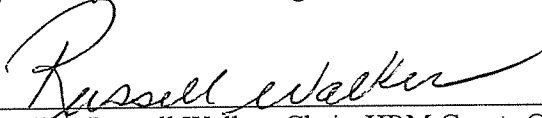


REVISED

Halifax Regional Council
November 16, 2004

TO: Mayor Kelly and Halifax Regional Council

SUBMITTED BY: 
Councilor Russell Walker, Chair, HRM Grants Committee

DATE: November 1, 2004

SUBJECT: **HRM Community Grants Program 2004-05: Appeals and Holdbacks**

ORIGIN

At the HRM Grants Committee meeting of September 20th, 2004, a supplementary report regarding grant appeals and holdbacks was approved. The report directed staff to provide further analysis of Eastern Front Theatre's appeal. This report also includes recommendations regarding grants held back pending confirmation of funding, reporting, or substantive change to a project.

RECOMMENDATIONS

Staff recommend that Regional Council:

1. Decline the appeal for additional funding from the Eastern Front Theatre Company;
2. Revoke the 2004-05 awards to the Community Care Network, Black Community Advocates Association of Nova Scotia, and the Voices Black theatre Ensemble as detailed in the Discussion section of this report.

BACKGROUND

The *HRM Community Grants Program* considers appeals on the basis of new information or an error in fact or procedure. The one appeal addressed in this report was considered on the basis of new information in terms of rental rates at an HRM-owned cultural facility.

DISCUSSION

A. Appeal

Eastern Front Theatre, Dartmouth - Arts

Eastern Front Theatre applied for a grant in the amount of \$22,000 for general operating expenses and was awarded a one-time grant of \$10,000. The basis of their appeal is the amount they pay in rental fees to an HRM-owned facility as compared to the value of the grant requested from the municipality. In 2003-04, Eastern Front Theatre paid \$34,000 in rental fees and a \$4,000 "building capital costs" levy to Alderney Landing Theatre.

Staff were to review the file for: (a) facility management agreement subsidy, (b) rental rates at other theatre's of a comparable size, (c) capital levy, and (d) eligibility for events grants funding. See **Attachment 1** for details. Of concern to staff was the statement "...we [Eastern front Theatre] have made a commitment to the facility, but with these kinds of cuts it becomes increasingly difficult to stay". Hence, staff added an assessment of the potential impact on the facility if the theatre company chose to rent at alternate locations; note: the company's strategic plan indicates an increased role in touring.

Staff recommend no increase in grant for 2004-05.

Rationale:

1. All prior years grants to the Eastern Front Theatre Company were one-time awards and therefore there has been no "cut" in funding and no formal commitment on HRM's part to providing a one-time grant, to a fixed amount of funding, or to multi-year funding;
2. The Alderney Landing Theatre facility is operated on a non-profit basis by a third party in receipt of a substantial public subsidy (\$175,000 in 2004-05), irrespective of the size or type of cultural group renting the premises and/or technical services. In effect, all non-profit users of the Alderney Landing Theatre receive an indirect public subsidy.
3. To provide a grant to one organization exclusively on the basis of rental rates paid to an HRM-owned property might constitute duplication in public subsidy (both the facility and the user groups).
4. There is no formal policy or program for rental subsidies to HRM facility users; to do so may undermine the viability of community-owned and operated facilities who do not receive an annual operating subsidy and who compete for similar rentals.

While staff are supportive of Eastern Front Theatre's mandate and production quality, the *HRM Community Grants Program* is limited in its capacity. Demand for assistance from a broad range of arts groups throughout the region requires adherence to current eligibility criteria. Annual grants are not intended to subsidize the on-going operating costs of an organization,.

B. Hold Backs

2. Community Care Network Society, Halifax - Social Supports

In 2003-04, the *HRM Community Grants Program* awarded a multi-year grant to the society in the total amount of \$50,000 to be paid in four annual instalments of \$12,500 conditional upon the Grant Committee's review and approval of an operational feasibility plan. The grant was "...for the sole purpose of the acquisition of two (2) properties located at 2347 Maynard Street and 2447 Maynard Street, Halifax. The purchase price was \$198,783 plus \$19,500 HST but as a registered charity the group can claim a partial refund of HST. A portion of the premises is rented to third party interests.

