Operating Support for the Design Exchange (DX)

Date: March 25, 2015
To: Economic Development Committee
From: General Manager, Economic Development and Culture
Wards: Ward 28 – Toronto Centre-Rosedale
Reference Number: 20936

SUMMARY

The purpose of this report is to obtain City Council authority to provide $200,000 in one-time transitional funding in 2015 to support the operations of the Design Exchange (DX). The funds will be an internal reallocation of the approved 2015 Economic Development & Culture Operating Budget. As well, the report directs the General Manager of Economic Development & Culture to submit a business case for an increase to the grants program to provide ongoing operating support for the DX in 2016.

The DX is a cultural institution that champions the best in design from Canada and around the world, supporting innovation and exhibiting design excellence in the arts, architecture, industrial design, graphics and fashion. It is the definitive voice for design in Canada. Its success to date is partially a result of a real estate deal between the City of Toronto and Cadillac Fairview which included the historic Toronto Stock Exchange floor and other adjoining space dedicated to the Design Exchange for the purpose of public programming: exhibitions, specials events, and lectures.

For 24 years, Cadillac Fairview made annual payments of $500,000 to the City up to and including 2013. The City received the final payment from the developer in September 2013 which was then flowed to the DX in April 2014.

The reason for the recommended one-time transitional operating funds to support the Design Exchange is due to the significant financial pressures facing DX in the absence of replacement funding for the $500,000. The DX has vigorously pursued funding from both the private and public sectors, but requires more time to implement its business strategy while continuing its core mission of public programming. The DX has submitted a strategic and business plan and City staff have been working with the DX on their sustainability.
A one-time contribution of $200,000 from the city would provide the DX some stability as they reach out to other levels of government and private donors to replace the $500,000 funding from Cadillac Fairview. The City could provide some ongoing funding to the DX starting as early as 2016.

RECOMMENDATIONS

The General Manager, Economic Development and Culture recommends:

1. City Council authorize the allocation of one-time transitional funding of $200,000 to the Design Exchange (DX) which is to be absorbed in the Economic Development & Culture 2015 Council approved Operating Budget; and

2. City Council direct the General Manager of Economic Development & Culture to submit a business case to the Economic Development Committee for a request to increase the 2016 grants program to provide an ongoing grant for the DX.

Financial Impact

The financial impact associated with this report will be absorbed in 2015 by revising other priorities.

A budget pressure of $200,000 will be created for the 2016 Operating Budget assuming Council decides to fund the DX as an additional request.

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

DECISION HISTORY

In May 2014, City Council recommended that the DX, through its Board of Directors and President, submit a comprehensive strategic and business plan to the General Manager, Economic Development & Culture by July 2014, describing the sustainability of the organization into the future and the value contribution to Toronto that together would be considered in a grant application.

City Council also directed the General Manager, Economic Development & Culture to prepare a business case, based on the information provided in the comprehensive strategic and business plan submitted by the Design Exchange to be included in the 2015 budget submission for City Council, whether to consider providing annual support to the DX up to $200,000 and whether to designate DX as a Major Cultural Organization.

ISSUE BACKGROUND

Established in 1994, the Design Exchange is a registered charitable not for profit cultural organization and is Canada's only museum dedicated exclusively to the pursuit of design excellence and preservation of design heritage. At the crossroads of multiple disciplines, from furniture and architecture to graphics and fashion, DX exhibitions and DXTalks reflect and examine contemporary culture, while demonstrating the relevance of design to everyday life and to all people.

The City secured a long-term lease of the space at 234 Bay Street, now occupied by the DX, in conjunction with the approval of a commercial development on the site of the former Toronto Stock Exchange (TSE). The former TSE facility and additional space in the new building were leased to the City for a term of 99 years, from June 1, 1992 to May 31, 2091. The City subleased the premises to the Design Exchange from December 1, 1994 to May 30, 2091.

The developer agreed to make annual payments of $500,000 to the City for 24 years (until and including the year 2013), for the use and benefit of the occupant of the premises, subject to conditions set out in the development agreement. The City’s grant agreement with the Design Exchange required that the grant be used to pay operating costs related to the premises charged by the landlord, cleaning services, insurance premiums, security and maintenance services and related administration, to ensure the facility is kept in a state of good repair. The City received the final payment from the developer in September 2013, for a grant to the DX for 2014.

