



# TORONTO STAFF REPORT

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July 5, 2004

To: Policy and Finance Committee

From: Chief Administrative Officer

Subject: Revitalization of the Hummingbird Centre for the Performing Arts

Purpose:

This report recommends a course of action in response to the Consolidated Business Plan for revitalization of the Hummingbird Centre submitted by its Board of Directors on April 30, 2004. This report also reports on the results of the Request for Expressions of Interest process undertaken by Hummingbird.

In July 2003, City Council approved, in principle, the concept of CityCentre as a means for the Hummingbird Centre for the Performing Arts to remain financially self-sustaining, subject to a number of conditions. Council also approved, in principle, a funding strategy for CityCentre which uses land value in lieu of cash as the City's capital contribution. Council requested that Hummingbird submit a business plan for this redevelopment and directed the Chief Administrative Officer to report on and recommend a strategy in response to Hummingbird's business plan and related materials to the Policy and Finance Committee.

Financial Implications and Impact Statement:

In July 2003, Council approved in principle a funding strategy for CityCentre that uses land value in lieu of cash as the City's capital contribution. The CityCentre concept was proposed as a business strategy for the Hummingbird Centre to remain self-sustaining once the two primary tenants relocated to the Four Seasons Centre in 2006.

The financial implications arising from the recommendations in this report are limited to costs to work out the details of the development plan with the proposed developer and further refine the business plan by December 2004 or as soon as possible. External consultants and outside legal counsel will be retained for this purpose. These costs are to be paid from Hummingbird's Capital Improvement and Rehabilitation Reserve Fund, Cost Centre XR 3003.

Preliminary estimates of the capital costs and funding sources for CityCentre development and estimates of operations are discussed in Section 3.1 of this report. Based on preliminary estimates, there is a capital funding shortfall of at least \$18 million. Final firm estimates will be reported to Council in December 2004, if available. Based on its sensitivity analysis, Finance has

projected that the operating results in 2004 dollars range from a net surplus of \$0.9 million at 100% of target activity volumes, to a budget deficit of \$2.3 million at 60% of target volumes.

Recommendations:

It is recommended that:

- (1) Council authorize the City and Hummingbird to work with The Castlepoint Group to continue to refine the details of the development plan for the further consideration of City Council, subject to with the following conditions and objectives:
  - (a) all discussions regarding the development plan be conducted without prejudice or legal obligation on either party until and unless approved by Council;
  - (b) the plan include details of what portion of the Hummingbird property should be declared surplus to municipal requirements;
  - (c) a capital financing strategy be developed that adheres to the principle approved by City Council in July 2003 which uses land value in lieu of cash as the City's capital contribution and that there will be no need for any further contribution from the City in order to successfully complete the project as proposed;
  - (d) the Hummingbird Centre provide an updated business plan to reflect the refined development plan and financing strategies; and
  - (e) a further report be submitted to Council with the results of this work by December 2004, if possible, or at the earliest appropriate date;
- (2) the Chief Administrative Officer appoint an inter-departmental team to act on the City's behalf in discussions with The Castlepoint Group;
- (3) the Chief Administrative Officer be authorized to investigate with the Province any financing mechanisms that could be made available to the City to fund the CityCentre development and report by October 2004 on the details and feasibility of such strategies;
- (4) that funds from the Hummingbird Centre Capital Improvement Reserve Fund, Cost Centre XR 3003, be used to retain consultants, including development consultants and outside legal counsel to support discussions with The Castlepoint Group in accordance with Chapter 227 of the Municipal Code, such consultants and legal counsel to be acceptable to the Chief Administrative Officer, the Chief Financial Officer and the City Solicitor, as appropriate;
- (5) the agreement to amend the September 25, 1968 operating agreement between the City and the Hummingbird Centre concerning the establishment and operation of a donations reserve fund, as directed by City Council in its decision of July 2003, include a provision that, in the event the Hummingbird revitalization does not proceed, any donations held for that purpose be transferred to Hummingbird's Capital Improvement and Rehabilitation Reserve Fund, Cost Centre XR 3003;

- (6) the Community Improvement Plan for the St. Lawrence Neighbourhood now being prepared pursuant to By-law 643-2000 include consideration of appropriate financial incentives which may facilitate the revitalization of the Hummingbird Centre;
- (7) the Hummingbird Centre and the City hold a joint public consultation meeting to seek public comments on the CityCentre concept and to receive comments from residents and businesses in the vicinity regarding the proposed Castlepoint development and the impact of the development on the community; and
- (8) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

The two primary tenants of the Hummingbird Centre, the Canadian Opera Company and the National Ballet Company, intend to relocate to their new performance home in mid-2006. The Hummingbird Centre estimates that, without these anchor tenants, it would incur annual operating deficits of approximately \$1.5 million with only theatre operations in the facility, even with augmented programming. This scenario is elaborated further in the Finance Department comments in Attachment 1. Under statute, the City would be responsible for funding these deficits.

To fund these deficits without City financial support, Hummingbird proposed development of a new cultural and tourist attraction called "CityCentre". This concept was approved, in principle, by City Council in July 2003 subject to a number of conditions. The rationale for redeveloping the Centre was articulated in the July 2003 report as follows:

"Facing this scenario, the City might choose to demolish the existing structure and make the site available to the highest bidder for wholesale redevelopment, generating the highest financial return to the City.

"However, the architectural and historical significance of the building, designed by Peter Dickinson and constructed in 1959/60 in the modernist style, discourages any serious consideration of a wholesale redevelopment of the site. The building's specific heritage attributes include a monumental cantilevered canopy identifying the principal entrance to the facility and covering the passenger drop-off area, a single-storey entrance block, mixing glazed sections with blocks of black granite, and Canadian artist R. York Wilson' mural, entitled "The Seven Lively Arts".

"Another significant factor supporting the retention of the facility is the unique nature of the theatre space housed in the Centre. At 3,200 seats, it is Canada's largest "soft seat" theatre, and the only one capable of accommodating certain large-scale productions. The theatre also has a history of presenting live performance from beyond North America and Europe, thereby reaching audiences from across Toronto's multi-ethnic communities. The cultural life of Toronto is enhanced by its existence, as it forms part of the diverse range of cultural facilities in a City known world-wide as a vibrant centre for the arts.

“Together with a desire to maintain and enhance the vibrancy of the immediate district and the vitality of the downtown core, these factors drive the City to seek a creative solution involving a re-invention of the Hummingbird Centre for the years beyond 2006.”

Hummingbird proposes to augment the performing arts elements that have to date defined the Centre with new multi-disciplinary programming emphasizing an interactive, technology-based experience. The focus of the proposal is a celebration of the cultures of Toronto, making it attractive to both tourists and residents, and offering opportunities for innovative partnerships with local educational and cultural institutions.

The CityCentre proposal contains two principal elements – retention of the existing theatre and “CityCentre”.

