

JK TETT CENTRE FOR CREATIVITY & LEARNING

Business Plan



OVERVIEW

Over the last three decades, the J.K. Tett Centre (JKTC) has provided affordable office, studio and programming space for various community and cultural non-profit organizations active in the Kingston area. As part of a larger complex of adjacent buildings formerly owned and managed by the City of Kingston, the facility operations were maintained at basic levels with a limited mandate to support the space needs of its tenants. While the Centre's heritage significance and value in providing affordable co-location facilities has been recognized, the substantial potential of the site and its function as a vital cultural asset has not been fully realized.

In 2005, an opportunity to rethink the role of the JKTC was triggered by the confluence of an internal services review by the City of Kingston and the aspiration of Queen's University to establish a new performing arts centre to serve as an educational and performance facility for its music, drama and film/media departments. At the time Artscape was engaged to facilitate a community-led visioning process in 2005/2006 that would recommend ways to leverage this collaborative venture.

As an outcome of the *Preliminary Feasibility Study & Business Model* prepared by Artscape in 2006, a number of development principles emerged through the community engagement process that reframe the opportunity presented by the JKTC:

- ***Create a sense of discovery and learning***

The JKTC will be a place that nurtures diverse artistic expression, providing the Kingston community with a broad range of education, exhibition, and performance opportunities. It will be a place where community, commerce and creativity converge, building new synergies between the traditional and innovative while encouraging active participation in creative activity.

- ***Maintain affordability and enhance sustainability***

Stability of tenure and affordability will be sustained through strategic investments in infrastructure, a more entrepreneurial approach to programming and a more effective governance model.

- ***Enhance collaboration and connectivity***

A more collaborative environment at the JKTC will encourage innovation and cross-fertilization as the whole becomes greater than the sum of its parts. Stronger community engagement will enhance the Centre's profile within Kingston.

- ***Develop role as a community-based creative hub***

The role of the JKTC as an incubator of creativity within the city will be enhanced through innovative, community-based programming and space provision.

- ***Maximize strategic partnerships***

Strategic partnerships will be developed with public, private, institutional and non-profit organizations that contribute to the JKTC's operational sustainability, mix of activities, community relevance and programming scope.

These development principles have underpinned a comprehensive planning process to regenerate the JKTC as a more vital platform for life-long learning, creative production, heritage celebration, community participation, cultural and artistic expression. Beyond necessary life-safety, accessibility and efficiency improvements, the preliminary design work undertaken in 2008/2009 as part of the City of Kingston's *Phase 2 Feasibility Study* advances a preferred option for capital improvements that restructures and enhances the spaces within the Centre to facilitate collaboration, preserve heritage authenticity, enhance community participation and heighten its profile as a civic arts complex. The preferred option ensures that the JKTC complements and enhances the emerging program and design of Queen's University's Performing Arts Centre to develop a truly synergistic relationship.

In 2009, Artscape worked with members of the City's Arts Advisory Committee and senior Cultural Services staff to facilitate a tenant selection process for a renewed JKTC. The criteria used to assess submissions to the Request for Expressions of Interest (REOI) were consistent with the development principles, elevating the City's expectations around the ability of potential tenants to:

- Nurture the arts among a wide range of Kingston residents through learning, skills development, production, and presentation;
- Develop leading-edge artistic endeavours and forms of participation;
- Foster interdisciplinary collaboration and new partnerships through innovative approaches to co-operation and engagement;
- Contribute to community vitality and social inclusivity by cultivating diverse membership and public participation;
- Contribute to the distinctive character of the JKTC.

The submissions by potential tenants through the REOI process illustrated the rich contribution that Kingston's arts, civic and cultural organizations are able to provide to achieve the vision of the JKTC.

