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**TO:** GENERAL COMMITTEE

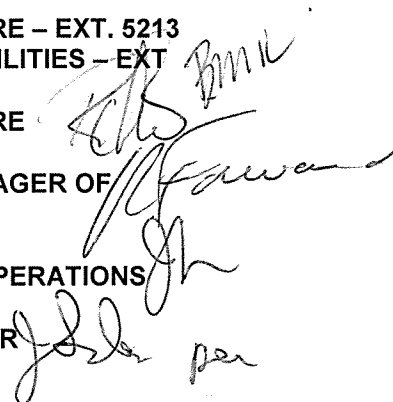
**SUBJECT:** DOWNTOWN COMMUNITY THEATRE

**PREPARED BY AND KEY CONTACT:** R. Q. WILLIAMS, MBA, BFA, DIRECTOR OF CULTURE – EXT. 5213  
B. ROTH, DIRECTOR OF LEISURE, TRANSIT & FACILITIES – EXT 4510

**SUBMITTED BY:** R. Q. WILLIAMS, MBA, BFA, DIRECTOR OF CULTURE

**GENERAL MANAGER APPROVAL:** R. FORWARD, MBA, M.Sc., P.Eng., GENERAL MANAGER OF INFRASTRUCTURE, DEVELOPMENT & CULTURE  
J.SALES, GENERAL MANAGER OF COMMUNITY OPERATIONS

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** JON M. BABULIC, CHIEF ADMINISTRATIVE OFFICER



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**RECOMMENDED MOTION**

1. That staff be authorized that the additional amount of \$593,000 required to fund the Downtown Community Theatre be debt financed.
2. That the amount of debt that the Director of Finance be authorized to issue for the Downtown Community Theatre be revised from the amount authorized in motion 10-G-117, to \$1,856,000.
3. That the funds required to provide internal bridge financing for the project, be funded from the Tax Capital Reserve (Account #13-04-0440) in an amount not to exceed \$1,100,000.
4. That the internal bridge financing for the project be repaid to the Tax Capital Reserve (Account#13-04-0440) from the fundraising receipts as they are received.

**PURPOSE & BACKGROUND**

5. On November 29, 2010 General Committee received a memorandum from staff on the status of the Community Theatre project at that time. Committee members requested that staff provide a future staff report with full details.
6. The purpose of this report is to update Council on the Downtown Community Theatre capital project and associated fundraising campaign as the construction phase approaches substantial completion.

**Project Objectives**

7. The Downtown Community Theatre Project is an important element in the mix of infrastructure necessary to support the Barrie culture sector in building capacity in the local performing arts community. The City's Plan for Culture, Building A Creative Future (adopted by Council in 2006) identified the need for a variety of performing arts spaces that would be necessary to support the local culture sector and the overall strategy of growing outwards by developing local talent. The 200 seat incubator facility will serve a variety of arts producers, professional and amateur, across a range of disciplines from music and dance to theatre and film. The users of the facility will be of all ages and it will be the training ground for future generations of Barrie performing artists, many of whom until now have had to leave the community to experience performing in a professional

facility. Prior to the present construction, the City of Barrie created an interim Black Box Theatre on the same site in the former Nova Scotia Bank building that was in great demand as two of the community's professional theatre presenters, Talk Is Free Theatre and Theatre By the Bay, were previously without a home. The facility will serve as a cultural hub. A place where Barrie artists will tell stories about this region and beyond to their fellow Barrie residents and the community will celebrate its own.

8. The Five Points is perhaps the most recognizable and historically significant location in Barrie and the place around which the downtown evolved. The Barrie Downtown Community Theatre will provide a center piece for City centre revitalization in this most prominent (and historically significant) location as well as act as a catalyst for private sector development within the area. The Barrie Downtown Community Theatre will be the first performing arts centre in Barrie's downtown in over 100 years, since the old Barrie Opera House on Collier Street burned down in the late 1800's.
9. The combination of the theatre, local restaurant offerings and a variety of boutique establishments will serve to greatly enhance the experience of local residents and visitors to our downtown.
10. The "Created in Barrie: Understanding Barrie's Arts and Culture Markets" May 2010 report determined that an estimated \$40M was spent on culture by Barrie residents in 2009 representing \$2,100 per household. Regional residents spent \$1,300 per household on culture. While over 80% of Barrie respondents to a recent survey participated in their most important arts activity in Barrie, only about 20% of regional respondents participated in their most important arts activity in our City. This is true despite regional residents' acknowledgement that Barrie was perceived by them to be the cultural centre of the region. Regional residents indicated that they simply were not kept aware of Barrie's cultural products. A well programmed professional theatre in Barrie's downtown improves the opportunity to increase Barrie's share of the local and regional culture market with the resulting growth in the downtown Gross Domestic Product.