“The Main Stage”, is the existing theatre, which Hummingbird currently rents 85 nights per year, in addition to performances of the NBC and COC. The move of the NBC and COC to the Four Seasons Performing Arts Centre will release those prime season nights for rent by other productions. Hummingbird plans to continue to use the theatre to present concerts, musicals and family programming and anticipates being able to increase the number of rental nights to 145 annually.

“CityCentre” is proposed to be a series of interlocking cultural and entertainment attractions in new building space to be developed on the west side of the Hummingbird property, west of the theatre. The CityCentre concept has the following components:

- “ArtsLab” – an interactive arts installation showcasing how the world’s cultural groups have developed the arts in their own unique ways, enabling others to understand these cultures through the one truly universal language, the arts. Using the unique concept of computer generated characters as the hosts, patrons will be guided through an entertaining and educational odyssey that will bring them closer to understanding that living in a multicultural society is full of wonder, excitement and possibilities. Part of ArtsLab would focus on areas of the arts in which Canada has made specific contributions to the world.
- “CyberSpace” – a 100-seat immersion interactive computer video gaming venue promoting Toronto’s importance in the video-gaming and computer imaging industries that is targeted to younger adult residents and tourists and providing video gaming with other participants on a real-time, “pay-as-you-play”, basis, including a food and beverage service.
- “TV Dinner” Theatre Restaurant – a 250-seat themed restaurant, including a 50 seat bar and lounge, will offer video jukeboxes containing programming honouring our various cultures and Canada’s film and television arts while offering a unique dining experience.
- “CityLink” – a visitors’ centre/concierge service providing both tourists and residents with a centralized ticketing service.

- “The Gallery” – A 300-seat banqueting facility, for corporate or social gatherings, covered with hundreds of projection surfaces and filled with high-end digital projector that can transform the room into any visual image desired, i.e., a “virtual gallery”.
- Possible Parking – the proposal may include a 100-space parking facility operated by Hummingbird and developed in conjunction with parking serving a residential development on the property.
- Ancillary Businesses:
  - rentals of the existing lobby spaces, TV Dinner, ArtsLab, the Main Stage theatre and the Gallery Room enhanced catering and banquet operations through increased use of existing space and operation of new dedicated function space, and through increased concession revenues generated by increased on-site visitations;
  - an all-day food and beverage service for the convenience of our visitors to encourage corporate meeting and private party rentals during the day and evening and to encourage the public and working artists to “drop in” and “hang out” in TV Dinner or play an interactive video game in CyberSpace;
  - a merchandise shop located in space adjacent to ArtsLab selling unique products linked to ArtsLab and other cultural programming, as well as items created by ArtsLab’s artists in residence.

In approving in principle the concept plan in July 2003, City Council also approved the concept of using the value of the surplus development density on the Hummingbird property as the City’s capital contribution in lieu of cash.

Council requested that the Board submit a business plan for development of CityCentre along with a status report on its community and stakeholder consultations, as well as evidence that the Board’s private-sector and other public-sector fundraising targets will be met.

Finally, Council directed the Chief Administrative Officer to report on and recommend a strategy in response to Hummingbird’s business plan and related materials for consideration by Council through the Policy and Finance Committee.

As discussed in the report adopted by City Council in July 2003, Hummingbird’s Board of Directors conducted a Request for Expressions of Interest (REI) process to explore private interest in development on the site that would make the concept financially feasible.

The REI for development of the Hummingbird property was issued by the Hummingbird Centre on November 17, 2003. Hummingbird was assisted in developing the REI document by staff in the CAO’s Office, Purchasing and Materials Management, Real Estate and Legal Services. The REI closed on January 19, 2004. Hummingbird filed its Consolidated Business Plan for CityCentre with the CAO on April 30<sup>th</sup> providing a feasibility study indicating how CityCentre may be implemented. This plan has been reviewed by staff in the Finance, Works and Emergency Services, Economic Development, Culture and Tourism, Urban Development

Services and Corporate Services Departments and the CAO's Office. Staff comments and analyses are summarized in the attachment to this report.

Comments:

**1. Request for Expressions of Interest**

The REI identified the following policy objectives for the Hummingbird:

- (i) creation of a major cultural attraction that will enhance tourism and stimulate activity in the vicinity of the facility;
- (ii) generating a minimum of \$2.25 million in annual property tax and rental revenue from on-site activities that could be used to fund the project operating losses of the theatre after the Ballet and Opera companies relocate;
- (iii) revitalize the facility at minimal capital cost to the City;
- (iv) ensure the continued ability of the facility to function as an operating theatre; and
- (v) achieve the heritage preservation, city planning, transportation and servicing objectives of the City as set out in the July 2003 decision of Council.

These objectives were written broadly specifically to accommodate any idea (not only the CityCentre concept) that could provide sufficient financial benefits to permit continued operation of the Centre without City subsidies, although the REI identified CityCentre as the Hummingbird's preferred option. It was recognized that creative ideas for use of the facility other than Hummingbird's CityCentre concept may also be able to achieve these objectives and should be considered. In addition, the REI encouraged responses for the development of peripheral services such as parking or food and beverage operations that could also support Hummingbird's revitalization irrespective of the development alternative selected.

The REI was first advertised during the week of November 17<sup>th</sup>, 2003 in the *Novae Res Urbis*, the *Daily Commercial News* and the *Globe and Mail*. In addition, the REI packages were mailed to all developers appearing in the October, 2003 issue of *Condo Life* magazine, as well as to an international list of investors provided by the Economic Development Division and to a number of other parties who had previously and informally expressed an interest in being notified of this process.

A public information meeting was held on November 25<sup>th</sup> at the Centre to which all prospective respondents were invited to attend in order to hear a presentation made by the Centre's CEO and to ask questions. At that meeting, a request was made by many of the attendees to extend the submission deadline from December 19<sup>th</sup>, 2003 to January 19<sup>th</sup>, 2004 to allow them more time to make their submissions. This extension was granted and an addendum to the REI document was sent out and new advertisements were placed in the *National Post* and *The Globe and Mail* on December 5<sup>th</sup>, 2003. In addition, a second public information meeting was held on December 11<sup>th</sup>, 2003.