The rejuvenation of the JKTC has also emerged in the context of new policy frameworks currently being developed by the City of Kingston that reinforce its potential role in sustainable city-building. The emerging strategic directions of the Kingston Integrated Community Sustainability Plan (ICSP) process identifies a series of objectives focusing on the interconnectedness of cultural vitality, economic health, environmental responsibility and social equity as the dimensions of sustainability. Relevant goals that have been drafted include:

- Recognizing and enhancing the social value, economic potential, and community vitality of arts, creativity and entertainment;
- Nurturing, broadening and enhancing established and emerging arts;
- Ensuring that the community's cultural vitality is sustainable through secure financial support and infrastructure;
- Encouraging people to be creators of and participants in diverse cultural activities;
- Encouraging initiatives that ensure that the plans and priorities of the arts community are effectively integrated and represented by 'umbrella' arts organizations;
- Conserving, respecting and protecting Kingston's tangible cultural assets represented by its natural, built and cultural heritages that have contributed to Kingston's uniqueness, identity and sense of place;
- Support a 'creative cities' approach/strategy for community economic development;
- Building local identity through an appreciation of Kingston's non-tangible cultural assets represented in indigenous knowledge, shared experiences, oral history, traditional practices and skills, and local sense of place;
- Fostering entrepreneurial growth and small business development.

As an evolving community-wide plan for the City of Kingston, the ICSP provides broad strategic direction and principles that will underpin the development of more comprehensive plans and, in particular, the development of a Cultural Master Plan that is currently underway. Based on the consultants' brief developed for this initiative, the City's approach to what is being referred to as the Kingston Community Cultural Policy Plan (KCCPP) highlights economic opportunity and growth, sustainable development, community partnerships and a

strategic vision for change as fundamental drivers of the agenda. With accessibility, collaboration and innovation at its core, the vision for the JKTC's transformation is firmly situated within these evolving strategic frameworks, positioning it as a significant policy implementation mechanism for sustainable city-building in Kingston.

Over a period of three months, Artscape reviewed the full range of tenant submissions evaluated by the Arts Advisory Committee and held interviews on July 13 and 14, 2009 with various organizations and stakeholders. Interviews with representatives from the film/media, art, music and drama departments at Queen's University were undertaken to assess the understanding and support for collaboration with the emerging community of tenants at the JKTC. The *Phase 2 Feasibility Study* prepared by Colbourne & Kembel, Architects Inc. was also reviewed and the preferred 'Option 3' was assessed for its impact on operational viability. A scan of commercial, event and meeting space available in Kingston was undertaken as well to assess additional leasing revenue potential for incorporating market-rate spaces, particularly the Malting Tower Room. Important perspectives were also gathered from various studio/space providers and real estate professionals. Intelligence gathered from each of these activities, as well as discussions with senior municipal staff and review of property management practices, framed the assumptions underpinning the proposed operating budget and governance structure.

It should be stressed that the development of the operational business plan and governance structure set out in this document has been somewhat constrained due to a number of factors:

- Operating assumptions are based on achieving an affordable gross rental for the JKTC tenants. The City of Kingston identified a potential rent per square foot for the JKTC during the REOI process of between \$6.00 and \$9.00 per square foot. The operational model assumes that this was intended to reflect a gross rent and is therefore structured to keep gross rents at the low end of this estimate bearing in mind the challenge this will represent to many potential tenants.
- There are ongoing challenges in establishing with certainty the exact costs of operating, maintaining and insuring the newly renovated facility. This is in part inevitable as the property is currently only partially occupied and in a poorly maintained condition and, for example, the true costs of utilities when the JKTC is restored and fully operational will not be known for a year or two after full operations commence. Prospective tenants should be made aware of the likelihood of fluctuation in these figures.
- This plan has based its assessment of these costs on current running costs as well as future usage. This plan is predicated on the JKTC being occupied by local arts and cultural organizations which responded to the REOI. However, the City of Kingston should continue to consider other potential tenants, including both organizations and individual artists. It is rare for all initial prospective tenants to actually move into a property, especially when renovations /development take place over a number of years.

