate the need for an annual grant fund of \$80,000, proposed to be funded as follows:

- \$38,000 rent revenue from KWS
- \$42,000 from the Make It Kitchener 2.0 Reserve

This approach will build on current operations at CCPA and will offer the City the opportunity to prioritize which organizations have preferred and discounted access to the theatre. Priority would be given to local performers, non-profit performing arts organizations, including theatre, dance, and music; and equity-deserving applicants. Rental costs would be offset to bring the fees in line with comparable facilities. *Appendix A: Event and Performing Arts Grant for Presenters at Conrad Centre for the Performing Arts* details the framework and criteria for this grant program.

***Phase 2—Comprehensive review of CCPA operating model***

In early 2022, staff will prepare a report to seek direction on the comprehensive review, including the scope of work and terms of reference. Staff anticipate seeking support for the retention of a consultant to facilitate components of the comprehensive review that require specialized knowledge of performing arts/theater operations, and to facilitate objective stakeholder engagement. Staff would endeavour to complete this review by the end of 2022.

The anticipated scope of work will include:

- Research of industry best practices;
- Review existing operating models of municipally owned performing arts venues across Canada;
- Stakeholder consultation;
- Suggested program mix for performances and use of the facility; and,
- Potential long-term operating and financial models for Council's consideration

### **STRATEGIC PLAN ALIGNMENT:**

This report supports A Vibrant Economy.

### **FINANCIAL IMPLICATIONS:**

Capital Budget – Make it Kitchener 2.0 Reserve

In 2021, Council approved a Recovery Framework, including an allocation of \$5 million to support recovery efforts. Given that the proposed grant program will support local performing arts organizations who have been impacted by the pandemic, staff recommend allocating \$42,000 in 2022. The remaining \$38,000 required to support the grant program would be funded using the lease payments from the KWS.

Operating Budget – The recommendation has no impact on the Operating Budget.

### **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 consulted one-on-one with key stakeholders.

COLLABORATE – KWS agrees with the proposed approach.

**APPROVED BY:** Readman, Justin General Manager of Development Services

### **ATTACHMENTS:**

Appendix A – Event and Performing Arts Grant for Presenters at Conrad Centre for the Performing Arts

Appendix B – Business Case for Interim Operating Model at Conrad Centre for the Performing Arts

## **APPENDIX A**

### **EVENT AND PERFORMING ARTS GRANT FOR PRESENTERS AT CONRAD CENTRE FOR THE PERFORMING ARTS**

In alignment with the City of Kitchener's Make It Kitchener 2.0 strategy and section 12.0 of the City of Kitchener's Community Investment Fund (FIN-GRA-525), the City shall offer grants to local performing arts organizations to support rental costs associated with the use of the Conrad Centre for the Performing Arts, as described herein.

#### **1. Background**

In 2021, the City of Kitchener acquired the Conrad Centre for the Performing Arts (CCPA) with the goal of increasing the number of nights the facility is programmed for live performance (ex: theatrical, music, dance, comedy, etc.). Local performing arts organizations have noted that the high rental costs of the facility are the primary challenge. KWS has never received public subsidy for its stewardship of CCPA, which might have been used to mitigate other users' costs. As such, the City is offering a pilot program where the City will consider applications for grant funding to offset a portion of the rental costs.

#### **2. Intent**

This grant program is intended to assist local performing arts organizations seeking to rent the CCPA for the purposes of hosting live performances that are open to the general public to attend. Eligible costs include:

- a. Rental fees for the facility, as charged by the Kitchener Waterloo Symphony (KWS); and,
- b. Fees associated with the use of specially contracted Kitchener Waterloo Symphony staff for the performance, not included in the rental fee (such as ushers, sound technicians, front of house staff, etc.).

Ineligible costs include any expense the organization incurs to produce a performance, such as artist fees, management costs, presenting costs, ticketing fees not associated with KWS, wardrobe, set production, additional sound/light equipment, any staffing costs associated with the organization, etc.

#### **3. Area of Application**

This grant program is only available for performances at the Conrad Centre for the Performing Arts.