Seven responses to the REI were received from the following parties by January 19, 2003:

<b>Respondent</b>	<b>Nature of Proposal</b>
Cityzen Development Group	Site purchase for condominium/hotel development
Eberhard H. Zeidler and Zeidler Partnership Architects	Cultural attraction as alternative to CityCentre
Hummingbird Performing Arts Consortium (Matthews Southwest Developments, Page + Steele Architects Planners, Studios of America Corp. and Sims Loelich Associates Ltd.)	Cultural attraction as alternative to CityCentre
MintoUrban Communities Inc.	Declined to submit
Parkway Corporation	Parking facilities only
Toronto Parking Authority	Withdrew
The Castlepoint Group	Incorporated and complemented CityCentre concept

An REI evaluation committee, composed of both Hummingbird and City representatives, scored the five responses (after withdrawal by two respondents) out of a total possible score of 100. Of these responses, the Castlepoint response proposed incorporating CityCentre in the base of a residential condominium building as well as other capital enhancements of the theatre while respecting the heritage, urban design and other objectives identified by the City in Council's July 2003 decision. The REI evaluation committee scored the Castlepoint response an average of 23.9 points over the next highest average rated response. Accordingly, the REI evaluation committee recommended that Hummingbird should proceed in developing its business plan for the Hummingbird using the proposed development concept submitted by Castlepoint. The recommendation of the evaluation committee was considered and approved by Hummingbird's Board of Directors at its meeting held on February 26, 2004.

Given that:

- (a) the REI document was widely advertised and distributed;
- (b) two months' time was available for anyone interested in the property to respond to the REI;
- (c) the REI clearly stated that only respondents to the REI would be considered in any future process resulting from the REI;
- (d) the REI specifically mentioned the idea of condominium development on the site as a plausible development opportunity and only one respondent proposed that;
- (e) only the Castlepoint proposal included and complemented the revitalization concept supported by Council;

- (f) the REI Evaluation Committee concluded that the CityCentre concept was more appropriate to the Hummingbird site than the other cultural attractions proposed by the only other two respondents who proposed development on the site;
- (g) a further RFP process would take about two more years to reach any conclusion; and
- (h) Hummingbird needs to have alternatives in place by 2006 or go into a deficit position;

it does not appear likely that any further RFP process would result in any other conclusion than already reached through the REI process. Therefore, it is recommended that the City and Hummingbird enter into direct discussions with The Castlepoint Group to further refine the development plan.

In its July 2003 decision, City Council approved the use of the value of surplus development density on the Hummingbird Centre site as the City's financial contribution towards achievement of CityCentre, but did not specifically consider sale of any portion of the site. However, for surplus development density to be of value, there must actually be development on some property and it is, therefore, necessary for a portion of the Hummingbird site to be conveyed so that the value of the surplus development density on the site can be realized. Therefore, any development strategy created to implement Hummingbird's proposed business plan should include identification of the portion of the property that should be declared surplus to municipal requirements for consideration by City Council.

It is recommended that Council authorize the City and Hummingbird to work with The Castlepoint Group to continue to refine the details of the development plan for the further consideration of City Council, subject to with the following conditions and objectives:

- (a) all discussions regarding the development plan be conducted without prejudice or legal obligation on either party until and unless approved by Council;
- (b) the plan include details of what portion of the Hummingbird property should be declared surplus to municipal requirements;
- (c) a capital financing strategy be developed that adheres to the principle approved by City Council in July 2003 which uses land value in lieu of cash as the City's capital contribution;
- (d) the Hummingbird Centre provide an updated business plan to reflect the refined development plan and financing strategies;
- (e) a further report be submitted to Council with the results of this work by December 2004, if possible, or at the earliest appropriate date; and that

the Chief Administrative Officer appoint an inter-departmental team to act on the City's behalf in discussions with The Castlepoint Group.

## **2. The Hummingbird/Castlepoint Proposal**

This section describes the Hummingbird/Castlepoint proposal as submitted by the Board of Directors of the Hummingbird Centre for the Performing Arts April 30<sup>th</sup>, 2004.



## 2.1 Development Concept

The Hummingbird/Castlepoint proposal consists of two projects which are co-dependent.

Hummingbird's CityCentre proposal retains the existing Centre including the theatre in its present location and all of its heritage features. In addition, new program space would be developed for features such as Cyberspace, TV Dinner, CityLink, The Gallery and additional food and beverage and catering services. These program features would be designed for flexibility so that these attractions could be updated or replaced from time to time to respond to changing trends and market demands.

Castlepoint proposes to build at its own cost a 290-unit residential point tower building having a height of 47 storeys, plus podium, west of the theatre on the southwest portion of the site at the corner of Yonge Street and The Esplanade, as well as lofts over the existing theatre stage tower.

The two projects intersect at the base of the residential building where program expansion space would be built during construction of the residential building. Some mechanical and electrical equipment and theatre backstage facilities will also be affected.

Hummingbird's project would include finishing and equipping the CityCentre complex, including the ArtsLab attraction, in space built by Castlepoint and undertaking any other renovations needed to complete the CityCentre program space.

A wing that would function as a lobby and entrance to CityCentre is proposed to extend northwards from Castlepoint's residential tower along the west side of the property towards Front Street. The residential building's address would be on Yonge Street near The Esplanade, while the entrance to CityCentre would be from both the north, west of the theatre entrance, and from Yonge Street. Hummingbird is also reserving the opportunity to construct new retail space at the northeast corner of the site, at the corner of Front and Scott Streets, to accommodate a store in the event that a future naming sponsor requires the provision of on-site retail.

## 2.2 Capital Financing Plan

Castlepoint has proposed that it would construct the program expansion space in the base of its proposed residential tower. This construction forms part of Hummingbird's CityCentre project and is valued at \$31.5 million with an additional \$1.7 million to replace mechanical and electrical equipment and theatre backstage facilities. The total value of construction for the portion of CityCentre built by Castlepoint is estimated by Castlepoint to be \$33.3 million.

Once Castlepoint completes the program expansion space, Hummingbird would create the program features within the space and complete other renovations for CityCentre, at a projected cost of \$42.1 million, including transition costs.

Castlepoint would receive the value of surplus development density on the property having an estimated value of \$15.0 million (assuming a maximum permitted FSI of 6.0 with approximately 29,760 square metres (320,354 square feet) available to be used for residential purposes), with other sources of revenue estimated at \$42.2 million, leaving a total of \$18.3 million to be

financed. Castlepoint has proposed a tax increment financing vehicle be used to finance this component, which City Finance has concerns with as outlined in Attachment 1.

The capital financing plan for construction of CityCentre is summarized in the following table:

<b>DEVELOPMENT OF CITYCENTRE</b>	<b>\$ millions</b>
<b>A. CASTLEPOINT PORTION OF CITYCENTRE</b>	
Program Expansion Space Construction	31.545
Theatre Renovation	1.717
<b>Sub-total: Castlepoint Capital Costs</b>	<u><b>33.262</b></u>
<b>B. HUMMINGBIRD PORTION OF CITYCENTRE</b>	
Furniture, Fixtures, Equipment for Program Expansion Space	15.700
Transition Costs	6.000
Endowment	3.000
Parking	2.000
Theatre Renovations (Mechanical and Electrical Equipment Upgrades)	15.450
<b>Sub-Total: Hummingbird Capital Costs</b>	<u><b>42.150</b></u>
<b>TOTAL CAPITAL COST OF CITYCENTRE</b>	<u><b>75.412</b></u>
<b>C. SOURCES OF FUNDS</b>	
Transfer of Surplus Development Density (“air rights” including land)	(15.000)
Naming Rights	(15.000)
Private Contributions	(10.000)
Federal and Provincial Contributions	(12.000)
Draw-down of Existing Capital improvement Reserve	(5.150)
<b>Total Capital Funding Identified</b>	<u><b>(57.150)</b></u>
<b>REMAINDER TO BE FINANCED</b>	<u><u><b>18.262</b></u></u>

### 2.3 Fundraising

Hummingbird’s business plan includes a report dated December 2003 by consultants DVA Navion gauging the feasibility of fundraising \$40 million to fund the construction of CityCentre. DVA Navion concludes that the CityCentre project itself is desired by all constituencies they met, but that the project needs to be seen as being supported by high-level, credible community leaders (both corporate and philanthropic) in order to increase access to the leadership gift prospect pool in the community.