#### **Cultural Spaces Canada Grant**

11. In 2008 Council passed motion 08-G-284 which in part requested that staff research sources of available funding for the creation of a community theatre in the downtown. On behalf of Council, staff submitted a detailed application to the Cultural Spaces Program of Canadian Heritage, documenting clearly the evolution of the community theatre project and the City leadership's reasons for creating a performing arts facility. The Barrie Downtown Community Theatre Project application was successful and the project was allocated \$2.5M under the Cultural Spaces Canada Program.
12. Staff is responsible for on-going reporting and updating of the project's cash flow according to a pre-determined schedule. In order to be eligible for 100% of the allocated funds under the program the Downtown Community Theatre Project must achieve substantial completion by March 31, 2011. Under the agreement with Cultural Spaces the City of Barrie must, in advance of the final payment, inform the Heritage Minister of any change in revenues or expenditures related to the project. The financial support given and the activities or results expected may be adjusted or renegotiated at the Minister's discretion.

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**Project Approval & Start Up**

13. To achieve Council's objectives of building capacity within the community's cultural sector and revitalization of the City centre, Motion 10-G-117 provided approval of the Downtown Community Theatre Project and stated in part:

**10-G-117 DOWNTOWN COMMUNITY THEATRE**

- 1) "That the design and construction of the Downtown Community Theatre Project illustrated in Appendix "A" be approved at a total cost not to exceed \$5,418,000 comprised of:
    - a)\$2,268,000 from the City of Barrie;
    - b)Up to \$2,500,000 in federal funding; and
    - c)Not less than \$650,000 from the capital fundraising initiatives.
  - 2) That the demolition be approved and the rebuild of 1 and 5 Dunlop Street as a Downtown Community Theatre, to be substantially completed by March 31, 2011.
  - 3) That staff be authorized to use the Construction Management Method to procure services and manage the construction of the facility.
  - 4) That the project's design consultants Lett Architects/Salter Pilon Architecture be authorized to proceed on the City's behalf with procurement of Construction Management services.
  - 5) That the City Treasurer be authorized to issue 10-year debentures in the amount of approximately \$2,589,848.
  - 6) Intentionally omitted this paragraph (provided direction on operating procedures not related to the capital project).
  - 7) That any capital cost overruns or additional costs incurred as part of this project above the amount approved in the 2010 Capital Budget be funded by finding savings either within the project itself or elsewhere within the capital budget and such savings be reported to and approved by Council.
  - 8) That naming rights for the facility be pursued in addition to the identified capital fundraising amount to further reduce the capital cost of the facility at a value of not less than \$650,000. (DOC003-10) (File: R05-D0W)"
14. In response to Motion 10-G-117, to fund raise a total of \$1.3M in the community through a capital fundraising campaign, members and supporters of the arts community formed a fundraising steering committee and initiated planning for the Downtown Community Theatre Capital Fundraising Campaign.
15. The members of the Downtown Community Theatre Fundraising Steering Committee are Erica Angus, Wendy Miller, Michael Whyte, Shaun Sauve, Mark Blake, Shelley Cleversey, Glen Coulson, and Arkady Spivak. The Committee sought the advice of fundraising experts with experience in the Barrie market and consulted with John Lister, Rebecca Truax (Georgian College), Eric Dean (RVH), Lynn Strachan (Georgian College).

16. Fund raising consultants were engaged on a sole source basis under the CAO's delegated authority during the previous Council's lame duck status to assist the Steering Committee in this campaign with their expenses to be offset by an equal amount in increased fundraising.
17. In May 2010 the Dalton Group was retained to act as Construction Managers for the delivery of the Downtown Community Theatre. Through construction management, the Construction Manager issued sequential tenders allowing for the construction to commence during the design process to allow for a "fast tracked" project in order to meet the tight timeline of ten (10) months associated with the Cultural Spaces Canada Funding Agreement completion deadline of March 31, 2011. Through the months of June and July 2010 tenders were issued for demolition, site servicing, footings and foundations.