#### **4. Eligibility Requirements**

Only those applicants which meet the following requirements will be eligible to receive a grant:

- a. All applications for grants under this program are subject to the availability of funding. The provision of any grant funding will be considered on a first come first served basis.
- b. Applicants must be a performing artist or performing arts organization based in Waterloo Region.
- c. For a performance to be eligible, the majority of artists, performers and technical staff must live and/or work in Waterloo Region.
- d. Only those performances which are open to the general public to attend shall be considered. Grants will not be given for any rentals where the primary purpose includes any of the following:
  - i. For rehearsals only.
  - ii. For private production, such as filming.
  - iii. Religious rentals, ceremonies, or family celebrations, such as weddings.
  - iv. Private parties and events.
  - v. Academic lectures not associated with arts-based programming.
  - vi. Social dances; and,
  - vii. Corporate meetings, fundraising events, etc.
- e. Applications must be received at least 6-weeks prior to start of the rental
- f. Applicants must be able to provide proof of insurance naming the Corporation of the City of Kitchener as additional insured in an amount determined by the City of Kitchener and/or the KWS.
- g. Grants will not be issued to any applicant who is in financial arrears to, or involved in active litigation against, the City of Kitchener.
- h. The City of Kitchener reserves the right to deny or refuse any application.

Preference may be given to applications which demonstrate the following:

- a. Performing arts organizations which hold a not-for-profit status.
- b. Applicants with a history of executing successful events/performances/productions.
- c. Applicants whose organization demonstrates attention to diversity and inclusion.
- d. Applicants who show a commitment to volunteer development and fosters local partnerships.

## **5. Program Assistance and Requirements**

- a. The grant shall not exceed 50% of the rental costs per production as billed by the KWS, in accordance with Section 2 Intent as noted above. The maximum amount of any grant issued under this program shall be \$3,000. The City may consider grants exceeding \$3,000 for rental agreements which extend beyond 1 (one) week in duration.
- b. The value of the grant provided shall be determined at the sole discretion of the City of Kitchener.
- c. Prior to applying, applicants are required to contact the KWS directly and negotiate for a rental quote and venue dates. The rental quote provided by KWS must be submitted to the City as part of any application. The rental quote must include the costs associated with rental of the venue and any KWS staffing charges.
- d. All decisions on rental dates are at the sole discretion of KWS and its designates.

- e. All grants will be provided directly from the City to KWS to offset rental costs. No funding will be provided directly to the applicant.
- f. Organizations may apply for multiple grants throughout a calendar year. No more than 1 grant shall be issued per performance or production. Approval of a grant does not ensure approval will be given to any subsequent grant applications.

## **6. Procedures**

- a. The applicant is required to submit a complete application form to the City of Kitchener, through one of the following ways:

Submit electronically to Karoline Varin at [karoline.varine@kitchener.ca](mailto:karoline.varine@kitchener.ca)

Submit an application in writing to:

Karoline Varin  
200 King Street West  
City Hall – 6<sup>th</sup> Floor  
PO Box 1118  
Kitchener, ON  
N2G 4G7

- b. Complete applications will be reviewed and evaluated on an on-going basis.
- c. Applicants must have secured a tentative booking date(s) from KWS and been issued a rental quote from KWS.
- d. Groups will be notified of the outcome as soon as possible, typically within 2 weeks of an applicant's submission.
- e. Applicants will be issued a letter from the City confirming the status of their applications. For approved applications, said letter will identify the value of the grant which will be provided to KWS for reflection on the rental invoice. Approval letters will be forwarded to KWS; however, it is the applicant's responsibility to ensure rental invoices accurately reflect the value of grant funding provided.
- f. The needs of each applicant are unique, and the guidelines cannot address every possible scenario. If more information is needed, city staff will work with applicants to gather the information required to make an informed decision.
- g. The applicant agrees to report back to the City, upon completion of the event/production, the following:
  - Confirmation the performance occurred; and,
  - A copy of the final invoice or similar, from KWS, indicating that all financial obligations have been reconciled.

# BUSINESS CASE

## Conrad Centre for Performing Arts



09/28/2021



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## EXECUTIVE SUMMARY – “THE WHY”

When Manfred and Penny Conrad donated the Conrad Centre for the Performing Arts (CCPA) to the City of Kitchener, it was on a promise. Originally built to be an ongoing epicenter of performing arts in our region, the Conrad Centre has failed to achieve the collective community’s expected level of use. As a cultural destination in Downtown Kitchener, the Conrad Centre has not drawn the degree of foot traffic to King Street it could if fully utilized.

