Agenda - Executive Policy Committee - January 21, 2009

Report - Standing Policy Committee on Downtown Development - January 5, 2009

Item No. 1 Pantages Playhouse Theatre - Continued Management by the Performing Arts Consortium of Winnipeg Inc.
(Point Douglas Ward)
eFile F-6

STANDING COMMITTEE RECOMMENDATION:

On January 5, 2009, the Standing Policy Committee on Downtown Development concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the existing Management Agreement between the City and the Performing Arts Consortium of Winnipeg Inc. be amended to permit the Performing Arts Consortium to continue providing management services for the Pantages Playhouse Theatre as follows:

   A. That the current annual management fee of $115,000.00 be extended for one year to January 31, 2010, under the terms and conditions as contained in the existing Management Agreement;

   B. That the City perform, at its sole expense, a Building Condition Assessment on 180 Market Street to identify building deficiencies and, at the City's discretion, fund any remediation it deems appropriate. Further, to assist the Performing Arts Consortium in preparation of their Business Plan, the condition assessment information will be provided to the Performing Arts Consortium by March 2, 2009;

   C. That the Performing Arts Consortium prepare, at its sole expense by March 31, 2009, a valid business plan which demonstrates future self-sustaining operations no later than three years from commencement of the 2010 fiscal year; and,

   D. The establishment of a 90 day written cancellation notice by either party.

2. That funding in the amount of $115,000.00 be included in the 2009 Operating Budget for the extension of the annual management fee for the Performing Arts Consortium.

3. That the Winnipeg Public Service review and re-assess strategic planning alternatives for future operation of the Pantages Playhouse Theatre and, upon completion, report such alternatives and recommendations in May 2009.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Executive Policy Committee - January 21, 2009

Report - Standing Policy Committee on Downtown Development - January 5, 2009

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On January 5, 2009, the Standing Policy Committee on Downtown Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

RE: Pantages Playhouse Theatre: Continued Management by the Performing Arts Consortium of Winnipeg Inc.

FOR SUBMISSION TO: Standing Policy Committee on Downtown Development

ORIGINAL REPORT SIGNED BY: Deepak Joshi, Director
Planning, Property and Development

REPORT DATE: December 30, 2008

RECOMMENDATION:

1. That the existing Management Agreement between the City and the Performing Arts Consortium of Winnipeg Inc. (PAC) be amended to permit PAC to continue providing management services for the Pantages Playhouse Theatre (Pantages) as follows:
   A. That the current annual management fee of $115,000.00 be extended for one year to January 31, 2010, under the terms and conditions as contained in the existing Management Agreement;
   B. That the City perform, at its sole expense, a Building Condition Assessment on 180 Market Street to identify building deficiencies and, at the City's discretion, fund any remediation it deems appropriate. Further, to assist PAC in preparation of their Business Plan, the condition assessment information will be provided to PAC by March 2, 2009;
   C. That PAC prepare, at its sole expense by March 31, 2009, a valid business plan which demonstrates future self-sustaining operations no later than three years from commencement of the 2010 fiscal year; and,
   D. The establishment of a 90 day written cancellation notice by either party.
2. That funding in the amount of $115,000 be included in the 2009 Operating Budget for the extension of the annual management fee for PAC.
3. That the Public Service review and re-assess strategic planning alternatives for future operation of Pantages and, upon completion, report such alternatives and recommendations in May 2009.
4. That the Public Service be authorized to do all things necessary to effect the intent of the foregoing.

Report Summary

Key Issues:

In 1997, Council approved a Management Agreement with PAC, a non-profit organization, for the management of Pantages. A total term ending January 31, 2018, was provided for in the agreement.

In a letter dated November 18, 2008, the Board of Directors of PAC proposed additional terms and conditions to the existing Management Agreement with the City.

The provision for a management fee payable to PAC associated with their ongoing management of Pantages expires January 31, 2009. As such, a budget amendment in the amount of $110,000 is required in the 2009 Current Budget to provide continued management services by PAC.

Future Current Budget funding requirements could vary significantly depending on the future strategy for Pantages or operating model.

It is recommended that the proposed terms and conditions be accepted in part and that the Public Service review and re-assess strategic planning alternatives for future operation of the Pantages and, upon completion, report such alternatives and recommendations.

Implications of the Recommendation(s):

General Implications

( ) None

( ) For the organization overall and/or for other departments

(X) For the community and/or organizations external to the City

(X) Involves a multi-year contract

Comment(s):

Pantages is an operational theatre for the citizens of Winnipeg and represents an important utilization of one of Winnipeg's heritage assets which is congruent with the objectives of Plan Winnipeg.