#### **Unanticipated Site Conditions**

18. All Initial tenders were in line with the control budget created by Dalton and peer reviewed by CM2R cost consultants. At the end of July, as demolition was nearing completion, unknown buried hydro infrastructure was encountered. Powerstream did not have any record of this below grade structure causing an unanticipated cost of \$180,000.
19. The original foundation walls of the City's buildings #1 and #5 Dunlop had been constructed to be structurally sound, however, after demolition was complete structural consultants were able to complete a detailed review of the common wall joining #5 & #7 Dunlop Street West. This wall was found to be of timber framed construction with lath & plaster finish on either side with a shallow rubble foundation wall supporting the above grade party wall. This necessitated underpinning of the wall in order to ensure structural integrity of the wall. This unanticipated site condition consisted of revised wall construction and additional foundation/wall stabilization at a cost of \$360,000.
20. Further unanticipated site condition costs occurred through the site servicing works when it was identified that the local transformer believed to service only #1 & #5 Dunlop was discovered by Powerstream to service the entire block along Dunlop from Bayfield to Maple Avenue, including the Salvation Army and the Tim Horton's on the opposite side of Bayfield street. This resulted in a major infrastructure relocation project from the original site service relocation. Through lengthy negotiations between staff and Powerstream we were able to reduce the overall impact of this cost to \$150,000.

#### **Unanticipated Inflationary Construction Pricing**

21. Subsequent tender packages released after July 2010 were subject to significant inflationary construction pricing within the industry. It is speculated that this major price "spike" was caused by the numerous projects in the market as a result of the Infrastructure Stimulus Action Plan with aggressive timelines to meet the March 31, 2011 deadline. Due to this, the theatre project encountered tender results approximately 28% above the anticipated 2% inflation carried within the project budget (as per industry design estimating standards at the time of creating the project budget in March 2010). Current market conditions continue to trend above pre-recession pricing for commodities and labour rates.

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**ANALYSIS**

**Building Project Status**

22. Through the benefits of Construction Management and the sequential tendering process the team was able to quickly react to the aforementioned unanticipated costs as they arose by making revisions to subsequent tender packages without compromising quality, function, or durability associated with the theatre construction. Some of these cost savings included change in material selection, and working with the Construction Manager and Trades to come up with simplified construction details. In addition the project team applied the appropriate planned contract contingencies.
23. The Downtown Community Theatre project is not eligible for a deadline extension to October 2011 as it is not a recipient of the Infrastructure Stimulus Action Plan funding program. However, as of January 12, 2011 the current project schedule identifies that we are still on track to receive substantial completion by March 31, 2011 in accordance with the terms of the funding agreement with Cultural Spaces Canada. As a result there is no risk to the eligible \$2,500,000 grant offered by Cultural Spaces Canada at this time.
24. After a series of Value Management sessions the Construction Management contractor, the design team, and staff, were able to reduce the cost overrun from an estimated \$1.8M to \$0.6M of the total project budget to bring the project within a 10% cost over budget. At this point in time we have tendered 100% of the construction work.
25. In order to complete the project, without compromising the integrity and durability of the Theatre, an additional \$593,000 of expenditures above the approved budget amount of \$5,418,000 is required to ensure delivery of the project within the aggressive timeline so as not to compromise the funding eligibility with Cultural Spaces Canada.
26. The identification of additional expenditures beyond the approved budget only became evident during the 2006-2010 Council's lame duck period, and thus Council approval to increase the total project cost was not sought at that time.
27. Had the project been stopped at the end of October 2010, the City's financial exposure would have been approximately \$3M representing all contracts committed to at that time, the cost of demolishing any of the newly built structure, filling in the excavation, and forfeiting any other funding sources with the end result of the City having an empty lot at the most prominent location in the downtown. The sale of the property might have reduced the exposure to approximately the \$2.2M range.
28. This action would have seriously jeopardized the City's credibility in any future funding applications the City might want to make to Cultural Spaces Canada as well as compromised community involvement in future fundraising initiatives for the arts and cultural sector.
29. Whereas proceeding to complete the project ensured Council's project objectives would be achieved; that future grant applications to Cultural Spaces Canada would receive serious consideration based on Barrie's positive project delivery experience; and ensure continued community involvement in fundraising initiatives for the arts and cultural sector. Along with all of these benefits of having the City's first truly professional theatre facility, the City's financial exposure would be limited to \$2.2M.