Hummingbird’s business plan also includes a sponsorship naming valuation prepared by Genovese, Vanderhoof and Associates dated April 24, 2004. This study provides an opinion on

the value of the opportunity to re-name the Hummingbird Centre. The study concludes that the value of naming the present Hummingbird Centre would be \$20 million, assuming the value of naming rights only and the assumption that spaces within the facility will be named for other non-competing corporations or individuals. Notwithstanding the conclusions of this study, Hummingbird has conservatively estimated that it would receive a minimum of \$15 million for naming rights.

In addition, Hummingbird has also indicated that it will continue to pursue financial support from the Federal and Provincial governments. While these governments have indicated general support for the concept of CityCentre, neither has made a firm funding commitment.

Finally, the Hummingbird Centre will proceed to market the naming opportunity for the Centre and report to the Economic Development and Parks Committee respecting the terms, conditions and circumstances of any such opportunities.

### **3. Analysis of the CityCentre Proposal**

Hummingbird's plan has been reviewed by staff of Culture, Tourism, Economic Development, Development Engineering, Planning, Finance, Legal, and Real Estate. A summary of comments is provided in Attachment 1 to this report. The following addresses only the financial impact and risk assessment of the proposal.

#### **3.1 Financial Impact**

##### **3.1.1 Capital**

Gross capital construction costs for CityCentre (including transition costs and capital endowment provisions) have been estimated by Hummingbird to be \$75 million. Hummingbird has yet to provide a multi-year capital budget cash flow over the term of the redevelopment. Details of component costs for each proposed element (for example, theatre, ArtsLab, enhanced catering, restaurant) are also required in order to complete a thorough analysis. There is currently a net capital funding shortfall in the order of \$18 million. Although Castlepoint has proposed a tax increment financing vehicle for funding this shortfall, there are questions around the appropriateness of this funding mechanism for this type of development. No other source of funding has been identified or confirmed.

##### **3.1.2 Operating**

The operating business model provided by the Hummingbird assumes that all capital costs associated with the construction of all of the elements (theatre, ArtsLab, etc.) have been financed prior to the start of operations and do not require any funding from on-going Hummingbird operations or other City sources. Each element in the Hummingbird Operating Business Plan includes a component for a contribution to a capital reserve. This contribution has been assumed to be used for future capital replacement and rehabilitation requirements (currently at 4% of operating revenues) and not to finance the costs of any start-up capital works.

However, if the \$18 million capital funding shortfall is financed by a loan and funded from operations, the subsidies identified in Attachment 1 will be significantly higher. It is unclear given the information to date if there would be any scenario under these conditions where Hummingbird would breakeven or generate an operating surplus.

The Hummingbird Business Plan Operating Model provided to date, assumes a three-year ramp-up to target activity volumes, generating up to \$1 million in operating contributions by year three of the plan. Hummingbird has estimated revenues based on 400,000 paying visitors per year as the mid-point of a possible range between 300,000 and 600,000 visitors annually.

Finance has undertaken a sensitivity analysis to determine the implications if target activity levels are not achieved. Based on the sensitivity analysis, Finance has projected that the operating results in 2004 dollars range from a net surplus of \$ 0.9 million at 100% of target activity volumes, to a budget deficit of \$2.3 million at 60% of target volumes.

Additional comments of the Finance Department are set out in greater detail in Attachment 1.

### 3.2 Tax Increment Financing Proposal

To deal with the shortfall in capital financing, representatives of Hummingbird and Castlepoint have explored on a preliminary basis a number of financing options, including Tax Increment Equivalent Grants (TIEGs), with City staff.

As discussed in Attachment 1, this type of financing technique has traditionally been used in circumstances where an incentive has been required in order for development to occur, and where lands are subject to municipal policies in a Community Improvement Plan due to their dilapidated condition, environmental contamination or other reasons. Castlepoint's proposal that a TIEG be used as a financing mechanism has raised a number of questions of suitability and applicability to Hummingbird's circumstances and the nature of any related policies that might be contained in a Community Improvement Plan as approved by the Ministry of Municipal Affairs. It is noted that a number of questions concerning the use of this technique in Hummingbird's case remain to be resolved.

City Planning staff are undertaking an area planning framework study for the St. Lawrence Neighbourhood and a community consultation process, including participation by redevelopment site owners, that can help identify community improvement strategies. It is intended that the findings and recommendations for the study would be reported in conjunction with a final report for the development application at 40 The Esplanade in the fourth quarter of 2004. Accordingly, it is recommended that the Community Improvement Plan for the St Lawrence Neighbourhood now being prepared pursuant to By-law 643-2000 include consideration of appropriate financial incentives which may facilitate the revitalization of the Hummingbird Centre.

### 3.3 Implications and Risks

The staff review of Hummingbird's business plan concludes that while the business plan presents a feasible plan for the future of the Hummingbird Centre, it contains a number of risks, as well as opportunities, for the City. These opportunities include creation of a new downtown

cultural/tourist attraction and the potential for third-party financing that contributes to the cost of meeting outstanding mechanical and electrical capital upgrades required by the Centre as well as assisting the construction of CityCentre. Developing CityCentre also allows the City to realize a return from the surplus development density on the Hummingbird property.

The development and operation of CityCentre also presents a number of risks to the City and Hummingbird including the following:

- (i) financing risk that donations and sponsorships may not be received in the amounts or at the times forecast;
- (ii) business risk because the new activities proposed are outside the Centre's historic operational experience and may not achieve targeted visitor volumes or earnings;
- (iii) market risk that the residential rental market, which supports achievement of Castlepoint's development plan, may shift or subside; and,
- (iv) development risk, being what to do about an expanded Centre with a high-rise residential building on the site if CityCentre is not a successful venture.

While the development of CityCentre presents a number of risks to the City, there are also measures that can be taken to minimize or manage these risks. For example, the business risk of operating CityCentre can be reduced by hiring experienced entertainment attraction managers. These measures should be identified and developed in detail as part of the preparation of a detailed strategy to implement Hummingbird's business plan.