- At present, unit sizes identified in architectural drawings are speculative and require further work with prospective tenants and the Facility Operator before an accurate indication of overall costs can be provided to particular tenants.
- The operational plan is predicated on the City of Kingston proceeding with ‘Option 3’ as identified in the *Phase 2 Feasibility Study* prepared by Colbourne & Kembel, Architects Inc... This option provides for a small, but unique space referred to as the Malting Tower to be developed that would be suitable for event rental and that would provide the Facility Operator with an income stream essential to maintaining affordable rents.
- The plan assumes that the ongoing development of a thoughtful, effective and positive partnership between Queen’s University, its arts and film/media departments and new Performing Arts Centre and the JKTC will be of enormous long-term benefit to the community.

MARKET SCAN, Meeting/Event Space

The City of Kingston offers a variety of meeting spaces ranging from smaller venues (less than 50 persons) to larger facilities with the capacity of 1,000 delegates. The recent addition of the K-Rock Entertainment Centre has encouraged larger groups for tradeshow exhibit space and can accommodate groups of 1,000 persons. The need for one large conference venue to accommodate groups with more than 1,000 delegates remains an issue. According to the Kingston BIA and Tourism Kingston, conferences typically need to partner with a range of facilities since there is not one venue with the capacity to host a large number of delegates. With regards to event spaces ranging from 50 – 100 persons, there are many venues that can accommodate this scale, but there continues to be substantial demand for more good quality, small sized spaces.

Table 1: Venue Examples – Meeting

Venue	Spaces/Facilities	Size	Cost
Agnes Etherington Art Centre	Atrium Etherington House	1104 sq. ft. (185 standing 150 seating) 1720 m2	\$500 for 6 hours for both spaces *\$900 for both *\$25 per security \$100 an hour for the galleries
Ambassador Conference Resort	22 000 sq feet of meeting space Spaces from 228 to 7,200 sq. ft. London Room	513 sq. ft. (25-50 persons)	\$300-325 a day & a boardroom set up for 10 persons would be \$250-\$275
Confederation Place Hotel	Number of Meeting Rooms: 7 Spaces from 240 to 4,210 sq. ft. Largest Capacity: 900	240 sq ft. - Boardroom 2650 sq. ft. - Salon B	\$150 a day \$400 a day
Donald Gordon Conference Centre	3 Spaces (each holds <150 pple) 11 breakout rooms (holds 5-10)		CMP Rate: \$240.00 per-person, per-day DMP Rate: \$57.50 per-person, per-day *No room rate just person rate
Fort Henry National Historic Site Jessup Food & Heritage	Wellington, Victoria & Bonnycastle Rms Macdonald and Bredin Room	168 or 3 linked rooms with 56 50-75 persons	\$2.50 per person plus catering costs
First Canada Inns	Number of Meeting Rooms: 2 Largest Meeting Room Capacity: 25	Boardroom	1-4 hours = \$49.95
Radisson Hotel Kingston Waterfront	Number of Meeting Rooms: 7 Meeting Room Size: 7136 sq ft Largest Meeting Room Capacity: 150	1350 sq. ft. - St. 675 sq. Ft. - Sydenham	\$500 a day \$300 a day
Four Points by Sheraton Kingston	Number of Meeting Rooms: 14 Meeting Room Size: 14000 sq ft Largest Meeting Room Capacity: 360	1,610 - Gibraltar Room (50-100) British American Room (22 bdroom) Executive Bdrm (up to 20)	\$800 a day \$500 a day \$400 a day
Kingston Banquet and Conference Centre	Meeting Room Size: 6744 sq ft Largest Meeting Room Capacity: 550 Number of Meeting Rooms: 10	558 sq. ft. - Fort Henry Room 2,142 sq. ft - Salon A	\$165 a day \$400 a day

OPERATING ASSUMPTIONS

The development of an affordable, sustainable and stable business model for the JKTC is based on a range of operating assumption as set out below:

