



Memorandum

Date: December 11, 2024
To: Committee of the Whole
From: Karen Cubitt, Director, Parks, Recreation & Culture
Subject: Considerations in Setting a Financial Upset Limit
for the Arts Centre Rescoping Exercise

In preparation for the upcoming Arts Centre budget exercise, Staff have put together the following memo which includes a summary of project facts, assumptions, financial estimates, and a range of budget reduction levels for consideration that include tax rate implications.

Proposed Motion:

THAT Council provides a financial upset limit of not more than:

[Council to add \$M],

to the Arts Centre Feasibility Study consultants and Steering Committee for the prioritization and scope reduction exercise of the options presented in the June 2024 Collingwood Arts Centre Business Case.

Facts:

- The past Arts Centre cost estimates are provided in the Background section, at the end of this document.
- The current amount in the Arts Centre reserve is \$1,240,000. This amount has not been used in this document to reduce the Town's funding needs, as it could be kept as a risk and operational contingency for early years, however it could be applied to reduce any capital debenture needs.
- Tax implications from a proposed capital debenture could be addressed as an increase to the tax rate or could displace an equal value, lower priority expenditure to not impact the tax rate.
- Potential sources of funds include:
 - o Tax revenue

- Fundraising
 - Donations
 - Sponsorships
 - Grants from Foundations or non-government entities
 - Contributions from other orders of government
 - Future income (note that all reports have indicated a substantial annual subsidy is required)
- An Arts Centre does not qualify for the use of Development Charge funds.
 - This exercise does not consider any required operating subsidy or the future need for asset management renewal funds.

Assumptions:

For this exercise, staff have made the following assumptions:

- Parking will not be part of the Art Centre project scope, and will be provided separately, seeded by the parking reserve and with the potential for a P3 type or partially self-funded project.
- Town will fund one third of the total building capital price, with two thirds funded by others.
 - Note that a significant federal grant for the arts, the Canada Cultural Spaces Fund, is no longer accepting applications for construction projects.
 - Fundraising will be applied to the Town's portion and is assumed to range from a minimum of \$5M to a maximum of \$10M, net after any fundraising specialist is compensated.
- Private donations and fundraising would happen in the same time period as fundraising for a new hospital and Georgian Triangle Humane Society.
- Debenture would be paid off in 20 years, with a 4.5% interest rate.
- The Town's 2024 Annual Repayment Limit, which sets a maximum repayment limit, currently enables borrowing repayment of an additional \$11,199,340 over all the Town's needs.
- This consulting exercise will provide estimates using a Class D estimate methodology.

Base Town Capital Need, Given Assumptions:

Option	Total Cost (July 2024)	Cost without parking (\$18.9M)	Town Share at 33%	If Low Net Fundraising of \$5M			If High Net Fundraising of \$10M		
				Town share	*Annual Dept Payment	**Land Tax % Change to Fund Debenture	Town Share	*Annual Dept Payment	**Land Tax % Change to fund Debenture
1 (600 seats at 101 Pine)	\$90.7M	\$71.8M	\$23.7M	\$18.7M	\$1.47M	3.62%	\$13.7M	\$1.08M	2.65%
2 (600 seats at 101 Pine + 84 Hurontario)	\$107.7M	\$88.8M	\$29.3M	\$24.3M	\$1.91M	4.70%	\$19.3M	\$1.52M	3.73%

*20-year term at 4.75% interest

**\$406k equates to 1% tax increase

Potential approach to determining a financial upset limit for the capital investment – a reduction to Option 1 (net of parking) of 10%, 20%, or 30%:

Option 1 Reduction Scenarios

	10% Reduction	20% Reduction	30% Reduction
Building Capital Investment	\$64,620,000	\$57,440,000	\$50,260,000
Potential Funding 67%	\$43,295,400	\$38,484,800	\$33,674,200
Town's Share	\$21,324,600	\$18,955,200	\$16,585,800
Net Donations - \$5M	\$16,324,600	\$13,955,200	\$11,585,800
Annual Debenture Payments*	\$1,282,305	\$1,096,187	\$910,070
Tax Rate to fund Debenture**	3.16%	2.70%	2.24%
Net Donations - \$10M	\$11,324,600	\$8,955,200	\$6,585,800
Annual Debenture Payments*	\$889,553	\$703,435	\$517,318
Tax Rate to fund Debenture**	2.19%	1.73%	1.27%

*20-year term at 4.75% interest

**\$406k equates to 1% tax increase

Next Steps:

Once a financial upset limit is determined, the Town's consultants at Colliers and the Steering Committee will undertake a prioritization/scope reduction exercise to reduce the facility functional program to achieve the agreed upon budget.

The estimated operating revenues and expenses will be updated based on the rescoped facility which will also inform the estimated annual subsidy projections (current modelling estimates 26% and 31% of the anticipated operating budgets for Options 1 and 2 respectively).