#### **4. Management of Donations**

City Council's July, 2003 decision directed that the September 25, 1968, operating agreement between the City and the Board be amended to provide for the establishment and operation of a dedicated donations reserve fund for the purposes of financing capital improvements and extraordinary programming opportunities. This fund would be in addition to Hummingbird's existing Capital Improvement and Rehabilitation Reserve Fund (which holds its ticket surcharges and the Hummingbird Communications Ltd. donation) and the Stabilization Reserve Fund (into which the Centre places year-end surpluses for the purpose of funding possible future operating deficits).

The amending agreement between the City and the Hummingbird has not been finalized pending the resolution of operational procedures for the reserve fund. However, a matter which had not been considered in the July 2003 report was the need to provide for the alternative use of any donated funds which may be held in the reserve fund and for which income tax receipts have been issued in the event that the Hummingbird revitalization project does not proceed.

It is recommended that the donation reserve fund agreement stipulate that, in the event the Hummingbird's revitalization does not proceed, any donations being held for that purpose be transferred to its Capital Improvement and Rehabilitation Reserve Fund, Cost Centre No. XR 3003. This reserve currently has a balance of approximately \$4.2 million.

## **5. Role Clarification**

The City is both the owner of lands in the City and the local municipal planning authority. Care must be taken to ensure that these two roles are separated to avoid any perception of bias.

In the case of the Hummingbird Centre, the City is the owner of the land and the building, is responsible for funding any deficits that the board incurs, and is the local municipal planning authority under the *Planning Act, R.S.O. 1990*. Therefore, it will be necessary to clearly delineate Council's dual roles as landowner and planning authority in considering any subsequent planning proposal or development application affecting the Hummingbird lands and ensure that any consideration of such applications occurs separately from evaluation of the CityCentre proposal by Hummingbird to ensure that Council's role as a municipal planning authority under the *Planning Act, RSO 1990*, is not compromised by its role as a property owner. This would include the City's ability to impose requirements or conditions of approval, including the payment of development charges and parks levies.

## **6. Public Consultation**

Prior to July 2003, the Hummingbird met with a wide range of groups and individuals in the City at large and in the St. Lawrence Neighbourhood to discuss the CityCentre vision and concept. Since then, Hummingbird has directed its efforts to undertaking a Request for Expressions of Interest and preparing its business plan for the development of CityCentre and has not yet engaged in a focused public consultation program. Since the business plan calls for significant physical changes to the property over an extensive period, Hummingbird and the City should now hold a joint public consultation meeting to seek public comments on the CityCentre plan especially encouraging input from surrounding residents and businesses.

## **7. Outstanding Issues**

As set out in greater detail in Attachment 1, a number of other outstanding issues remain if consideration is to be given to the development of CityCentre, including detailed operational planning and the financial structure for developing CityCentre. These issues include whether development applications for the building height, density and built form proposed by Castlepoint will be approved by City Council given the constraints of the site.

There are also a number of important planning and functional issues, including the provision of required resident and visitor vehicular and bicycle parking facilities, the provision of new, separate, loading facilities for the residential building, satisfaction of municipal servicing issues such as the ability of existing infrastructure to accommodate the increased loading of storm and sanitary sewers and the water system, and determination that surrounding streets have sufficient capacity to absorb expected vehicular and pedestrian traffic impacts, that remain to be resolved by Castlepoint through the processing of development applications for its proposed residential development.

## 8. Next Steps

The Board of Directors of the Hummingbird Centre for the Performing Arts was briefed on City staff responses to its Consolidated Business Plan at its meeting held on June 21, 2004. At that time, the Hummingbird Board adopted the following motion:

“The Board recommended that the appropriate City and Hummingbird Centre officials:

- (i) be authorized to enter into negotiations with The Castlepoint Group for the development of the proposed CityCentre on condition that the City does not incur any out of pocket expenses, and report on such negotiations to Council, through the Policy and Finance Committee, by December 2004; and
- (ii) be requested to explore the financing options discussed during consideration of this matter and report to Council, through the Policy and Finance Committee, by October 26, 2004, in this regard.”

The recommendations in this report allow the City to move to the next step in developing CityCentre, subject to further reports being considered by City Council as additional information becomes available. The reporting deadline suggested by the Hummingbird Board is optimistic and ambitious. Therefore, while every effort will be made to achieve this timeline, additional time may be required.

The eventual density and height of development to be permitted on the property is subject to the approval of City Council through the consideration of development applications on the property to be submitted by the Castlepoint Group pursuant to the *Planning Act, RSO 1990*. However, any consideration of such applications must occur separately from evaluation of the CityCentre proposal by Hummingbird to ensure that Council’s role as a municipal planning authority under the *Planning Act, RSO 1990*, is not compromised by its role as a property owner. This would include the City’s ability to impose requirements or conditions of approval, including the payment of development charges and parks levies.

### Conclusions:

The Consolidated Business Plan for the Redevelopment of the Hummingbird Centre for the Performing Arts, dated April 30, 2004 presents the City with an exciting opportunity for the revitalization of this important cultural resource.

However, this venture also presents the City with financial, business, market and development risks that, as a government, it does not customarily face. For Hummingbird’s business plan to proceed, Castlepoint’s proposed residential building must be feasible both financially and technically, receive municipal zoning approval, and proceed in a timely manner. Finally, from a business point of view, if CityCentre is as successful as described in the business plan, it would allow the Hummingbird Centre to be financially self-sufficient and able to fund its operations and its capital program, as well as the periodic refreshment of attractions, at no cost to the City.

Upon a review of the balance of opportunities and risks before the City, it is recommended that City Council authorize City staff to continue to engage with Castlepoint and Hummingbird Centre staff to refine this vision and develop an implementation strategy to fulfill the CityCentre vision for consideration by the Policy and Finance Committee and Council by the end of the year.

Staff in the Legal, Real Estate, Financial Planning, Corporate Finance, Development Engineering, Traffic Planning, City Planning, Culture, Tourism and Economic Development Divisions were consulted during the preparation of this report.

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List of Attachments:

Attachment 1: Summary of Departmental Comments on Hummingbird Business Plan



## **Attachment 1: Summary of Departmental Comments on Hummingbird Business Plan**

### 1. City Planning Comments

The City Planning Division has provided detailed comments on the plans and business plan dated April 30, 2004.

The proposal to add a residential tower to the Hummingbird Centre is generally supportable. The tower is canted and has visual interest in keeping with this landmark location. The proposal appears to implement the emerging guidelines for tall buildings. A residential building at the corner of Yonge Street and The Esplanade will help to animate both streets, although staff recommend that the tower be shifted 3.5 metres to the north and east to create a proper podium on Yonge Street and The Esplanade. The height of the tower is generally satisfactory but must be assessed in context of existing and proposed buildings in the area. The height appears to present no significant shadow impact on Berczy Park.