1. City-Owned/Not for Profit Managed

- Property ownership will be retained by the City of Kingston and the property will be leased to a single master leaseholder, to be known as the Facility Operator.
- Responsibility for ongoing maintenance of the building envelope and major HVAC and life-safety systems to be retained by Facilities Management Department of the municipality.
- A ten year lease with option to renew for an additional 10 years will be agreed with the master leaseholder, allowing for greater flexibility in applying for future capital grants and long term stability to support program and audience development.
- The lease will set out in detail the fiscal, legal and other responsibilities of the Landlord (the City of Kingston) and the master leaseholder. In addition the lease will enshrine the artistic and public benefit objectives of the JKTC and set out an annual process to evaluate the master leaseholder and their compliance with these objectives.
- The master leaseholder will sub-let units to non-profit arts and cultural organizations as well as individual artists at affordable rates.
- The master leaseholder will retain control over the Malting Tower, community exhibition space and multi-media rooms and manage them as rental spaces to provide an income stream to support overall property management and affordability.
- The master leaseholder will be responsible for maintaining the common spaces and individual tenant spaces in a clean, healthy and presentable manner and work cooperatively with other tenants with regard to building and site operations, security, garbage & recycling, parking and maintenance issues.

2. Governance:

Ad Hoc Building Committee (Development Phase)

- Comprised of City staff and key stakeholders.
- Serves as a reference group to advise City staff on the appropriate development of the project consistent with the development concept while meeting budgetary and schedule requirements;
- Assists with promoting and encouraging the public to attend and participate in open houses/consultation related to this process;
- Reviews and provides advice to City staff on the consultant designs, priorities and outcomes;
- If the Ad Hoc Committee recommends a change in scope to the project, during the construction phase, the change must be reviewed and approved by the Project Management Committee. (Construction Project Oversight Committee will be comprised of City staff members.)
- Specifically, the Ad Hoc Building Committee will:
 - Review the outcomes of each phase in this project;
 - Provide opinion on spending priorities;
 - Assist with promoting participation in public meetings;
 - Act as a sounding board for City staff as they weigh options and problems.

Tenants' Working Group (Development Phase)

Cultural Services will co-ordinate a Tenants' Working Group that will be composed of a representative from each tenant organization to:

- Ensure effective communication between tenants and Cultural Services;
- Create a forum to support effective collaboration between tenants;
- Advise on operational policies;

- Review operational budgets;
- Actively foster & support the promotion and marketing of the JKTC concept to the public through the use of common marketing materials and images.

Programming and Partnership Advisory Committee (Development Phase and Long Term)

Cultural Services will co-ordinate a Programming and Partnership Advisory Committee involving tenants of the JKTC as well as representatives from key arts departments at Queen's University and representatives from the Queen's University Performing Arts Centre to:

- Develop and sustain a vision for the Centre's programming;
- Communicate on programming choices and policies;
- Coordinate where necessary and maximize synergies between the programs of JKTC tenants and the Queen's University Performing Arts Centre;
- Look at joint marketing opportunities;
- Communicate on scheduling of events.

Facility Operator (Development Phase and Long Term)

The Facility Operator will function as the master leaseholder and take financial and legal responsibility for the JKTC. It will consist of a new not for profit organization, lead by a Board of Directors, comprised of representatives from each of the tenant organizations. As conceived, the Facility Operator will be required to:

- Liaise with Cultural Services;
- Approve operating budgets and set operational policies;
- Have final say over tenant selection;

- Sub-lease units at an affordable rate to non-profit arts and cultural organizations and individual artists;
- Retain control over the Malting Tower, community exhibition space and multi-media rooms and manage them as rental spaces to provide an income stream to support overall property management and affordability;
- Assume responsibility for human resource management related to the operation of the JKTC;
- Maintain the common spaces and individual tenant spaces in a clean, healthy and presentable manner and work cooperatively with other tenants with regard to building and site operations, security, garbage and recycling, parking and maintenance issues;
- Coordinate where necessary and maximize synergies between the programs of JKTC tenants and the Queen's Performing Arts Centre;
- Encourage and support effective collaboration between tenants;
- Actively foster and support the promotion and marketing of the JKTC concept to the public through the use of common marketing materials and images.

