



**STAFF REPORT
ACTION REQUIRED**

Theatre Passe Muraille – Capital Maintenance Plan

Date:	June 9, 2016
To:	Budget Committee, Executive Committee
From:	General Manager, Economic Development and Culture
Wards:	Trinity-Spadina – Ward 20
Reference Number:	AFS: 22833

SUMMARY

City Council, in February 2016, directed the General Manager, Economic Development and Culture and the Chief Financial Officer to review the agreement with Theatre Passe Muraille (TPM), and the funding of the 16 Ryerson Avenue Capital Maintenance Reserve Fund (XR3213) to develop a realistic plan for required contributions and capital maintenance, and report back in June 2016, prior to the 2017 Budget process.

Theatre Passe Muraille is Canada's oldest alternative theatre devoted to the development and production of original Canadian work and is the sub-tenant at 16 Ryerson, a City of Toronto owned building. In December 2007, the City acquired the building from Theatre Passe Muraille to assist them in managing a financial crisis while continuing to develop and produce Canadian theatre in the building.

In January 2008, the City entered into a below market rent (BMR) lease with Toronto Artscape Inc. to manage the building as a City-owned performing arts centre, operated by Theatre Passe Muraille. The current lease is for a 10-year term with two five-year renewal options. The lease established that \$200,000 from the proceeds of the sale of the building was to be used to create a Reserve Fund, held by the City as security for any future capital costs. A condition of the lease requires the tenant to contribute a minimum of \$20,000 annually to the Reserve Fund. Such funds, over the \$200,000 principal, are to be applied to the capital costs of the building, through the Economic Development and Culture (EDC's) Division's Capital Budget.

In 2014, an updated Building Condition Audit for 16 Ryerson Avenue identified over \$600,000 in State of Good Repair (SOGR) backlog, (construction estimates only), excluding architects' fees, accessibility upgrades, and a new required electrical service.

EDC staff recently completed a financial review of Theatre Passe Muraille. The not-for-profit theatre relies heavily on grants and donations just to maintain programming and operations. Theatre Passe Muraille does not have the capacity and resources to maintain the building in a state of good repair, beyond the contribution it is already making to the reserve.

RECOMMENDATIONS

The General Manager, Economic Development and Culture recommends that:

1. City Council direct the General Manager of Economic Development and Culture to include capital projects at 16 Ryerson Avenue to reduce the State of Good Repair backlog identified in the Building Condition Audit in 2014 and comply with the *Accessibility for Ontarians with Disabilities Act* in its 2017 – 2026 Capital Budget and Plan submission for consideration.

Financial Impact

The 2014 Building Condition Audit identified \$600,000 in SOGR backlog for only the construction component. The total cost including architects' fees, environmental abatement, archaeology and Accessibility for Ontarians with Disabilities Act (AODA) accessibility compliance will exceed \$1,000,000.

The Building Condition Audit (BCA) for Theatre Passe Muraille updated in 2014 calls for:

- roof replacement on the north end of the building;
- exterior masonry repair, repointing and rebuilding required throughout;
- restoration or replacement of wood windows and doors (note TPM has secured \$25k under the Toronto Heritage Grant Program for the front doors.)
- fire separation and guardrails throughout Backspace;
- structural reinforcing steel plates and tie rods—north elevation;
- structural reinforcing timber roof beams—south end;
- mechanical system balancing and distribution re-design; and
- fire and life safety system replacement.

Not identified in the BCA:

- replacement of obsolete electrical supply and distribution system;
- accessibility improvements to move toward AODA standard (some work beginning 2016);
- sidewalk widening to improve patron circulation and safety; and
- connection between main stage and back stage spaces to improve visitor experience and operational efficiency.

The above projects will be included for consideration in EDC's 2017-2026 Capital Budget and Plan submission within its debt targets. Depending on the timing of the capital projects, they will be partially funded by what is available in the Reserve Fund, and the remaining will be funded by debt, donations and grants. EDC's 2016-2025 Approved Capital Budget and Plan includes \$249,000 in 2016 and \$782,000 from 2019 to 2025 for major maintenance at Theatre Passe Muraille.

There will be no operating costs to the City of Toronto arising from these recommendations as they are the responsibility of the tenant under the lease.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In July 2007, Council approved staff recommendations to acquire 16 Ryerson Avenue as a City-owned performing arts centre and to enter into a below-market lease with Toronto Artscape Inc. with Theatre Passe Muraille as the sub-tenant.