Staff recommend the 2004-05 payment be revoked in anticipation of the sale of 2437 Maynard Street, Halifax, at market value.

Rationale: The property located at 2437 Maynard Street comprises two vacant lots which were appraised at \$60,000; if a sale proceeds for the same or higher value then the society may be deemed to have profited from such a land acquisition (through a public grant and tax subsidy) and HRM's assistance should be revoked and capacity re-directed. The Community Care Network would be eligible to re-apply in future years for project-specific assistance as per other applicants.

3. Black Community Advocates Association - Social Supports

The Black Community Advocates Association of Nova Scotia trains volunteers facilitators in self-advocacy for members of the Black community re: the justice system. A multi-year developmental grant was awarded in 2003-04 (3 years) towards a workshop and volunteer development.

Staff recommend the 2004-05 grant in the amount of \$2,000 be revoked.

Rationale: Reporting for the 2003-04 grant has not been received due to a change in the Board of Directors. The new board has requested the records of the prior administration. The B.C.A.N.S would be eligible to re-apply for the final instalment scheduled in 2005-06 pending reporting.

4. Voices Black Theatre Ensemble, Halifax - Arts

The Voices Black Theatre Ensemble is a multi-arts performance group who were awarded a grant in the amount of \$1,500 towards the creation of three plays. The grant of \$1,000 was towards the rental of rehearsal space and publicity. A hold back was imposed pending confirmation of funding for script development.

Staff recommend the 2004-05 grant be revoked.

Rationale: The initial project cannot proceed as intended due to insufficient funding. Voices Black Theatre Ensemble would be eligible to re-apply for the 2005-06 program.

BUDGET IMPLICATIONS

If approved, the \$16,000 in grants revoked for 2004-05 will not be re-allocated in this fiscal year. Any program balance remaining will be used to off-set the Grants Program portfolio over-expenditure in the *Tax Exemption for Non-Profit Organizations Program* (By-law T-201) for 2004-05. As such, the residual grants will be used to assist other community non-profit organizations in HRM (there shall be no transfer to administration).

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating Reserves, as well as any other relevant legislation.

ALTERNATIVES

1. Regional Council could defeat the staff recommendations.

This action is not recommended: each appeal has been reviewed on its own merit and relative to other applicants - both those awarded a grant and those declined. There is no proof of error to warrant overturning a prior decision of the HRM Grants Committee made in accordance with the program's policy and procedures.

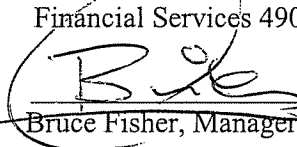
ATTACHMENTS

none

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210 or fax 490-4208.

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Financial Services 490-5469

Approved By:



Bruce Fisher, Manager, Financial Planning, HRM Financial Services

Attachment 1.

Alderney Landing Theatre

Facility Management Agreement: Alderney Landing Theatre is located in an HRM-owned property known as Alderney Landing located on the Dartmouth waterfront. The facility is operated by the Alderney Landing Corporation under five-year a facility management agreement with HRM (2002-2007).

Annual Facility Operating Subsidy: In accordance with the facility management agreement, Alderney Landing Corporation receive an annual operating subsidy from HRM. In 2004-05 this subsidy was in the amount of \$175,000. In effect, the subsidy provides an indirect subsidy to all facility users including non-profit organizations. Further, with the exception of commercial tenants, the facility is not assessed for property taxes which would otherwise be an operating cost transferred to users through rental fees.

Comparable Rental Rates: A comparison with theatres of a similar size in the urban core indicates that the rental rates at Alderney Landing Theatre are competitive (Sir James Dunn Theatre, Rebecca Cohen Auditorium; Studio Stage, Neptune Theatre). A direct comparison has not been made because each facility operator's base rental rate varies according to the type of services included, or charged as an additional cost, such as labour, technicians, equipment rental, capital surcharge, ticket sales etc.