Municipal Capital Facility for Culture

The business plan for the Tett will take into account the provisions of the Municipal Act which allow for leasing property below market value and exempting property from assessment of property tax. Section 106(2)(c) and (d) of the Municipal Act prohibit the granting of these preferences but the exemptions exist under section 110 of the Act as long as the proposed business model qualifies as a municipal capital facility and is made subject to an agreement to that effect.

The requirements for a municipal capital facilities agreement are set out in Regulation 603/06. That regulation states that a municipality may enter into an agreement under subsection 110 of the Act as long as it is for the provision of one of the enumerated classes of municipal activity. For purposes of the Tett Centre project, the relevant areas of municipal activity described at section 2(1)(16) of the Regulation are “municipal facilities used for cultural, recreational or tourist purposes.”

Further detail is provided in Regulation 603/06 at section 6(1) which states:

For the purposes of sections 2 and 3, a municipality may enter into an agreement respecting municipal capital facilities described in paragraphs 16 and 17 of subsection 2 (1) only if,

- (a) the municipality or another municipality or a public sector entity described in subsection (2) owns or agrees to purchase or will own on reversion of the property, the municipal capital facilities, including the land where they are situate; and
- (b) the council has declared by resolution that the municipal capital facilities are for the purposes of the municipality and are for public use.

As a result, an agreement providing for user fees at the Tett below market rent may only be entered into if:

- The municipality owns the property being used for the cultural purpose,
- The cultural use of the property is for the purposes of the municipality, and
- The cultural use of the property is public.
- A council resolution is passed confirming the above.

Accordingly, the business model for use of the Tett by the cultural user groups needs to respect these limitations. If it does not, the exemptions and allowances permitting user fees below market rent and permitting property tax exemption will be disallowed. In the case of the property tax exemption alone, user groups might face a collective annual tax bill from \$300,000 to \$400,000 should MPAC review the business model and deem the user group agreement does not properly reflect the requirements of Regulation 603/06.

Financial Model

The JKTC is an important asset in the City of Kingston's property portfolio. The property's heritage significance, outstanding lakeside location and co-location with the Queen's University Performing Arts Centre combine to create a unique opportunity for strategic investment in both the fabric of the building and in the arts and cultural sector in the city. Over the past several years the City of Kingston has worked with the arts and cultural and wider community to develop a new vision for the JKTC and has made a step in realizing that vision, bringing long term sustainability and achieving affordable space for arts and cultural organizations to work, collaborate and deliver significant public benefit.

However, the reality is that the rent and expenses that the Tenants are capable of paying (\$6.18 per sq feet) is not sufficient to cover all operating expenses of the JKTC. In the same way City arenas and community centres require additional City support, we are projecting ongoing City support starting at \$125,000 and decreasing to \$100,000 over a 10 year time period.

Tenants are required to pay rent for their space and a certain portion of the operating expenses related to the property. These expenses may include common area maintenance (CAM), insurance costs and real estate taxes, as well as utilities. CAM costs may include the tenant's share of maintaining the common areas of the building such as the lobby, washrooms, corridors, stairs and elevators for the property. Many commercial buildings assign a share of common areas to each tenant. A common area multiplier is used to 'gross-up' the usable area (i.e. the area that is rented to be used exclusively by the tenant) to the rentable area (i.e. combines "usable area" plus a proportion of the common area). At the JKTC, based on current drawings, approximately 60% of the Gross Floor Area (GFA) is useable rental units.

Table 2: Floor Area

	Gross Floor Area	Usable (Net leasable)	Efficiency Ratio (Net to Gross)
Ground Floor	12,917 ft ²	8,227	63.69%
1st Floor	12,917 ft ²	8,227	63.69%
2nd Floor	12,917 ft ²	7,136	55.24%
Penthouse	586 ft ²		
Total	39,337 ft ²	23,591	60.0%

The gross-up rate for JKTC is proposed 1.3987 of usable space (i.e. 32,997/23591 square feet) to recover the costs of common areas (e.g. washrooms, corridors, stairs and elevators) within the building that are beneficial to all tenants for day to day activities and for event, exhibition and performance related activities. As set out above, units will be let to tenants on a cost recovery model based on a net lease

agreement. The base rent p.s.f. in this operational model is set at \$3.50 with additional rent payable at \$2.68 p.s.f. to include utilities, capital, insurances and maintenance costs.