<http://www.toronto.ca/legdocs/mmis/2007/ed/bgrd/backgroundfile-5217.pdf>

At its meeting of February 17, 2016, City Council directed the General Manager, Economic Development and Culture and the Deputy City Manager and Chief Financial Officer to review the agreement with the Theatre Passe Muraille and the funding of the 16 Ryerson Avenue Capital Maintenance Reserve Fund (XR3213) to develop a realistic plan for required contributions and capital maintenance, and report back in June 2016, prior to the 2017 Budget process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX12.2>

ISSUE BACKGROUND

In November 2013 Artscape and TPM requested a meeting with EDC staff to review the capital plans for 16 Ryerson Avenue. Artscape was in receipt of their draft Building Condition Audit update and Theatre Passe Muraille was concerned about the schedule to address capital needs. Based on the projected funding available in the Reserve Fund, it would be a decade before the next significant project could be planned. EDC staff agreed to review the priorities in the revised BCA and develop an accelerated capital plan to address state of good repair backlog and accessibility related to AODA requirements.

In 2014, the final Building Condition Audit was completed, identifying over \$600,000 in state of good repair backlog for only the construction component. The total cost including architects' fees, environmental abatement, archaeology and Accessibility for Ontarians with Disabilities Act (AODA) accessibility compliance will exceed \$1,000,000. Despite regular contributions, there is insufficient funding available in the Reserve Fund to

complete this work in a timely fashion. Theatre Passe Muraille and Artscape are unable to enhance their financial contribution to the Reserve Fund. Un-addressed, this state of good repair backlog will increase as the building deteriorates.

EDC staff recently completed a financial review of Theatre Passe Muraille. The not-for-profit theatre relies heavily on grants and donations just to maintain programming and operations. Theatre Passe Muraille does not have the capacity and resources to increase its annual contribution to the reserve to maintain the building in a state of good repair.

COMMENTS

Economic Development and Culture manages a portfolio of 42 heritage properties, including eight theatres. Five of those theatres have below market rent leases and the other three make up Civic Theatres Toronto. The conservation, restoration and major maintenance of these buildings is the responsibility of the Capital Assets unit in Museums and Heritage Services.

In January 2008, Toronto Artscape Inc. entered into a 10-year lease to oversee the property management of 16 Ryerson, after the City bought the building from the former owners, Theatre Passe Muraille. Artscape has collected fees from Theatre Passe Muraille which it uses to maintain the building, and contributed \$20,000 per year to the Capital Reserve Fund for necessary capital projects at the building.

It is clear that \$20,000 per year will not yield sufficient reserves to fund the SOGR capital program for 16 Ryerson Avenue as projected in 2008. The capital needs are greater and additional requirements such as AODA compliance and electrical servicing have been identified. EDC staff recently completed a financial review of Theatre Passe Muraille, and determined they do not have the capacity or resources for capital to maintain the building in a state of good repair beyond their annual contribution of \$20,000 to the reserve fund. While Theatre Passe Muraille can afford building maintenance expenses, they cannot commit to increasing the annual contribution to the Reserve Fund. As tenants, they are eligible for Trillium and other grants, and regularly apply. Any capital grants received will be applied to fund the required capital projects.

Built in 1902 the building at 16 Ryerson Avenue is the former Nasmith Bakery and Stable. As heritage property owner and manager, Economic Development and Culture is responsible to ensure the state of good repair of all the buildings in its portfolio.

Theatre Passe Muraille is a community-based company, partnering with numerous theatre companies and festivals. They also host neighbourhood youth events and work with near-by Scadding Court Community Centre. Theatre Passe Muraille has taken a leadership role by instituting a variety of accessibility and barrier-reducing programs, such as "relaxed" performances for audience members with sensory and communication disorders, American Sign Language interpreted performances, and by providing assistive hearing devices.

Theatre Passe Muraille has rebounded from their financial crisis of 2008 and has qualified staff available to maintain their leased space. The recent review by EDC staff examined Theatre Passe Muraille's financial performance and position over the past four years and their Five-Year Forecast. The review concluded that Theatre Passe Muraille's resources are utilized efficiently and strategically and that they generally operate on a balanced budget. Similar to many other not-for-profit Theatre Companies, Theatre Passe Muraille is heavily dependent on grants and donations to maintain their operations.

CONTACT

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SIGNATURE

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