To make matters worse, the pandemic has halted every in-person performance industry (theatre, live music, comedy, etc.). Desperate to return to live experiences, local industry stakeholders will need significant support to rebuild their internal infrastructure and re-engage their audience. Many will be returning to operations in the face of significant financial barriers and debts. Should the Federal and Provincial governments continue to provide recovery funding, opportunity exists to enable local cultural producers to re-engage the CCPA

But even more importantly, what our community has missed the most is the transformative power of performance. To experience live performance (theatre, music, comedy, etc.) doesn’t just boost our spirits but can shift our very outlook on life and inspire us to make the world better. Emerging from a pandemic, live performance could be at the forefront of bringing our community back to life.

In the coming years, the City will explore a new long-term operating model for the CCPA. In the interim, however, the City has an opportunity to facilitate new live performance measures through modest resource contributions that are identified in this business case.



## BUSINESS DESCRIPTION – “THE HOW”

The City of Kitchener is uniquely positioned in the Arts and Culture space not only because of the diverse community in Kitchener but also because of the growing interest and participation seen in the arts and culture sector. However, the impact of the pandemic and lack of available performance spaces has significantly impeded our community’s ability to grow:

### Challenge #1 – Impact of the Pandemic

Throughout the pandemic, arts and cultural events were forced to cancel or postpone to a later date. These postponements drastically impacted the arts and culture scene not only financially impacting the event organizers and facilities but also affecting community spirit, morale, and vibrancy. The negative impact the sector has gone through has been substantial. According to Statistics Canada data prepared by the Canadian Association of the Performing Arts, those engaged in live performances have been disproportionately impacted relative to the sector.

- While the GDP for the cultural sector was **7.6%** away from full recovery in the first quarter of 2021, the GDP for the live performance domain was **62.9%** away from full recovery.
- Similarly, while culture jobs are **11.0%** away from their pre-COVID level, employment in the live performance domain is **46.7%** away from its pre-COVID.

### Challenge #2 – Lack of Accessible & Affordable Performance Spaces

For many years, the performing arts community has expressed their challenges in accessing affordable performance and rehearsal space. In 2016 The Registry Theatre/JM Drama retained ArtsBuild Ontario to facilitate a strategic “refresh” of their organization (CAO-15-021). Through interviews with 43 stakeholders and in reference to other community consultation findings, the report found that “the arts community is in immediate need of affordable rehearsal and performance space”. Furthermore, key local stakeholders indicated that despite the existence of several theatres/performing arts spaces in the community, many of these spaces are inaccessible due to cost. The heart of the issue is that while the cost of operating performing arts venues is high, the ability of many users to pay this direct cost is low. Therefore, most venues, especially those presenting smaller productions find ways to offset these costs. For

examples, the KWS currently operates the theatre on a cost-recovery basis and this fee is often too costly for many presenters to afford. Throughout the interviews, there were three theatres mentioned repeatedly that the interviewees considered to be “their” performing arts theatres in the community, The Conrad Centre for the Performing Arts, The Registry Theatre and Centre in the Square.

### **Interim Opportunity – Increase Access to the Conrad Centre for the Performing Arts**

The Conrad Centre for Performing Arts (CCPA) was donated to the City by the Conrad family in 2020. The Conrad Centre holds 226-400 people and has been in operation since 2003, being operated by the Kitchener-Waterloo Symphony (KWS). To date, the CCPA hosts the KWS along with other arts and cultural groups on an annual basis. As the City looks to restructure the lease agreement with the KWS, new opportunities exist for the City to enable other arts and culture groups to use the CCPA facility. With an increased need for affordable rehearsal and performance space, the City sees an opportunity to revisit the cost structure for the CCPA facility and look at new ways to minimize costs for both the KWS and other arts and culture groups interested in renting the facility.

### **Long-term Opportunity – Re-evaluate the Operating Model of the Conrad Centre for the Performing Arts**

Subject to a future business case, analysis, community engagement and expert input, City staff intend to undertake a comprehensive review of the operating model of the CCPA to determine more permanent solutions for increasing access to the theater and bringing the facility to full life. The interim opportunity proposed through this business case will allow the City to gain insights and learnings ahead of a permanent solution.