Table 3: Unit Rental Rates - Gross up factor 40%

	Useable s.f.	Rentable s.f.	Base Rent p.s.f.	Ad Rent p.s.f.	Annualized Base Rent	Annualized Ad Rent	Total Annual Rent
Community Exhibition Space	1,350	1,888	\$0.00	\$0.00	\$0	\$0	\$0
Kingston School of Dance	4,358	6,095	\$3.50	\$2.68	\$15,253	\$16,336	\$31,589
Malting Tower	2,523	3,529	\$0.00	\$0.00	\$0	\$0	\$0
Modern Fuel	3,000	4,196	\$3.50	\$2.68	\$10,500	\$11,245	\$21,745
H'art School	2,704	3,782	\$3.50	\$2.68	\$9,464	\$10,136	\$19,600
Weavers & Spinners	1,523	2,130	\$3.50	\$2.68	\$5,331	\$5,709	\$11,040
Studio/office space	1,000	1,399	\$3.50	\$2.68	\$3,500	\$3,748	\$7,248
Multi media/community	1,975	2,762	\$0.00	\$0.00	\$0	\$0	\$0
Lapidary	1,200	1,678	\$3.50	\$2.68	\$4,200	\$4,498	\$8,698
Theatre Kingston	1,500	2,098	\$3.50	\$2.68	\$5,250	\$5,623	\$10,873
Potters Guild	1,938	2,712	\$3.50	\$2.68	\$6,783	\$7,265	\$14,048
Leasable Storage	520	728	\$3.50	\$2.68	\$1,820	\$1,949	\$3,769
Total	23,591	32,997			\$62,101	\$66,509	\$128,610

Construction Estimate \$10,397,285 / Project Budget \$11,500,000

Total rents in this model are therefore \$6.18 p.s.f. at the low end of the range as was indicated to potential tenants through the REOI process. None-the-less this represents a challenging increase from the low rents paid by the tenants recently operating in the building. Currently, only the Potters Guild and the Kingston School of Dance are now in the building. The Potters Guild, for example report paying \$2.19 gross p.s.f, the Handloom Weavers and Spinners \$ 3.10 gross p.s.f., Kingston School of Dance \$3.14 gross p.s.f. and the Lapidary Society \$3.34 gross p.s.f.. Modern Fuel pays only \$3.12 gross p.s.f in its current location however both H'art and the Kingston Arts Council pay considerably higher gross rents than proposed here.

Total Usable Floor Area (s.f) 23,591
 Total Rentable Floor Area (s.f.) 32,997
 Total Annual Rent Increase 102.00%
 Total Annual Operating Increase 3.00%

