

MA3.2

Strategies for Assisting Live Music Venues

Direction

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:

- a. **Establish an interdivisional working group**, including Economic Development and Culture, Corporate Finance, City Planning and other necessary city staff; and
- b. **Report to the Toronto Music Advisory Committee 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.**

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

Four main factors 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.
2. **Gentrification** has resulted in many property owners selling to residential or commercial developers.
3. **Commercial insurance** is getting 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

For many venues, approx. 75% of venue revenue comes from bar sales and ticketing / cover charges. In the past decade, neither stream has increased for most.

Grant or rebate program vs new tax sub-class?

City staff have outlined two possible options for assisting live music venues:

1. Offer specialized tax treatment via establishing a new, separate tax class to target live music venues.
 - requires approval of Province of Ontario
 - incentive goes to property owner (landlord) – not the venue
 - challenging to verify that savings are passed on to tenant
2. Create a property tax grant or rebate program to offset some portion of property taxes.
 - requires first establishing a source of funds, and creating a “Community Improvement Plan” (CIP) - City of Toronto Planning Division
 - CIP requires approval of Province of Ontario

Staff in Revenue Services believe that a grant program is the preferred option for further exploration. “Live music venues” do not match any currently permitted rebate types.

However, there are limitations on when / how the City can offer particular businesses assistance of this kind.

Jurisdictional Review

- 2019: Music Venue Alliance Austin proposed a tax rebate program on liquor sales to provide economic relief to music venues in Texas
 - Texas Senate's Business and Commerce committee passed the bill; currently scheduled for a vote on the Senate floor.
- 2020: UK government approved a 50% cap on "Business Rates" (taxes paid on non-residential properties) for small- and medium-sized grassroots music venues across England and Wales
 - Music Venue Trust estimates that the relief will benefit 230 music venues across England and Wales at an average saving per venue of £7,500 per year, for an annual program total of £1.7m.

Step 1: City and Industry – Defining a “music venue” to determine eligibility

Rebate or grant program should target only venues whose **core business is presenting music** (vs those where music might be found, but used only ambiently, occasionally, or not regularly performed by artists).

Possible criteria:

1. **Bookings:** How often and how consistently does the venue book live bands or DJs?
2. **Marketing:** Are performances advertised via established listing services (eg nowtoronto.com, ontariolivemusic.ca, JustShows, BandsInTown, SongKick, etc) and/or by printed material (flyers, posters, etc), and/or via radio or other media?
3. **Venue infrastructure:** Is there a fixed stage or stage area? Sound booth, dressing room, or ticket window? In-house audio equipment (PA, sound board)? Lighting?
4. **Staffing:** Do regular staff have established roles connected with the venue's live music programming? (Eg venue booker, promoter, audio technician, stage manager, security, etc)
5. **Finances:** Is there a cover charge for all / some performances? How does the venue compensate performers? Is there a relationship with PRO's?
6. **Raison d'etre:** Is presenting music the main reason for the venue's existence, and its primary business focus? Do audiences and musicians see the venue in this way?

Definitions and eligibility criteria would need to be established and approved by City Council.

Step 2: City and Industry – Determining amount of grant funding

To help allocate source / availability of City funds for a grant program

- useful to estimate approx. percentage of live music venues' annual property tax costs should be reimbursable so program meaningfully assists sustainability

Step 3: City Hall

- a. Identify a funding source for the grant program, and ensure that adequate funds are available.
- b. Identify how and by whom the program would be administered
 - includes creating grant application form and establishing process for reviewing / approving submissions
- c. Create a Community Improvement Plan (CIP).
- d. Seek City Council approval for the grant program and its funding source.
- e. Seek City Council and Provincial approval for the CIP.

* Staff making up Interdivisional Working Group (Corporate Finance, Revenue Services, Planning, Legal, Economic Development and Culture)

Suggested TMAC involvement

- Review and approve draft definition of “live music venue” and eligibility for grant program
- Recommend percentage of annual property tax costs to be reimbursable under grant program
 - Help collect information from live music venues to establish estimate

Questions / comments?