Background & Cost Estimate History:

Phase 2 Construction Estimates – provided by Nordicity & Giaimo March 2023

Scenario 1 (400 seats)				Scenario 2 (800 seats)		
	2021	2022	% Increase 2021 to 2022	2021	2022	% Increase 2021 to 2022
Low	\$16.4M	\$25.2M	54%	\$32.0M	\$49.8M	56%
High	\$25.2M	\$34.3M	36%	\$49.1M	\$67.5M	37%

Sources:

[Phase 1 Collingwood Arts Centre Feasibility Study 2021 - Final Report \(2.41 MB\) \(pdf\)](#)

[Phase 2 - Collingwood Arts Centre Feasibility Study - Final Report \(7.43 MB\) \(pdf\)](#)

An overview of the **construction costs**, taking into consideration two levels of architectural excellence (Low and High). For every type of space (e.g., office, performing arts facility), ranges of industry standard cost per square-foot were sourced from Altus Group's Canadian Cost Guide and adjusted with comparable facilities. For the business modelling exercise, the costs illustrate the low end of these range: in both scenarios, the model considers the minimum, bare-bones end of these ranges.

For instance, a scenario 1 comparable facility with **Low** construction costs would be the Hamilton Family Theatre in Cambridge, ON. Built in 2013, the 59,000 sq. ft., 500-seat facility cost an estimated \$14 million.

At the other end of the spectrum, a scenario 2 comparable facility with **High** construction costs would be the Isabel Bader Centre in Kingston, ON. The facility was built in 2014 for a total of \$72 million and can accommodate 566 patrons in the theatre for a total 80,000 square feet. It must nevertheless be noted that the price per square foot does not go below \$400 for all spaces.

Over the last few years construction and material costs have gone up significantly - especially due to pandemic - and it seems unlikely that these prices will go back down even after pandemic. (Phase 1 report, page 39)

Note that the Altus Guide is considered to be a rough order of magnitude with an accuracy of +/- 50%.

Phase 3 Cost Estimates – Provided by Colliers and Diamond Schmitt July 2024

Component	Option 1 (\$)	Option 2 (\$)
Capital Costs		
Building Capital Investment	61,597,367	72,778,448
Underground Parking	18,863,265	18,863,071
Funding		
Potential Funding	40,756,405	46,251,288
Donations*	10,000,000	10,000,000
Town Investments		
Estimate Operating Subsidy	938,454	1,190,102
Town's Capital Investment Shortfall	10,298,684	15,889,224
Parking (In addition to Building Cost)	18,863,265	18,863,071

*Nordicity estimated \$5M donation targets, however the CACF Steering Committee feels strongly that \$10M or more is possible.

Assumptions for the capital cost estimate include a General Contractor's Overhead at 10 percent, General Contractor's Fees at 5 percent, and Bonding and Insurance at 1.5 percent. Further, contingencies were encapsulated in the final estimates with an Estimating and Design Contingency of 15 percent, Construction Contingency at 10 percent and Escalation Contingency to June 2026 (two years) at 7 percent. The overall project costs including the parking investment, consultant fees, soft costs, escalation reserves and risk allowances for Options 1 and 2 are an estimated \$90.7M and \$107.7M, respectively. These estimates are based on percentages of the capital cost: 14 percent consultant fees, 1 percent soft costs, 7 percent escalation and 2.5 percent taxes. The overall project cost includes costs relating to consultants and design phases but does not incorporate costs for the fundraising specialist. A fundraising specialist may charge 5 percent of the total funds raised or charge a fixed fee for the duration of the campaign.

Note that the Class D estimates in Phase 3 have an accuracy rate of +/- 25%.

Option 1

Budget Item #	Budget Item Description	Current Budget (\$)
1	Construction Cost	70,332,975
1.01	Construction Cost	61,597,367
1.02	Consultant Fees	8,152,234
1.03	Soft Costs	582,374
2	Escalation and Allowances	18,165,064
2.01	Escalation Reserve	8,925,458
2.02	Risk Allowance	9,239,605
Sub-total		88,498,038
Taxes		2,212,451
Total		90,710,489

Option 2

Budget Item #	Budget Item Description	Current Budget (\$)
1	Construction Cost	83,695,215
1.01	Construction Cost	72,778,448
1.02	Consultant Fees	10,188,983
1.03	Soft Costs	727,784
2	Escalation and Allowances	21,462,364
2.01	Escalation Reserve	10,545,597
2.02	Risk Allowance	10,916,767
Sub-total		105,157,580
Taxes		2,628,939
Total		107,786,519

Source:

[Phase 3 Collingwood Arts Centre Feasibility Study - Final Report Business Plan and Fundraising Framework \(7.45 MB\) \(pdf\)](#)