Theatre Revenues:

Theatre revenues as % of all revenues: The Alderney Landing Theatre is rented to (a) community non-profit arts and cultural groups and organizations, including schools and (b) corporate and private interests (for example, weddings, meetings, and conferences). In 2002-03, theatre rentals accounted for \$195,408 (29%) of total revenues \$674,571. The total revenues include a \$250,000 contribution from HRM. If the municipal subsidy is deducted the theatre revenues are 46% of self-generated income for the entire facility.

Rentals as a % of theatre revenues: Theatre revenues include rentals to non-profit and commercial groups, technical charges, box office revenues, and bar service. Technical charges include staff wages or equipment rentals. Using 2002-03 data, theatre rentals to the non-profit cultural sector were 41% of revenue (and 70% of available time) and 59% of revenue (25% of time) was from corporate/private rentals. Corporate rentals are clearly a more profitable market: the daily rental rate is \$500 for corporate as compared to \$300 for cultural groups and \$250 for Eastern Front Theatre.

Bar and catering services are provided for theatre productions as a courtesy, not a revenue source. In 2003-04, for example, net profits from theatre bar services was \$154; the primary profit source is corporate/private rentals.

Eastern Front Theatre as % of theatre revenues: Among the non-profit theatre rentals, Eastern Front Theatre is currently the largest individual user: 38% of theatrical performances in 2004 and 16% of theatre-related revenues. Overall, Alderney Landing Theatre is experiencing an increase in the number of non-profit rentals to school drama and musical productions, musical performances, dance, and various cultural events (festivals, literary awards, visiting theatre company's).

To put Eastern Front Theatre's use of the Alderney Landing Theatre in perspective, in 2003-04 they accounted for \$39,253 of ~\$249,000 or 16% of revenues as shown below in Table 1. However, if HRM's 2003-04 grant of \$20,000 is deducted from the expenditures at Alderney Landing, the theatre has made a

net contribution of \$19,253. If this net revenue source were to be lost it could be recovered through an increase in non-profit rentals or corporate/private rentals at the higher rates charged to these groups. This may be a feasible target if Alderney Landing's year-to-year performance continues to see an overall increase in theatre rentals.

Alderney Theatre Revenues: Eastern Front Theatre			
	2001-02	2002-03	2003-04
Facility rental	\$15,250	\$10,500	\$15,500
Technical Services/Staff	\$17,211	\$11,451	\$16,474
Box Office/Capital Improvement Fund	\$2,368	\$3,068	\$7,279
Other/Equipment	\$1,290	\$1,289	
Total	\$36,119	\$26,308	\$39,253

Figures provided by Alderney Landing Corporation: excludes complementary fundraising assistance.

The total theatre revenues for Eastern Front Theatre show an overall slight increase in revenues over a three-year period; the most notable change is in box office and capital charge revenues which may have been impacted by the purchase of specialized equipment and software in 2002-03. The box office equipment was purchased by Alderney Landing through assistance the federal Cultural Spaces Canada Program.

Capital Improvement Surcharge: The "capital improvement fund" is a \$0.75 charge added to each ticket sold. A portion of the surcharge is allocated to facility upgrades, primarily lighting and refinishing the stage floor. Initially, the theatre borrowed equipment from Neptune Theatre and the Atlantic Theatre Festival but Alderney Landing now owns industry standard lighting and sound equipment

Events Funding: In the opinion of Grants Program staff, Eastern Front Theatre is eligible to apply for events funding from all levels of government (including HRM) and the private sector for the annual Kids on the Waterfront Festival and the On the Waterfront Theatre Festival.

Eastern Front Theatre Company

The primary form of municipal support to Eastern Front Theatre has been in the form of direct financial assistance to productions, marketing or events.

Year	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Grant	\$1,000	\$5,000	\$10,000	\$15,000	\$15,000	\$15,000	\$15,000	\$20,000	\$10,000

The level of funding awarded Eastern Front Theatre should also be viewed within the context of (a) the total *HRM Community Grants Program* budget capacity, (b) allocation to arts sector, and (c) growth in the number of applications from the arts community throughout the region.