In recent months the Design Exchange has been having cash flow issues and in order to help with the situation the General Manager of Economic Development & Culture recommends that $200,000 be allocated to the DX as one-time transitional funding. This funding is being absorbed in the Council approved Economic Development & Culture Operating Budget. The Design Exchange anticipates that additional funding can be raised by the DX from other levels of government and the private sector in order to collectively replace the remainder of the $500,000 funding from Cadillac Fairview that has now finished as per the terms of the Section 37 Agreement.

COMMENTS

As requested, the Design Exchange, through its Board of Directors and President, have submitted a comprehensive strategic and business plan to the General Manager, Economic Development & Culture describing the sustainability of the organization into the future and the value contribution to Toronto that together would be considered in a grant application.

Based on the information provided by the Design Exchange, $200,000 in one-time transitional funding to the DX is being recommended by the General Manager of Economic Development & Culture and will be absorbed in the Economic Development & Culture Council approved Operating Budget.

The DX is not being considered under the Major Cultural Organizations grants program for two reasons. First, in 2015, the funding for that grants program was flat lined and there are no available funds for a new recipient. Second, the eligibility criteria for that program is under a
policy review and recommendations will be forthcoming to Council in the fall. Until the new eligibility criteria are approved by Council, no new applicants will be considered under that program. However, City staff requested and reviewed information and documentation from the DX that corresponds with the materials required for a similar grant submission. Staff will also monitor the organization ensuring accountability for the operating support.

In this report City staff are recommending that Council direct the General Manager of Economic Development Committee to submit a business case for a request to increase the grants program in 2016 to provide an ongoing grant for the DX under the appropriate program.

Furthermore, the General Manager of Economic Development & Culture will continue to work with the Design Exchange to provide assistance to support the DX to fulfill its Strategic Plan, to review DX’s progress and to assist the DX Board in its efforts to secure other sources of funding.

Current Financial Situation

Since 2011, the DX has successfully grown its annual revenues from $2,644,825 to $3,092,709 in 2014. The DX projects 2015 revenues at $3,155,190. However, expenditures have also grown concurrently and the DX has had three years of an operating deficit. These deficits have been strategic, in order to increase the program offer and the profile of the museum. Over the past three years, the DX has seen growth in audiences and in fundraising and membership revenues. While the 2014 audited financial statements are currently being prepared, as of March 2015, the DX was carrying an accumulated deficit of $830,590 on an overall 2015 operating budget of $3,154,674. They forecast a balanced budget in 2015. The business plan forecasts the elimination of the accumulated deficit by the year 2020.

The board and staff of the DX have continued to meet with federal and provincial government representatives to secure ongoing core funding. The DX has a successful history of project funding from both levels of government for its exhibitions, but it is seeking stable operating funding. This has been a challenge due to the fact that as a design museum, it has had difficulty fitting within the strict eligibility criteria for fine arts, visual arts, and museums funding programs.

2015 DX Programming

While constrained financially, the DX has continued to provide popular public programming. It just closed its well reviewed exhibition, Politics of Fashion, Fashion of Politics, and has two exhibitions planned for the spring and summer. Monumental 3D is an exhibition of the impact of 3D printers on all aspects of design which will open in May. The DX was commissioned by the TO2015 to curate and produce an exhibition for the Pan/Parapan American Games. In July, it will present Smarter. Faster. Tougher.. It is an exhibition of the history and design of sports clothing, materials, fashions, and designs. It will be on display during the games and after from July 8 – November 15, 2015.

As well, the DX continues maintain its permanent collection of 450 pieces of post-war Canadian industrial design, provide high school and university students with the opportunity to compete in
design competitions, present internationally renowned speakers and lectures on design, summer and March Break camps for children, It offers design workshops in areas from urban planning to toy and fashion design in community centres across Toronto targeting those in the City’s identified neighbourhood improvement areas.

Given the circumstances of the DX as it works towards replacing revenues while continuing its public programming, one-time transitional funding in 2015 will position the organization to be able to submit a grant request to the City and to other levels of government in future years.

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SIGNATURE

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