**OPPORTUNITY – “THE WHAT”**

To support the local live performance industry while increasing the frequency of use at the CCPA, the City could consider the following interventions:

### **Intervention #1 – Reduce Rental Fees at the CCPA**

Following in-depth discussions with KWS, staff are of the opinion that the cost structure the KWS uses for third party organizations to utilize the theatre is reasonable. While there may be modest opportunities to reduce costs, rentals contribute a negative variance to the KWS budget. As such, the simplest way for the City to increase usage is to provide a subsidy for live performances, ideally at an amount of 50% of the rental rate (greater detail is provided in the Economic Analysis section). Three potential options include:

- 1) Subsidize the operations of KWS through rent relief and an operating contribution. Through the lease agreement, KWS would be required to offer reduced rental rates accordingly. Their exposure would be capped based on the City's contribution.
- 2) Offer a grant program, like the City's Tier 2 Grant Program, where live performance organizations can apply for an operating grant to subsidize up to 50% of the cost of the rental. The City could cap its exposure but setting a maximum annual grant amount.
- 3) Direct liaison support, whereby City staff would actively work with local live performance organizations to facilitate new rentals of the CCPA. Staff would have access to a fund and authority to provide grants for rent subsidies. The City could cap its exposure by setting an annual grant amount.

In the interim, City staff recommend option two as the operating model. The City would offer a grant program where organizations can apply for an operating grant to subsidize up to 50% of the cost of the rental.

### **Intervention #2 – Support KWS in an Enhanced Rental Experience**

City staff, whom have extensive experience in venue rentals and event management, would work with KWS to identify opportunities for an enhanced experience for organizations seeking to rent the CCPA for live performance. The goal of this work would be to identify opportunities to reduce the operating demands rentals place on KWS while potentially streamlining processes utilizing tools the City has access to.

### **Intervention #3 – Support KWS in Identifying Opportunities to Reduce Risk Exposure**

The CCPA is a complex facility that comes with inherent risks in enabling third party organizations to utilize the space. These include, but not limited to, use of stadium seating, use of specialized lighting/sound equipment, serving of alcohol, working at heights, etc.

Historically, the options for mitigating these risks are either to avoid high-risk activities, require existing staffing to mitigate risks and/or higher insurance premiums. All the above can contribute to difficulties activating the facility, City staff would work with internal risk/legal experts and KWS staff to identify any alternative, cost-effective options for mitigating risk.

**Purpose of this Business Case**

Based on the foregoing, the primary purpose of this business case is to assess the impact and value on return should the City seek to pursue Interventions 1 through 3.

## ECONOMIC IMPACT ANALYSIS

As previously mentioned, the arts and culture community are in immediate need of rehearsal and performance space. Findings from the 2016 Registry Theatre/JM Drama Strategic Refresh Report noted “over 200+ rental requests were turned away, as their theatre was fully booked”. In contrast, the Kitchener Memorial Auditorium sets yearly targets of 800,000+ annual participants and 23,000+ ice hours utilized, surpassing both targets on an annual basis. It is no surprise that our local facilities are operating beyond capacity and having to turn business away.

With the current operating structure of the CCPA,

- Annually, approximately **55** events are hosted.
- Current average cost of renting the facility is **\$1133 per event**. The proposed grant subsidy could reduce this cost to **\$567 per event**.
- With a restructuring of the operating structure, the CCPA could host an approximate total of 80 events at a lower cost to event organizers.
- Although it's not a substantial increase in events held, creating availability for an additional 25 events/organizations will provide much needed rehearsal and performance space in the City.
- 80 events with an average attendance of 150 would bring a total of 12,000 additional visits to Downtown Kitchener.

Research commissioned by the Canadian Association for the Performing Arts indicates that the performing arts benefits span many aspects of life. *The Value of Presenting: A Study of Performing Arts Presentation in Canada*, a culmination of two years of intensive action research, which involved two pan-Canadian surveys, and consultations of more than 1,000 stakeholders, articulates several findings:

- Canadians believe that the presentation of performing arts equally benefits the individual who attends and the community as a whole.
- Canadians who attend performing arts events are first and foremost looking for a fun, entertaining experience (84%). They are also seeking emotional, intellectual, or spiritual stimulation (58%), as well as the opportunity to experience or learn something new (57%).