The proposal will be required to implement the objectives of the Lower Yonge Street and Lower Bay Street Pedestrian Promenade Plan, which include minimum clear sidewalk widths of 4 metres and minimum weather protected areas of 3.5 metres, and the objectives of the Planning Framework for the West St. Lawrence Area, which are both under development.

Changes will be required to the massing of the east wing parallel to The Esplanade because its upper seven residential floors are viewed to be over-development of the property and the building should be reduced from 66.3 to 45.3 metres in height. In addition, the massing of the wall facing Scott Street should be broken up with a setback and articulation, with careful attention paid to the podium. Due to its large size and high visual impact, this portion of the development will need a high level of design detail.

Because the massing of the building may change with future iterations of the detailed plans, a more detailed urban design review of the proposal and its shadow impact will occur when a rezoning application is submitted. Further information on the amount and location of parking and loading for the residential building, plus accommodation for a large amount of school and tour buses must be addressed by showing curb edge areas or off site bus parking lots suitable for CityCentre, will also be required.

A detailed urban design review of the proposal, including consideration of a PATH connect from the west and north, the provision of weather protection on all four street frontages given the existing high volume of pedestrian activity in the area, a more detailed review of shadow impacts and consideration of the height, massing, setbacks and articulation of the proposal, will occur when a rezoning application is received.

### 2. Development Engineering

The Development Engineering Division of Works and Emergency Services has provided general comments on the servicing, stormwater management, transportation and parking studies undertaken concerning CityCentre. However, those comments were provided on the basis that they would be subject to revision when further information is provided in support of rezoning and

site plan approval applications.

In summary, these comments indicate that:

- information provided to date does not indicate that sufficient vehicular and bicycle parking can be provided on the Hummingbird site in order to meet City requirements for residential condominium developments;
- no objection is raised in principle to the use of off-site parking to accommodate a portion of future parking needs for CityCentre because this reflects the current situation. However, further information will be required concerning the assumptions used to derive vehicle parking demand figures and the layout and design of parking facilities;
- the preliminary servicing plan prepared for CityCentre indicates that there is sufficient capacity in the existing storm and sanitary sewer system to accommodate the CityCentre project but additional information and analysis will be required regarding the residential component of the project. Therefore, a comprehensive servicing study will be required to determine how the new components of the site, including both CityCentre and the proposed residential development, can be serviced and assess the adjacent municipal infrastructure to confirm that there is adequate capacity to support the development;
- further documentation and analysis will be required to support the conclusion that traffic associated with CityCentre can be accommodated on the area road network;
- the stormwater management plan demonstrates that stormwater from the site can be controlled to the required release rate and City staff supports the inclusion of a “green roof” system as proposed; and
- additional detailed information will be required as part of the review of a complete development application addressing such matters as pedestrian infrastructure, vehicular ramps and access driveways, the provision of bus parking and loading and solid waste collection facilities.

At this point, Development Engineering has only received materials respecting the development of CityCentre, but not complete information concerning the proposed residential condominium development. Specifically, the following information concerning the Castlepoint proposal remains outstanding:

- detailed parking plans indicating access to and circulation among all parking levels;
- detailed parking level plans showing the provision of sufficient vehicular and bicycle parking in compliance with City requirements;
- a transportation impact study assessing the impact of vehicular and pedestrian traffic generated by the Castlepoint proposal on bordering streets and transportation infrastructure and the ability of those facilities to absorb those impacts while continuing to provide satisfactory levels of service;

- a municipal servicing and stormwater management study indicating the measures by which the Castlepoint proposal would meet City requirements for municipal servicing including water supply, sanitary sewer and stormwater services; and
- detailed plans indicating the provision of loading facilities in accordance with City requirements.

### 3. Tourism Division

The Tourism Division has indicated that it is supportive of the Hummingbird Centre's business plan for the overall CityCentre concept and notes that it will enhance the critical mass of cultural attractions in Toronto and raise our profile as a creative city and cultural destination with an original, fresh attraction for both residents and visitors. However, in view of the need for significant and sustained marketing and promotional programs which can be among the first budget items reduced if revenues decline, Tourism would be more comfortable if an additional set of attendance projections and revenues reflecting average, rather than target, operating conditions was prepared.

Tourism indicates that they have not been involved in the detailed analysis undertaken for this project but notes that the attendance and revenue projections for all of the new elements - ArtsLab, restaurants, CyberSpace and public parking – assumes the operation of a top-notch facility with broad appeal to a wide cross section of the population operating at maximum capacities and at higher price points than many other Toronto facilities offering 2 – 3 hour experiences. This assumption highlights the need for all aspects of CityCentre to be a truly unique and high caliber experience and the requirement for significant and sustained marketing and promotional initiatives. At the same time, Tourism also notes that CityCentre will enter a marketplace where other competing opportunities will be available to consumers, whether in the form of nearby public parking facilities, the Olympic Spirit Centre at Yonge and Dundas or the Distillery District, or a proposed Ontario Information Centre at Union Station. Hummingbird has advised that it intends to delete or reposition its proposed CityLink facility if the Ontario Information Centre is developed at Union Station to avoid conflict with that facility.

### 4. Culture Division

The Culture Division has reviewed Hummingbird's business plan and has addressed comments in the areas of the cultural venue and heritage preservation.

#### 4.1 Cultural Venue

The Culture Division has advised of its support for the redevelopment of the Hummingbird Centre as outlined in the Consolidated Business Plan. Culture believes that the business plan provides sufficient analysis and detail to answer the concerns raised by Culture in the July 2003 report to Council. In addition, Culture has commended Hummingbird for their ability to find an innovative solution to retain the Centre as a viable cultural venue, enriching the cultural life of the city, after the opening of the Four Seasons Centre for the Performing Arts in 2006.

Specifically, the Culture Division has advised that it believes the current business plan for a redeveloped Hummingbird Centre is operationally sound and that the plan's assumptions about

the volume of activity that will result from expansion seem plausible and that the projected annual surplus is sufficient to withstand periodic shortfalls in revenue generation. It notes that among the many positive aspects of the plan is the preservation of the Main Stage by internal subsidy from new venues, by diversification of programming types and audiences, and by the animation of the building at times of the day and at times of the year when it has traditionally been closed. Culture is also encouraged by the ancillary revenue opportunities, including parking, which will result from new activity in the building.

However, one cautionary observation is made concerning the Centre's ability to secure a \$15 million naming gift and an additional \$10 million in private donations. Given the frenzied fundraising climate in Toronto resulting from the Cultural Renaissance capital projects, these targets may be difficult to reach. The ongoing cost of a shortfall in private sector contributions could be significant and the Centre's operating viability would be diminished if it must bear financing costs resulting from a capital fund raising shortfall.