30. In other words, there was no greater capital financial risk associated with continuing the project to completion, than to have stopped it at the end of October when it became clear that inflationary construction pricing would increase the construction cost.
31. As noted in the Financial Section of this report, the extra expenditures may be eligible for additional 50% funding from Cultural Spaces Canada.

### **ENVIRONMENTAL MATTERS**

32. There are no environmental matters directly related to this report.

### **ALTERNATIVES**

33. There are several options available to General Committee in regard to this report:

#### **Alternative #1**

General Committee could choose to stop the project.

However, this action would not achieve any capital cost savings as all work and contracts have been committed. Most importantly the primary objectives of the project to build local cultural capacity and provide a catalyst to City centre revitalization would be jeopardized.

#### **Alternative #2**

General Committee could choose to increase the community fundraising portion of the project funding.

This action is not recommended as the community is currently in the midst of some major fundraising initiatives associated with the RVH Cancer Centre, and Georgian College Wellness Centre among others. The fundraising consultants do not believe there is sufficient economic capacity within the community to increase the current Downtown Community Theatre fundraising target of \$1.3M.

#### **Alternative #3**

General Committee could choose to reconfirm Motion 10-G-117 direction "That any capital cost overruns or additional costs incurred as part of this project above the amount approved in the 2010 Capital Budget be funded by finding savings either within the project itself or elsewhere within the capital budget and such savings be reported to and approved by Council."

This alternative is not recommended as all savings within the project that did not compromise quality, function, or durability associated with the theatre construction have been realized. With respect to savings from other City capital projects, it would be contrary to the City's capital financial policy to do so as outlined in the Financial section of this report.

### **FINANCIAL**

#### **Cultural Spaces Canada Grant Status**

34. Under the current Canadian Heritage agreement, financial support for the Downtown Community Theatre project may be adjusted or renegotiated at the discretion of the Minister of Canadian Heritage. Typically, surplus funds from current infrastructure projects could be applied to the Downtown Community Theatre project to cover 50% of eligible costs exceeding the budget

anticipated at the time of application submission. This is often based on the availability of funds in the Cultural Spaces budget.

35. City of Barrie staff has apprised Canadian Heritage staff of the situation and submitted a cash flow and details of the costs overrun to support a review and potential adjustment of the agreement to reduce the City's financial commitment.

#### **Community Fundraising Program Status**

36. The Steering Committee has completed and has tested its case for support. They established advertising on the Theatre site hoarding to promote the fundraising campaign. The Steering Committee has compiled a list of potential donors and defined naming opportunities. The committee requested that the City of Barrie hire the services of a professional fundraiser to support the achievement of the goal of \$1.3M set as a target by Council in Motion 10-G-117 dated March 29, 2010. The committee researched the field thoroughly and strongly recommended hiring Lister and Associates, fundraising experts with experience in the arts and culture sector, and Glenn Coulson as a fundraising coordinator.
37. Mr. John Lister, is a well known fundraising professional who has achieved successes in raising capital funds for cultural infrastructure projects on behalf of the MacLaren Art Centre, The Gibson Centre and the proposed theatre in Midland to name a few.
38. Lister and Associates reviewed and tested the case for support and have developed a campaign plan based on the feedback received. In their professional opinion, the target of \$650,000 for naming rights is likely unattainable and thus their planned target has been adjusted to \$500,000. The difference of \$150,000 has been added to the community fundraising portion for a total target of \$800,000 as noted in paragraph 42 of this report. The overall fundraising remains at \$1.3M.
39. Staff in the Department of Culture is providing support to the capital fundraising initiative by acting as liaison to the fundraising professionals and the steering committee. Several opportunities for naming related to the construction project have already been identified and are being included in the capital fundraising mix.

#### **Unanticipated Site Conditions Summary**

40. A summary of the unanticipated site conditions is provided as follows:

▪ Buried Hydro Infrastructure	\$180,000
▪ Common Wall/Foundation Stabilization	\$360,000
▪ Transformer Relocation	<u>\$150,000</u>
▪ Total Cost	\$730,000

41. At the time of this project being brought forward for Council's consideration, best practices for construction estimating included contingencies generally valued at 18-20% of the construction budget most often reflected as 10% construction, 6%-8% post contract, and 2% inflation. The construction portion of this project was valued at \$4,050,000 including a contingency of \$730,000.00.