- For Canadians, the highest-rated benefits of the performing arts in their communities are energy and vitality along with improved quality of life, and a more creative community.
- The broader society also benefits from the spill-over effects of the performing arts on health, education, social cohesion, and economic development

Providing local performing arts groups with additional space at a reasonable price will help boost community morale, spirit and will give residents access to new and exciting events. After a pandemic that rippled through the arts and culture scene, ensuring we bounce back as a community and provide residents with opportunities to enjoy some down time with friends and family will help us with our recovery efforts. Giving locals and visitors a chance to get out and enjoy an event held at the CCPA will help re-spark local tourism, will increase hotel bookings, increase food spending, and will reignite the economy within the downtown core and surrounding areas.



## SWOT ANALYSIS

The SWOT analysis below is based on the interim approach planned for the CCPA facility. Additional points will be made on the long-term opportunity in the final business case.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• The donation of the CCPA to the City gives the City a unique, highly coveted space to more actively manage/support</li> <li>• KWS have extensive experience using and renting the Conrad Centre.</li> <li>• KWS has strong knowledge of the technical elements of the theatre (ex: lighting, sound, seating configurations, etc.)</li> <li>• The City has experience in event management and venue rentals; knowledge transfer will be beneficial</li> <li>• Numerous local organizations have an interest in utilizing the CCPA for live performance</li> </ul>	<ul style="list-style-type: none"> <li>• The City doesn't have the capacity to manage the building in the interim. The City will need to work closely with the KWS to find an operating structure that works for all parties</li> <li>• Operating subsidies are likely need in the interim</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Gives the City a chance to experience the CCPA operating model, in advance of developing a long-term model.</li> <li>• To support the arts and culture community by opening the availability of the CCPA and welcoming new events to the City and new organizers</li> <li>• To support performing arts with affordable access to the CCPA – more bookings, more paid performers, more local spending by attendees</li> <li>• Residents may be eager to reconnect with community events as the pandemic passes, creating an opportunity to engage new audiences</li> <li>• Opportunity to increase foot traffic and consumer spending downtown</li> <li>• With the potential for future COVID recovery funding streams (from other levels of government), the CCPA could become a willing, host venue for funding recipients.</li> </ul>	<ul style="list-style-type: none"> <li>• Currently it is hard to predict whether there will be another lockdown in the future but any type of lockdown or reintroduction of restrictions, including additional costs which may be required to meet requirements.</li> <li>• If the pandemic subsides, other facilities within the Region may be aggressively looking to book similar events.</li> <li>• Hard to predict the level of interest residents will have in a large gathering within the CCPA even with social distancing protocols in place. It may take a gradual effort in slowly increasing attendance to ease the crowds back into the CCPA.</li> </ul>

## MARKET ASSESSMENT

Waterloo Region is home to several facilities that support similar events to those often held at the CCPA. Below is a list of alternative event spaces with feedback which was provided by key renters in the community. These results were gathered by ArtsBuild Ontario to get a better understanding of the Registry's Theater's strategic refresh in 2016. Costs for the associated facilities listed below will be included in the final business case.

- Studio 180 – Limited equipment and house capacity can negatively impact revenue generation through ticket sales
- KW Little Theatre – Often too small for the purpose of larger productions, negatively impacting the potential of revenue generation through ticket sales
- Maureen Forrester Recital Hall, Wilfrid Laurier University—Unaffordable
- Humanities Theatre, University of Waterloo – Unaffordable, difficult to navigate campus making the theatre hard to find for audiences
- Cambridge Centre for the Arts – High demand and limited availability, too far for many Kitchener-based audiences to travel
- Registry Theatre – Great location, limited availability due to high number of bookings
- The Studio, Centre in the Square—Unaffordable

Potential users of the CCPA include, but not limited to, the following:

- Actout KW Children's Drama Workshop
- BlackBall Comedy
- Flush Ink Productions
- Green Light Arts
- Inter Arts Matrix
- Kitchener Waterloo Comedy Festival
- Kitchener Waterloo Musical Productions
- Mada Theatre Collective
- MT Space
- Neruda Arts
- Pat the Dog Theatre Creation
- Shadow Puppet Theatre
- Unwrap Theatre