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE	P.S.F.										
	3.50	17,743	17,743	17,743	17,743	17,743	17,743	17,743	17,743	17,743	17,743
Base Rental Income		3.50	3.57	3.64	3.71	3.79	3.86	3.94	4.02	4.10	4.18
Rent	Base Rent p.s.f.	62,101	63,343	64,609	65,902	67,220	68,564	69,935	71,334	72,761	74,216
Less Vacancy Loss	5%	(3,105)	(3,167)	(3,230)	(3,295)	(3,361)	(3,428)	(3,497)	(3,567)	(3,638)	(3,711)
Exhibition Space Rental (1)		7,500	7,650	7,803	7,959	8,118	8,281	8,446	8,615	8,787	8,963
Malting Tower Rental (2)		17,000	19,450	21,923	26,860	29,634	32,435	36,875	40,100	42,400	47,200
Multi media Space Rental (3)		8,750	8,925	9,104	9,286	9,471	9,661	9,854	10,051	10,252	10,457
		92,245	96,200	100,208	106,712	111,082	115,512	121,614	126,533	130,562	137,125
Recoveries											
Common Expense recovery (Util/Ins/Maint)		2.68	2.76	2.84	2.93	3.02	3.11	3.20	3.30	3.39	3.50
		66,510	68,505	70,560	72,677	74,858	77,103	79,416	81,799	84,253	86,780
TOTAL REVENUE		158,755	164,706	170,768	179,389	185,939	192,615	201,030	208,332	214,815	223,906
EXPENSES											
Service Protocol with City (4)		50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339	65,239
Vacancy - Common Area Cost	5%	3,325	3,425	3,528	3,634	3,743	3,855	3,971	4,090	4,213	4,359
Annual Capital Reserve (5)		32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
General Maintenance (6)	0.75	24,748	25,490	26,255	27,042	27,854	28,689	29,550	30,436	31,349	32,290
Property Insurance (7)	0.60	17,978	20,392	21,004	21,634	22,283	22,951	23,640	24,349	25,080	25,832
Utilities (8)	1.33	43,886	45,202	46,558	47,955	49,394	50,875	52,402	53,974	55,593	57,261
Facility Management (9)		55,000	56,650	58,350	60,100	61,903	63,760	65,673	67,643	69,672	71,763
Overhead (Marketing) (10)		25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619
Overhead (Admin) (11)	0.25	9,285	9,563	9,850	10,145	10,450	10,763	11,086	11,419	11,761	12,114
Contingency		20,000	18,000	16,000	14,000	12,000	10,000	8,000	6,000	4,000	2,000
TOTAL EXPENSES		283,041	287,972	293,112	298,465	304,039	309,840	315,875	322,152	328,676	335,456
NET REVENUE / (LOSS)		(124,286)	(123,267)	(122,343)	(119,076)	(118,100)	(117,225)	(114,845)	(113,819)	(113,861)	(111,551)
City Contribution		124,286	123,267	122,343	119,076	118,100	117,225	114,845	113,819	113,861	111,551

Footnotes

- (1) *Community Exhibition Space Rental* - A conservative revenue stream from rental of the Community Exhibition space at \$250 per week times 30 weeks per year, rates increase by 2% per annum.
- (2) *Malting Tower Event Space Rental Commercial* – A conservative revenue stream from rental of the Malt Tower Room is 16 events per year at an average price of \$500 (based on our analysis of competitive rates in other small event/meeting venues across Kingston) in the first year growing to 52 in year 10. A non for profit tenant rate of \$150. With number of events starting at 60 and escalating 5% per year to a maximum of 80.
- (3) *Multi Media Space Rental* - A conservative revenue stream from rental of the multi - media space renting at \$175 per day with 50 days rental over a year, rates increase by 2% per annum.
- (4) *Service Protocol with City of Kingston* – The Facility Operator is required to pay the City \$50,000 increasing to \$65,239 in year 10 for the City Facilities Department to support the mechanical and electrical systems of JKTC.
- (5) *Annual Capital Reserve Contribution* - Cultural Services makes an annual contribution to a Capital Reserve Fund for the long term maintenance of the building fabric, HVAC and life safety systems. This amount is to be equal to 2% of the replacement cost (estimated at \$16M) of the JKTC over the 10 year period.
- (6) *General Maintenance* – Based on an estimate of interior cleaning contract and miscellaneous maintenance costs based on \$.75 per sq ft
- (7) *Property Insurance* – Based on an estimate of property insurance costs through the City of Kingston at preferred rates based on \$.60 per sq ft.
- (8) *Utilities* – P.S.F. estimates were generated from 2008 utilities provided by the City of Kingston at 50% occupancy and translated to full tenancy levels. Based on \$1.33 per sq ft.
- (9) *Tenant and Facility Management* – Facility Operator will employ a Full Time member of staff to manage tenant relations, and program delivery
- (10) *Overhead (Marketing)* – Cultural Services will be required to undertake marketing and communication activities dedicated solely to the management of the JKTC and will be recouped through rental fees.
- (11) *Overhead (Administration)* - the Facility Operator will be required to support additional administration responsibilities dedicated solely to the management of the JKTC and will be recouped through rental fees.