42. Although these specific site conditions were unanticipated, the project budget included \$730,000 of project contingencies to mitigate unknown construction costs as part of prudent cost estimating and budget determination for such a brownfield/renovation type of project. Having mitigated extra costs through value engineering, the additional costs associated with these unanticipated site conditions were offset by applying the planned contingencies with no net impact on the project budget.

#### **Unanticipated Inflationary Construction Pricing Summary**

43. A summary of the unanticipated inflationary construction pricing over estimated tender values is provided as follows:

▪ Demolition	\$ 46,000	(higher than budget estimate)
▪ Structural Underpinning	\$110,000	(higher than budget estimate)
▪ Mechanical	\$230,000	(higher than budget estimate)
▪ Structural Steel	\$160,000	(higher than budget estimate)
▪ Finishes	<u>\$ 47,000</u>	(higher than budget estimate)
▪ Total Cost	\$593,000	(higher than budget estimate)

44. The total cost associated with the unanticipated inflationary construction pricing is \$593,000 bringing the total project cost to \$6,011,000.

#### **Project Funding Summary**

45. Motion 10-G-117 authorized the project to proceed and set out the budget as amended by Council from the proposed budget contained within Staff Report DOC003-10.
46. A funding summary of the project is provided below outlining the original budget as proposed by staff, the amended budget approved by Council and a revised budget required to address the additional \$593,000 of costs associated with the unanticipated inflationary construction pricing.

<b>SOURCES OF FUNDING</b>	<b>ORIGINAL PROPOSED BUDGET BY STAFF</b>	<b>AMENDED BUDGET BY COUNCIL</b>	<b>REQUIRED BUDGET PER DOC001-11</b>
<b>Project Cost</b>	\$5,418,000	\$5,418,000	\$6,011,000
<b>Cultural Spaces Grant</b>	(\$2,250,000)	(\$2,500,000)	(\$2,500,000)
<b>Community Fundraising</b>	(\$ 595,000)	(\$ 650,000)	(\$ 800,000)
<b>Naming Rights</b>	nil	(\$ 650,000)	(\$ 500,000)
<b>Debt Financing</b>	\$2,218,000	\$1,263,000	\$1,856,000
<b>Tax Capital Reserve &amp; Others</b>	(\$ 355,000)	(\$ 355,000)	(\$ 355,000)



47. Motion 10-G-117 directed any cost overruns be accommodated by project savings from the project or other City capital projects. As noted in the Memorandum to General Committee dated November 29, 2010, project savings of \$450,000 were realized by implementing a number of changes and revisions.
48. Staff investigated the potential to apply savings from other City capital projects towards this project. It would be contrary to the City's capital financial policy to do so.
49. The Downtown Community Theatre Project is viewed as a growth related facility, and as such the City's portion of funding as set out in Motion 10-G-117 was funded by debentures consistent with the City's practice for capital assets related to growth. This is based on the premise that future taxpayers should contribute to new amenities and services they will receive.
50. Accordingly, it is recommended that the budget adjustment in the amount of \$593,000 be addressed through debt financing.
51. The proposed and amended debt financing included \$395,000 for anticipated internal bridge financing of fundraising payments at the time of debenture issuance based on the original staff proposed fundraising target of \$595,000. It was felt that \$200,000 could be received, of the \$595,000, prior to debenture issuance. With the Council revised fundraising target of \$1.3M the internal bridge financing must be increased to an upset limit of \$1.1M. The revised budget shifts the funding on the internal bridge financing from debt to the Tax Capital Reserve. The Tax Capital Reserve will be replenished as the fundraising payments are received.
52. With the increase in the amount of fundraising planned for this project and the change made to the funding of the internal bridge financing from debt to the Tax Capital Reserve, and the required budget adjustment for the project, it is recommended that the amount of debt that the Director of Finance is authorized to issue, based on Motion 10-G-117, be revised to reflect the new amount of \$1,856,000.
53. Based on the revised debt financed portion of the project, the City of Barrie's committed/used debt capacity percentage will be reduced from 67.84 to 67.18%. The estimated annual debt charges would be reduced from \$313,421 to approximately \$238,114 which represents a tax rate increase of approximately 0.2%. The total interest payable over the term of the debenture will be approximately \$525,141.
54. Should Cultural Spaces Canada grant funding be increased, the debt financing would be decreased accordingly.

**LINKAGE TO COUNCIL STRATEGIC PRIORITIES**

55. The 2010-2014 Council's Strategic Priorities have not been established as of the time of writing of this report.