Based on Statistics Canada and Environics data, the Canadian Association of Performing Arts identified the following trends:

- Seven in ten Canadian (68%) a performing arts event or an artistic or cultural festival in 2016. This attendance rate is high across all demographic groups.
- Seven in ten (69%) Canadians consider arts and cultural events to be either very (27%) or moderately important (42%) to their own and their family's quality of life.
- 79% of Canadians say they would miss it if there were no live, professional performing arts available in their community (21% to a moderate extent and 58% to a high extent).
- The live performance domain contributed \$2.9 billion to the Canadian Gross Domestic Product in 2018.
- 65% of businesses and skilled workers agree that a thriving arts and culture scene is a driving factor when considering relocation

The CCPA, with its prime location in the downtown core, is ideally situated to meet the need for affordable and centrally located performance space. If rental costs can be subsidized, the CCPA could be appealing to key organizations along with new entrants. Within the downtown core, there is no other space of its size and scale, making this a unique facility. The CCPA was designed and built in a way to offer a space for small to mid-sized events, offering a full professional experience, a niche that differentiates the CCPA.

## STRATEGIC ALIGNMENT

This facility and its purpose align with Make It Kitchener 2.0 and the goal of creating a vibrant and active city by “launching platforms and enabling opportunities through the City for difference makers to bring our city to life. To work with key stakeholders, business areas and cultural producers to build and promote inspiring and impactful experiences.” The CCPA facility strategically fits with this goal as the CCPA can be utilized to instill the much-anticipated return of arts and culture events. Providing some form of subsidization of rental costs will create a platform for new organizations to rent the space and will enable difference makers to utilize such a coveted and respected space in the community.

The second alignment this project has with the Make it Kitchener 2.0 strategy is with the long-term plan to support, develop and boost the creative industry of Kitchener. Our ambition within the arts and culture space is to collaborate with industry and educational partners to become a global leader in creative industries. The City will look to continue efforts in making creative spaces affordable which will enable growth and will create a collision of creative entrepreneurs. Expanding the availability of event spaces such as the space at the CCPA and offering the space at a lower cost will make the facility more affordable and will allow for new and returning event organizers to make use of the space. Once the CCPA reopens, we will continue to engage local stakeholders and event organizers to ensure that our programming aligns with their needs.

## FINANCIAL PLAN & RISK ANALYSIS

The interim operating model for the CCPA aims to increase annual bookings while reducing the cost to users. For a comprehensive list of interim operating models considered, please see the next section titled “Options Considered”.

If the City were to invest approximately \$80,000 into subsidizes rental fees, the number of booked days at the theatre would increase from 55 to 80 and the cost to users would be reduced by up to 50%. This grant would lower the average rental cost from \$1133/event to \$567/event making the space more affordable. This grant would be funded through the rent collected from the KWS (\$38,000 annually) and from the Make It Kitchener 2.0 Reserve Fund (\$42,000). KWS operates the theatre on a cost-recovery basis, therefore this grant is required to ensure that KWS does not incur an operating loss and that the facility is available an affordable rate to users.

Note that this grant is separate from the capital needed to upgrade and maintain the facility. Facilities Management has prepared a budget issue paper including capital costs for 2022 and 2023 and annual facility operating costs. At the time of this memo, this budget issue paper requested \$800,000 for 2022 and \$550,000 for 2023 in capital costs and \$25,000 annually in building operations. This includes a full Roof Replacement, HVAC replacements, and Fire and Life Safety System upgrades. In 2023, a full elevator rehabilitation and upgrades to the plumbing systems are required at an estimated cost of \$550,000 (2021 values). FM will require \$25,000 in 2022 and 2023 for the following for base-building needs:

- Fire and Life Safety System inspection, maintenance, and repairs
- Elevator inspection, maintenance, and repairs
- Electrical Safety Authority inspections and repairs
- HVAC inspection, maintenance, and repairs
- General building inspections, maintenance, and repair (i.e., interior/ exterior doors)

In all projects, there comes a risk with a change in operation or modifications to how things are run. The greatest risk that comes with this restructuring is the uncertainty around the number of events that will be held in any given year. Although the objective is to expand the availability of the CCPA and allow for up to 80 events per year at a lower cost, there are other factors that may influence that total. For example, the ongoing pandemic may cause hesitation in the minds of the event organizers and crowd levels may be lower than expected due to safety concerns

and hesitation from the public eye. The advantage of the proposed grant program is that any unused grant funds can either be reallocated or held for future use when demand increases.