NOTE: Tenant rents have an escalation factor of 2% per year. All expenses shown in the Business Plan have an escalation factor of 3% per year save and except the Annual Capital Reserve Contribution and the Contingency.

Facility Operator

The Facility Operator will manage the building and work with users to realize the goals of the JKTC. The Facility Operator will take responsibility for raising additional capital and/or operating funding to develop the building and its programming, either solely or in partnership.

As originally envisioned, the role of the Facility Operator was to be assumed by a single tenant organization with the capacity to take on the additional responsibilities as outlined. However, based on a series of interviews with the organizations that had expressed interest in assuming the role of Facility Operator through the REOI process, it was identified that none of these organizations currently possesses the capacity to assume such major financial and organizational responsibility.

Instead, it is the recommendation of Cultural Services that the approved tenants form a new, non-profit organization or co-operative Board, lead by a Board of Directors, comprised of representatives from tenant organization to take joint responsibility for the role of Facility Operator. The Cultural Director for the City of Kingston, or his/her designate, will function as an ex-officio member of the Facility Operator's Board of Directors. This will encourage all tenants to assume the authority and responsibility of managing the JKTC. The Facility Operator will also be responsible to hire and supervise professional staff and contracted services to manage the JKTC.

The only other alternative to having the facility run by a not for profit group would be for City staff to provide the programming function and facility operator for the building. While this model is used with other community hubs such as the Wally Elmer Hub, it is recognized that a cooperative tenant association may be best to provide an operations model that can closely match the needs of developing arts groups. The model regarding a tenant's coop will require a solid effort from both City staff and the proposed tenant groups to create a partnership . The reality may be that City staff may have to initially take the lead and the responsibility evolving to the Facility Operator over a period of time.

The facility operator will be responsible for promoting the cross-development of community and academic resources in a hub that integrates arts, culture and heritage that promotes knowledge transfer between post-secondary institutions and local enterprises. The facility operator will be responsible for animating the meeting space, gallery space to ensure the space is used by a wide cross-section of community organizations The City will have to develop metrics in the lease agreement with the Facility Operator ensure the public objectives are being met without stifling the ability to program the space.

Capacity Building - Tenants

We believe that all likely JKTC tenants will require capacity building support through the development phase to make sure that they have built up the skills necessary and the financial stability required ensuring their long term success as part of the JKTC. In some cases, tenants will find themselves facing significantly greater tenancy costs than in the past and, while the business model proposed seeks to ensure affordability, it has been acknowledged that this will present challenges for some organizations. We propose that the City of Kingston co-ordinate and provide a targeted capacity building program for JKTC tenants to focus on developing their business skills, marketing, financial management and fundraising capacities.

SUMMARY OF BUSINESS PLAN

In summary, this Business Plan incorporates a number of key concepts necessary to secure the long term operational success of the JKTC. It is based on recommendations made by Artscape and it is also the result of significant community and tenant consultation.

- Property ownership of the renovated JKTC retained by the City of Kingston and managed by a Facility Operator. The Facility Operator will be a new, not for profit organization formed by the JKTC tenants.
- Responsibility for ongoing maintenance of the building envelope and major HVAC and life-safety systems to be retained by the municipality.
- The Facility Operator is required to pay the City of Kingston a capital maintenance reserve contribution of 2% of estimated replacement value.
- The Facility Operator is to manage the JKTC on a model based on a net-lease to tenants based on affordable rents.
- JKTC will require ongoing Municipal support with first full year starting at \$124,000 and decreasing over the 10 year period to \$111,000.
- The governance model ensures the engagement of both Cultural Services and the tenants through the development phase of the project as well as effective tenant involvement in operations and programming.

- Effective engagement of Queen's University through the development phase and on-going relationships through the Programming and Partnership Advisory Committee which is an essential component of the JKTC.
- The procurement of additional tenants through a formal selection process facilitated by the Facility Operator.
- City of Kingston investment in capacity building for the Facility Operator and all tenants to ensure long term stability and the on-going success of the JKTC.