#### 4.2 Heritage Preservation

Heritage Preservation Services (HPS) has written to indicate its support for this proposal in principle, subject to their recommendations, since the proposal retains the heritage elements cited in the reasons for listing this property on the City's Inventory of Heritage Properties. HPS notes that the podium on the Yonge Street elevation has been set back further from Front Street than shown in previous submissions, and that the proposed tower and slab additions have been located as far south on the site as practical, thereby giving increased prominence to the Front Street elevation of this heritage building.

However, HPS also notes that the submitted plans are schematic and subject to change in response to City requirements and the resolution of issues such as parking and loading. Therefore, HPS requires that the final plans, including a landscaping plan addressing impacts on the original landscaping of the property, be subject to review by the Toronto Preservation Board and be to the satisfaction of the Commissioner of Economic Development, Culture and Tourism.

HPS has indicated that it is the City's normal practice to secure heritage protection and conservation through the provision, by the owner, of a heritage easement agreement registered on title, a conservation plan and a letter of credit to guarantee implementation of the conservation plan for heritage buildings on redevelopment sites. However, in the Hummingbird situation, HPS has not determined whether such an easement is appropriate. In conclusion, HPS supports the Hummingbird/Castlepoint proposal in principle subject to:

- (a) the proponent providing final plans, including landscape plans, for this development to the satisfaction of the Commissioner of Economic Development, Culture and Tourism;
- (b) an Undertaking or a Heritage Easement Agreement from the Board of Directors of the Hummingbird Centre and/or the proponent being provided prior to any planning approvals for the site agreeing to, among other things:

- (i) protect the heritage features of this site, subject to such alterations as may be permitted in the final approval plans;
  - (ii) prepare a Conservation Plan for the heritage building; and
  - (iii) provide financial security to the city to implement the conservation plan;
- (c) a detailed Conservation Plan to the satisfaction of the Commissioner of Economic Development, Culture and Tourism; and
- (d) financial security in an amount and form satisfactory to the Commissioner of Economic Development, Culture and Tourism to implement the Conservation Plan, prior to the issuance of any building permit, including permits for excavation and shoring.

## 6. Finance Department

The Finance Department has reviewed Hummingbird's business plan and has addressed comments to three areas – the proposed capital plan, the proposed operating plan and the proposed use of TIFs/TIEGs in its financing strategy.

### 6.1 Capital Plan

The Finance Department has requested that the construction capital plan should be itemized and consolidated in one location along with associated sources of funding and that the sources of funding should be clarified by Hummingbird, including any additional City funding requirements, before final comments can be provided on the capital cost components.

The level of detail of capital costs in Hummingbird's business plan is insufficient to determine the adequacy of its capital estimates. These have been taken at face value in this analysis, but will need to be further reviewed when more solid plans are developed.

The total capital costs for CityCentre are \$58.245 million in addition to which there is an identified need to renovate the theatre which Hummingbird and Castlepoint have estimated to be \$17.167 million for a total capital cost of \$75.412 million. Hummingbird has identified total capital funding of \$57.150 million, leaving an \$18.262 million shortfall in funding for the construction of all the elements (Attractions, Interactive Gaming, Restaurant, Concessions/Catering, Main Stage) identified in the business plan.

### 6.2 Operating Plan

Finance notes that Hummingbird's operating cash flow model assumes that all capital costs associated with the construction of any of the elements have been financed prior to the commencement of operations and do not require any further subsidies from Hummingbird or the City. It is also noted that Hummingbird's operating plan also does not examine the net present value of the City's portion of capital costs for the proposal nor the potential impairment of future resale value of the property after the conveyance of the air rights and their development on the property. Finally, Finance notes that Hummingbird's core overhead costs require additional

analysis and information to accommodate reduced levels of operations if projected business and attendance volumes are not achieved.

The revenue drivers used for each new business element (attractions, inter-active gaming, etc.) in Hummingbird's business plan are generally the mid-point of financially stable, mature operations with core expertise in specific operating activities. Finance staff have indicated their concern that, given: the mix of activities proposed; the "un-tested" financial nature of some of the elements such as the Arts Lab; and that some of the elements described may be categorized as conceptual at this stage, the revenue drivers used in the stabilized target would represent the optimistic scenario. Moreover, it is not clear if these target levels can be achieved on a consistent basis over time. Revenues are dependent on repeat consumer use. With no prior experience of this type of programming, it is difficult to determine whether repeat business can be expected or whether an additional capital investment may be needed periodically to refresh the programs to attract repeat business. Contributions to a capital reserve fund have been included in the financial model to fund attraction and facility renewal.

Finance concludes that the net operating margin of 3% of operating revenues, after contributions to capital and attraction replacement reserves, proposed to be achieved when CityCentre's operations have stabilized (which assumes all 5 business components are operating at 100% of activity targets) is relatively low and indicative of a commodity based business focussed on cost containment. These low margins also reflect the level of business risk that CityCentre presents to the City and the level of core overhead embedded in the cost structure of the CityCentre operation because even at 100% of targeted volumes the operation would earn only 3% on revenues.

The operating business model provided by the Hummingbird assumes that all capital costs associated with the construction of any of the elements (theatre, ArtsLab, etc.) have been financed prior to the start of operations and do not require any further subsidies from on-going Hummingbird operating or other City sources. Each element in the Hummingbird Operating Business Plan includes a component for a contribution to a capital reserve. This contribution has been assumed to be used for future capital replacement and rehabilitation requirements (currently at 4% of operating revenues) and not to finance the costs of any start-up capital works.

If the current shortfall is financed by way of a loan and funded from operations, the subsidies identified below will be significantly higher. It is unclear given the information to date if there would be any scenario under these conditions where the Hummingbird would breakeven or generate an operating surplus.

The Hummingbird Business Plan Operating Model provided to date, assumes a three-year ramp-up to target activity volumes, generating up to \$1 million in operating contributions by year three of the plan.

Finance has undertaken additional sensitivity analysis to determine the implications if target activity levels are not achieved. Three scenarios based on the Hummingbird operating business plan have been modelled at activity volumes ranging from 60% to 100% of identified targets for each component (for example, theatre, ArtsLab, restaurant):

- (1) The Hummingbird Business Plan Operating Model;
- (2) Enhanced Status Quo – Theatre and Concessions Catering; and,
- (3) Theatre Only.

Options 2 and 3 have been added, as they would require considerably less capital financing (to be determined) than the \$75 million in Option 1. The impact on donations and Federal/Provincial capital contributions would also need to be identified under a reduced activity model.

Based on the sensitivity analysis (see Table 1 below), the results in 2004 dollars for Option 1, range from a net surplus of \$ 0.9 million at 100% of target activity volumes, to a requirement for a City subsidy of \$2.3 million at 60% of target volumes. For Options 2 and 3, the results range from City subsidy of \$0.4 million at 100% of target volumes, to a City subsidy of \$1.5 million at 60% of target volumes. An additional scenario has been included under Option 2A. where core overhead has been reduced to 45% of the Business Plan target overhead. At this level of overhead the results range from breakeven at 100% of target volumes to a deficit of \$0.9 million at 60% of target volumes.