## OPTIONS CONSIDERED

The chart below includes an exhaustive list of all options considered for the interim opportunity. A more detailed outline of which option will be chosen for the long-term opportunity will be included in the final business case.

MODEL & DISCRIPTION	PROS	CONS
<b>Option 1</b> <b>Reduce KWS Facility Operating Expenses</b>		
<b>Relieve KWS of operating expenses where possible (rent, utilities) to increase KWS resources to allocate to third-party facility use.</b>  <b>Specify these details and expectation in the lease &amp; related documents.</b>	<ul style="list-style-type: none"> <li>Builds on current operations at CCPA rather than implementing new operational procedures</li> <li>Minimal city staff resources needed</li> </ul>	<ul style="list-style-type: none"> <li>City forgoes rent and assumes new financial responsibilities for the facility</li> <li>KWS has not demonstrated the competencies required to meet increased use objective</li> <li>This financial support may be viewed as support to the Symphony rather than support to the facility</li> </ul>
<b>Option 2</b> <b>Provide Grants to Event and Performing Arts Organizers</b>		
<b>Grants offered to qualifying performing arts groups to offset the cost of renting the CCPA</b>	<ul style="list-style-type: none"> <li>Builds on current operations at CCPA rather than implementing new operational procedures</li> <li>Ability to prioritize which organizations have preferred and discounted access to the theatre</li> </ul>	<ul style="list-style-type: none"> <li>City to develop, fund and administer a new grant program</li> <li>Challenging to determine how best to allocate subsidization funding</li> </ul>
<b>Option 3</b> <b>City / KWS Operating Partnership</b>		
<b>City staff person to actively develop and facilitate new partnerships and programming for CCPA and allocate resources to subsidize user costs.</b>	<ul style="list-style-type: none"> <li>Bring capacity to KWS's area of operational weakness (business development)</li> <li>Builds direct relationships with performing arts stakeholders</li> <li>Improves experience for both users and the KWS by facilitating the rental process</li> </ul>	<ul style="list-style-type: none"> <li>Capacity issues with city staff fulfilling new and existing roles</li> <li>Considerable City resources required</li> <li>City to develop, fund and administer a new grant program</li> <li>Challenging to determine how best to allocate subsidization funding</li> </ul>

## CONCLUSIONS AND RECOMMENDATIONS

In summary, the CCPA facility offers a unique opportunity for the City and a significant responsibility. Major benefits of having ownership of the CCPA facility include,

- The location of the facility. The CCPA is in the downtown core at the centre of a very vibrant intersection.
- This location is ideal for a facility that offers programming for small to mid-sized events within the arts and culture space. The community needs more accessible, affordable, and centrally located space.
- We add a property to the City's portfolio that is highly coveted and respected in the arts and culture sector.

The pandemic has significantly impacted the arts and culture sector. With affordable access, the CCPA can support the recovery of the performing arts sector. The CCPA is in the heart of the downtown core near one of the busiest intersections within the core and located near several restaurants, eateries, and hotels.

Staff recommend pursuing option 2—provide grants to event and performing arts organizations. This approach will build on current operations at CCPA and will offer the City the opportunity to prioritize which organizations have preferred and discounted access to the theatre. Priority would be given to local performers, non-profit performing arts organizations, including theatre, dance, and music; and equity-deserving applicants. Rental costs would be offset to bring the fees in line with comparable facilities.

By increasing affordability and use, the interim operating model for the CCPA will:

- Offer an affordable, well-situated rehearsal and performance space to support the creation and presentation of local performances.
- Support vibrancy in the downtown core by attracting patrons for other local businesses such as restaurants and bars.
- Reviving in-person experiences and activities

Art has always been transformative, and this is needed more now than ever. People are looking for meaningful ways to connect and make sense of the world. Local businesses are looking for ways to build relationships with patrons. Creators are looking for way to interact with audiences. Affordable access to the CCPA offer an opportunity to support all these catalytic endeavours.