PAC's Board has indicated that, without extension of the annual management fee beyond it's year end (January 31, 2009); PAC will have to cease providing management services effective January 31, 2009.

Policy Implications

(X) No

( ) Yes

Comment(s):

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(X) No

( ) Yes

Comment(s):

Human Resources Implications

(X) No

( ) Yes

Comment(s):

Financial Implications

( ) Within approved current and/or capital budget

(X) Current and/or capital budget adjustment required

Comment(s):

No provision has been made in the 2009 Current Budget for the proposed management fee extension of $115,000 in 2009. As such, a total Current Budget adjustment of $110,000 would be required for the Planning, Property and Development Department if the request from PAC for continued funding was approved.

Report

REASON FOR THE REPORT:

The Standing Policy Committee on Downtown Development has jurisdiction for matters related to asset management, development control, land acquisition, land development, and planning and land use in the area defined as Downtown. This report requests an amendment to the existing Management Agreement with PAC associated with their continued management of Pantages.

HISTORY:

Pantages, located at 180 Market Avenue, was originally constructed between 1913 and 1914. Pantages presented live theatrical, musical, and vaudeville performances. Pantages was acquired by the City in July 1944 (tax sale). In 1981, Pantages was designated a Grade II historic building on the Building Conservation List and in 1985 it was designated a National Historic Site. Pantages is contained within the Exchange District National Historic Site.

In 1985, Council approved the purchase of additional adjoining land as well as select restoration and an addition to Pantages.

In 1997, Council approved a Management Agreement with PAC, a non-profit organization, for the management of Pantages. A total term ending January 31, 2018, was provided for in the agreement.

In 2001, the Standing Policy Committee on Property and Development adopted amendments to the Management Agreement with PAC including the requirement for PAC to:

A. Undertake a Capital Campaign for funding theatre restoration; and
B. The establishment of an Endowment Fund to offset annual operating costs.

Further, the City agreed to begin payment of a management fee of up to $100,000 annually.

In 2005, Council extended the management fee for two years and, more recently, further extended the fee to January 31, 2009. For 2008, the management fee was increased to $115,000. Effective 2009, funding for the management fee was removed from the Current Budget.

In 2007, the City engaged a consultant to provide a governance review for three downtown theatres (Pantages, Burton Cummings Theatre, and Rainbow Stage).

The Planning, Property, and Development Department and PAC representatives met on August 20, 2008, at which time PAC presented both historic and financial overviews,

addressed the recent governance review, and requested information on the City's future intentions for Pantages. PAC requires such information to assist their decision making related to any long-term involvement they may have with Pantages.

DISCUSSION:

In a letter dated November 18, 2008 (attached), the Board of Directors of PAC proposed additional terms and conditions to the existing Management Agreement with the City, as summarized below:

1. That the current annual management fee of $115,000.00 be extended for one year to January 31, 2010, under the terms and conditions as contained in the existing Management Agreement;
2. That all amounts in all prior years accrued to date for security monitoring services payable to the City be forgiven (approximately $65,000). Further, that the City not charge PAC for future security monitoring services;
3. That the City performs, at its sole expense, a Building Condition Assessment on 180 Market Street to identify building deficiencies and, at the City's discretion, fund any remediation it deems appropriate. Further, that copy of the final report be provided to PAC;
4. That PAC prepare, at its sole expense, at it's earliest convenience upon receipt of the Building Condition Assessment, a valid business plan which demonstrates future self-sustaining operations no later than three years from commencement of the 2010 fiscal year; and,
5. The establishment of a 90 day written cancellation notice by either party.

Assessment of Proposed Additional Terms and Conditions

1. Management Fee Extension

Should the City not accept to extend the management fee and PAC ceases providing management services effective January 31, 2009, any resulting closure of Pantages may result in negative reaction(s) from the arts community, historic buildings community, and/or other interest groups. Further, an extension permits PAC to honour existing commitments (theatre bookings) and affords PAC time to potentially improve cash flow.

2. Debt Forgiveness for Security Monitoring Services

Extension of the management fee as well as execution of a valid business plan which results in future self-sustaining operations may result in partial or full recovery of amounts incurred in all prior years as well as amounts accrued in 2008 for security monitoring payable to the City.

3. Building Condition Assessment (Required by the City)

There are Pantages capital assets that are approaching or are at the end of their useful lives. For example, drapery and rigging equipment requiring replacement may represent a safety concern and could result in PAC being unable to honour its commitments. A Building Condition Assessment would provide updated information to

the report entitled “Proposed Restoration of the Pantages Playhouse Theatre” (circa 1998) and determine how much capital funding is required to make the theatre physically sustainable in the future. It is likely any continued operation of Pantages will require additional technical maintenance (Current Budget) and/or Capital Budget financing.

