

Strategies for Assisting Live Music Venues

TMAC Meeting of May 13, 2020

What's being proposed?

- The staff report proposes providing eligible live music venues in Toronto with a 50% saving on property tax through including them in an expanded Creative Co-Location Facilities Property Tax Subclass.
- This tax class was established by the City of Toronto in 2018. Currently eight (8) properties receive financial benefit through inclusion.
- The proposal is to create an additional stream within this tax subclass to capture live music venues that regularly present live music.
- Eligible live music venues will be able to apply for the tax reduction, which the property owner will receive. If the music venue is a tenant, the expectation is that the property owner will pass the savings along to the venue owner.

How we got here

November 8 TMAC → December 4 Economic and Community Development Committee

The Economic and Community Development Committee requested the General Manager, Economic Development and Culture to establish an interdivisional working group, including Economic Development and Culture, Corporate Finance, City Planning and other necessary city staff; and **report to TMAC on February 20, 2020** and to the Economic and Community Development Committee **with a review and steps to develop a rebate program for live music venues, and other financial options to support live music in the City of Toronto.**

February 20 TMAC → March 10 Economic and Community Development Committee

The Economic and Community Development Committee requested the General Manager, Economic Development and Culture to provide an update on the status of the Strategies for Assisting Live Music Venues at the May 13, 2020 meeting of the Toronto Music Advisory Committee.

COVID-19 impact on live music venues

- March 17: Ontario declares state of emergency; Toronto follows suit March 23
- March 28: Ontario bans gatherings of 5+ people
- Mid- to late March: majority of live venues closed (up to 8 weeks as of May 13)
- March 31: Toronto cancels all major events and event permits
- April 22: An estimated 400 cancelled shows citywide (via nowtoronto.com listings)
- May: First wave of venue closures begins due to COVID-related business failure (Hideout, 120 Diner)

Live music venues were among the first businesses affected by COVID, and it is expected that they will be among the last to see “normal” business operations and revenues return according to the Mayor's Task Force on Economic Support and Recovery, research and community consultations.

Program Rationale

Grassroots / local music venues

- make a vital contribution to Toronto's economic, social, and cultural life
 - employ staff and artists, engage other industry elements, pay taxes
- provide essential gathering places for Toronto's varied cultural communities
- give local musicians a career springboard
- attract and retain creative young people
- help shape a civic identity valuing and promoting music and culture

Threats to grassroots music venues

Five main factors currently threaten venues:

1. **Very few own the building** in which they occupy space.
 - Ontario's Commercial Tenancies policy places no limits on how much commercial leases can be increased upon expiry. Many venues have reported facing lease rate increases of double or triple their existing rate - or even higher. Much COVID-related government assistance benefits mortgage holders, not commercial tenants.
2. **Gentrification** has resulted in many property owners selling to residential or commercial developers.
3. **Commercial insurance** has become more expensive and more difficult to obtain.
4. Increases in land values = **increases in property taxes**, as assessed by MPAC under Ontario's "highest and best use" matrix.
 - felt especially in the downtown neighbourhoods where most of Toronto's music venues are found
 - venues pay a % of their landlords' annual property tax assessments (up to 100% if the venue is the only tenant in the building)
 - 2009-2019 some venues reporting increases of double or more
5. **COVID-19** poses a severe risk to live music venues. Live venues were among the first closed and may be among the last to re-open. Canadian Live Music Assn survey data suggests 70% business failure rate with a shutdown of several months.

Grant program or property tax sub-class?

At TMAC meetings in November 2019 and February 2020, City staff outlined two possible options for assisting live music venues:

1. Create a property tax grant or rebate program to offset some portion of property taxes.
2. Offer specialized tax treatment via establishing a new, separate property tax subclass to target live music venues.

Staff at that time recommended that a grant program was the preferred option. However:

- grants or rebates require the identification of a funding source
- **given the City's current financial situation under stress by the COVID-19 pandemic and the urgent financial needs for mitigation and recovery, the second option is now recommended.**

Proposed “live music venue” eligibility criteria

1 (compulsory) Business License:

The landlord or tenant must have a valid City of Toronto business license that allows or does not prohibit the operation of a live music venue with a maximum capacity of 1,500 and the facility must have been in operation for a minimum of six months prior to applying for property tax relief.

2 (compulsory) Venue Infrastructure:

The live music venue must have a minimum of four amenities or types of equipment listed below

- fixed stage or stage area
- sound booth or desk with sound board
- artist dressing room
- window, booth, or established point where tickets or cover charges are collected
- audio equipment (amplified PA system with mics, and/or backline)
- performance or stage lighting

3 (compulsory) Bookings & Compensation:

- the live music venue must present live music a minimum of 144 days annually; and
- artists must be compensated for performances (through a percentage of bar sales or door cover, or as agreed via a formal or informal contract), and must not be charged for the use of the stage or equipment

4 Employment:

Regular venue staff or contract workers must fulfill a minimum of two of the roles listed below connected with the venue's live music programming (note that one person may fulfill more than one role):

- venue booker
- event promoter
- audio technician
- stage manager
- door person/venue security

5 Marketing:

A minimum of six performances per month must be consistently promoted via at least one recognized online listing service, on social media, or by printed material (flyers, posters, etc.). Live music must be the dominant focus of this promotion.

What happens next?

- a. The Staff Report (with a “Proposed Eligibility Criteria” attachment) is reviewed by the Deputy City Managers and signed by the City Manager.
- b. If endorsed, the report will be submitted to the next meeting of City Council.
- c. If adopted by City Council, applications will be made available immediately thereafter, with a submission period of approximately three weeks' duration.
- d. City staff will review applications and City Legal will prepare a draft Bill for City Council adoption at their meeting of July 22 and 23, 2020 (tbc).
- e. Bills will be sent to the Municipal Property Assessment Corporation (MPAC) with a list of properties, gross floor area and supporting documentation. Then, once MPAC reviews and accepts, notification will be sent to Revenue Services for an adjustment in property taxes owing on the eligible properties.

Suggested TMAC involvement: now / future

- Endorse the proposal to have live music venues included in the Creative Co-location Facilities tax subclass to generate a 50% property tax reduction.
- Review and endorse proposed eligibility criteria for venues.
- (If proposal is adopted by Council), provide ongoing industry information to the Music Office and other City staff as needed to help ensure that
 - live music venues included in the tax subclass continue to uphold the required eligibility criteria; and
 - live music venue tenants continue to receive the tax reductions passed along by their landlords

Questions / comments?