**Table 1: Annual Net Operating (Deficit)/Surplus \***  
**(\$000 - \$2004)**

% of Target	60%	70%	80%	90%	100% Target
<b>SUMMARY OF ACTIVITY VOLUMES:</b>					
<b>Theatre Events</b>	86	101	115	130	144
<b>Attraction Visitors</b>	240,000	280,000	320,000	360,000	400,000
<b>Interactive Gaming Visitors</b>	43,500	50,750	58,000	65,250	72,500
<b>Restaurant (Seats Served)</b>	68,400	79,800	91,200	102,600	114,000
<b>Bar (Seats Served)</b>	21,900	25,550	29,200	32,850	36,500
<b>Catering Events:</b>					
Mainstage Catering	2	3	3	4	4
Lobby Catering	36	42	48	54	60
Atrium Catering	60	70	80	90	100
Combined Catering	98	115	131	148	164
Mainstage Concession	86	101	115	130	144
<b>OPERATING NET (DEFICIT)/SURPLUS:</b>					
<b>OPTION 1: Hummingbird Business Plan Model</b>	(2,341)	(1,532)	(723)	86	937
<b>OPTION 2: Theatre/Catering &amp; Concessions (Enhanced Status Quo)</b>					
A. @ 45% of Target Core Overhd	(907)	(670)	(434)	(198)	38
B. @ 55% of Target Core Overhd	(1,340)	(1,104)	(868)	(632)	(395)
<b>OPTION 3: Theatre Only</b>					
@ 55% of Target Core Overhd	(1,465)	(1,311)	(1,158)	(1,004)	(851)

### 6.3 Tax Increment Equivalent Grants (Tax Increment Financing)

For TIF's or a grant equivalent to be utilized (TIEG's), there must be an increase in tax revenue that would not have occurred otherwise in the absence of the incentive, such as in a brownfield area. Finance has also concluded tax revenue from the proposed residential tower cannot be treated as incremental tax revenue as that development may be expected to occur on another site in the vicinity and would effectively be considered part of the City's expected assessment growth.

Finance also suggests that Hummingbird's business plan overstates the projected incremental tax revenues (\$1.6 million annually) from the residential tower, including rebates of the education portion of taxes. Although the law permits rebate of both taxes, it may be difficult to get Provincial agreement to rebate the education portion. The municipal tax portion is estimated to be worth \$780,000.

Financing alternatives including an interest free loan are also included in Hummingbird's business plan to provide supplementary information and to indicate that other alternative financing options are available than those recommended in the plan.

### 6.4 Finance Department: Conclusion

The financial sensitivity analysis of target volumes suggests that at the optimistic range of activity volumes - 90% of target and higher – there maybe breakeven or operating contributions generated from the elements identified. It is not clear if these optimistic target volumes can be achieved on a consistent basis over time. For example, the main stage stabilized target represents a 70% increase of the current rental and risk productions.

However if the likelihood is that on a consistent basis the activity volumes would range at or below the 90% target range and in particular as activities rates fall below 85%-80% range - then the enhanced status quo model with its lower subsidy variances over the activity volumes identified would be the preferred option.

Apart from the significantly reduced capital investment required, the enhanced status quo option also provides greater flexibility in future if the strategic policy decision is made to shut down the facility. In the current Hummingbird Business Plan target scenario, an existing condominium over top of the Arts Lab and adjacent to the Theatre would limit the resale value of the remaining site.

The sensitivity analysis also suggests that other related elements such as the restaurant could potentially be added and improve the operating results to the enhanced status quo depending on the impact of the increase in core overhead. If the decision is to proceed with this scenario further analysis will be required.



## 7. Issues Concerning Alternative Financing Strategies

### 7.1 Community Improvement Plan and Tax Increment Equivalent Grants

Ontario legislation does not currently permit the use of Tax Increment Financing (TIF's) as proposed by Castlepoint. Instead, a tax increment equivalent grant can be made under existing authority established under the Community Improvement Plan provisions of the *Planning Act, 1990*. The difference is that under a TIEG the municipality makes a grant in respect of the municipal portion of property taxes while in a TIF it provides direct tax forgiveness/rebate.

On the one hand, it has been suggested that the Hummingbird Centre site, on its own, may not qualify as a potential Community Improvement Project area because it does not meet the criteria of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason set out in the *Planning Act, 1990*. In support of that view, it is noted that the site is in an area with significant development vitality and value, and that under current market conditions has no need for incentives to facilitate redevelopment. This conclusion is also supported by the value ascribed to the property by the density and property appraisal included in the business plan.

On the other hand, the courts have broadened the interpretation of this portion of the *Planning Act, 1990* in the case of Yonge-Dundas Square to include social or other reasons for improving communities, in addition to area-wide dilapidation or blight. Therefore, reasons for a CIP could include revitalization of cultural assets such as the Hummingbird Centre and general improvement of the St. Lawrence Neighbourhood. This interpretation is also supported by location of the Hummingbird in a community improvement project study area designated by by-law as required by the *Planning Act, 1990*. However, City Council would have to consider the precedent set by use of a financial incentive for development in a part of the City where development is occurring in any event.

## 8. Economic Development

The Economic Development Division has indicated its support for innovative mixed use redevelopment in the Central Area which responds to the policy framework established in the Official Plan and provides for the opportunity to create a distinctive icon in the City on an underutilized site. The redevelopment will create additional employment and will generate significant economic benefits, such as:

- the retention of 29 full time and 80 part time jobs as well as the creation of an additional 345 full time jobs at the Hummingbird Centre;
- extending the daytime hours of the Centre as well as the residential development will increase local and external visitor volume resulting in enhanced economic vitality of the St. Lawrence business district;
- reinforcing the importance and vibrancy of Toronto's downtown and possibly encourage further investment in the area.

The St. Lawrence Market Neighbourhood Business Improvement Area (BIA) has expressed its enthusiastic support for the Hummingbird Centre redevelopment proposal. The BIA's main concern is that local streets remain open during the proposed construction period. The BIA considers it imperative that construction associated with the Hummingbird redevelopment, as well as proposed water main and road reconstruction along Front Street beginning in the Fall of 2004, not restrict eastbound access to the St. Lawrence Neighbourhood during the combined total period of construction of four or five years.

Finally, Economic Development staff anticipates some decline in business, especially for area restaurants/bars, due to a loss in Hummingbird patrons visiting the area during construction commencing in mid-2006. Economic Development staff anticipate a short term minimal decline in business during this period and that the development of a new interactive attraction as well as the proposed intensification of the residential development will provide long term benefits and increased sales for local businesses.