The cost to perform the assessment is approximately $10,000 and will be funded from the 2009 Current Budget as proposed. Further, to assist PAC in preparation of their Business Plan, the condition assessment information will be provided to PAC by March 2, 2009.

4. Business Plan (Required by PAC)

Preparation of a valid business plan which demonstrates future self-sustaining operations no later than three years from commencement of the 2010 fiscal year further affords PAC an opportunity to explore solutions to their financial issues such as the potential divestiture of under-utilized assets, the results of sensitivity analysis pertaining to the existing rate (price) structure, as well as investment opportunities and/or fundraising activities. In addition, the Planning, Property and Development Department is not currently aware of any economic alternate use for the theatre. Further, there has not been any significant interest expressed in the purchase of Pantages from the private sector or other organizations.

5. 90 Day Cancellation Notice

The establishment of a 90 day written cancellation notice affords either party sufficient notice should a party subsequently determine the amended Management Agreement is not meeting their needs.

Recommendation: It is recommended that all of the above terms and conditions, with the exception of item 2., be accepted.

Long-term Asset Management Strategy

Strategic planning for the future operation of Pantages is warranted to ensure financial responsibility and prudent asset management. Specifically, a timely decision respecting the future intended use and operating model for Pantages is required.

If the City wishes to maintain a long-term ownership in Pantages and ensure it remains operational for citizens, the major challenge is to resolve matters, as they arise, associated with the long-term financial stability of any management provider. As such, emphasis should be placed on determination of the appropriate level of financial support in the form of a management fee or otherwise and the development of associated funding parameters and governance for periodic review.

Recommendation: It is recommended that the Public Service review and re-assess strategic planning alternatives for future operation of Pantages and, upon completion, report such alternatives and recommendations.

Financial Impact Statement

Date: December 30, 2008

Project Name:

First Year of Program **2009**

Pantages Playhouse Theatre: Continued Management by the Performing Arts Consortium of Winnipeg Inc. (PAC)

	2009	2010	2011	2012	2013
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 125,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 125,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	15,000	-	-	-	-
Net Budget Adjustment Required	$ 110,000	$ -	$ -	$ -	$ -

Additional Comments: No provision has been made in the Planning, Property & Development Current Budget for the proposed management fee extension of $115,000 in 2009. As such, a total Current Budget adjustment of $110,000 would be required if the proposal from PAC was approved. The $10,000 cost estimate for a Building Condition Assessment is intended to be funded by existing 2009 adopted-in-principle current budget.

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

N/A

External Consultation With:

N/A

THIS REPORT SUBMITTED BY:

Department: Planning, Property and Development
Division: Civic Accommodations
Prepared by: Brad Erickson, Investment Strategies Coordinator
PPD File No.: CAD 2008-0039

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THE PANTAGES PLAYHOUSE

November 18, 2008

Mr. Brad Erickson
Investment Strategies Coordinator
Planning, Property & Development Department
3rd Floor -65 Garry Street
Winnipeg, MB. R3C 4K4

Dear Mr. Erickson:

RE: PANTAGES PLAYHOUSE THEATRE MANAGEMENT AGREEMENT

The purpose of this letter is to inform the City of Winnipeg that the Performing Arts Consortium of Winnipeg Inc. (PAC) wishes to continue providing management services at the subject property as contracted under the existing Management Agreement between the City of Winnipeg and PAC on condition that the following proposed additional terms and conditions are acceptable to the City of Winnipeg.

1. That the current annual management fee of $115,000.00 be extended for one year to January 31, 2010, under the terms and conditions as contained in the existing Management Agreement;
2. That all amounts incurred in all prior years to December 31, 2007 (approximately $57,710.00) and all amounts accrued in 2008 for security monitoring services payable to the City of Winnipeg (Public Works Department) be forgiven. Further, that the City of Winnipeg not charge PAC for future security monitoring services;
3. That the City of Winnipeg perform, at its sole expense, a building condition assessment on 180 Market Avenue to identify building deficiencies and, at the City of Winnipeg's discretion, fund any remediation it deems appropriate and further that a copy of said final report be provided to PAC;
4. That PAC prepare, at its sole expense, upon receipt of the Building Condition Assessment Report and at its earliest convenience, a valid business plan which demonstrates future self sustaining operations no later than three years from commencement of the 2010 fiscal year;
5. The establishment of a 90 day written cancellation notice by either party.

Should the City of Winnipeg require further information, please contact Aubrey Asper, PAC President, at 269-2030.

Yours truly,

Aubrey Asper
President

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