

Artscape Studios in the Distillery District Business Plan

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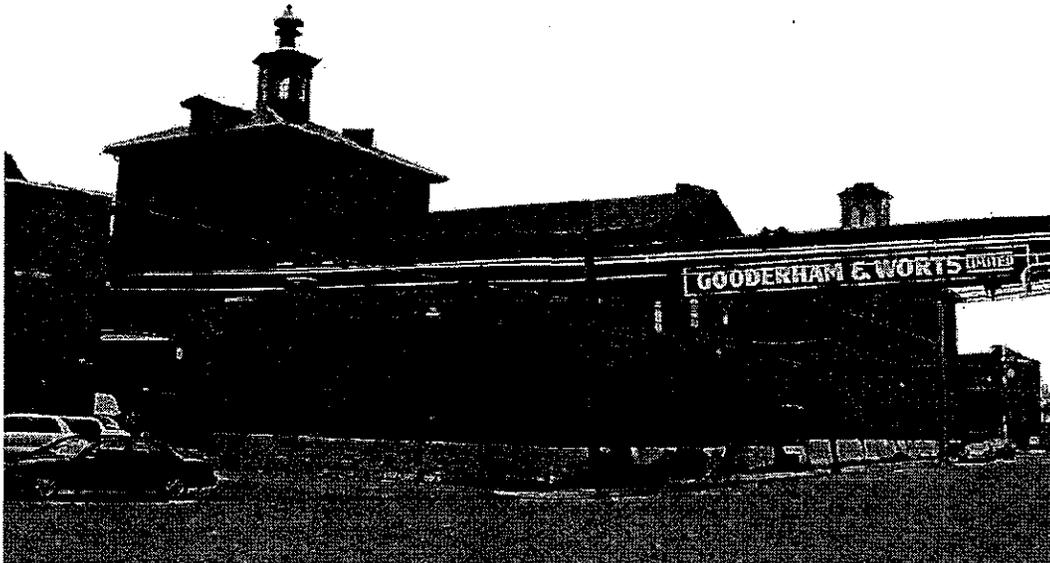
I Executive Summary

Artscape Studios in the Distillery District (formerly Gooderham & Worts Distillery) is a unique public/private sector partnership between Toronto Artscape and Cityscape supported by The Department of Canadian Heritage, the City of Toronto, the Ontario Trillium Foundation, and 401 Richmond Limited. This initiative involves the adaptive re-use of two heritage buildings at the former Gooderham & Worts Distillery in Toronto to create affordable space for the arts for the next twenty years. A \$2.9 million renovation to the Case Goods and Cannery Buildings (50,000 sq. ft) will help build new homes for galleries, offices, work and performance studios for a dynamic mix of sixty-two non-profit arts organizations and individual artists.

Artscape's involvement in the Distillery District is a key non-profit component of a much larger arts and retail development by the Distillery District owners: Cityscape. The revitalization of this historically significant site is already under way with the opening of a significant gallery, brew pub, and coffee shop. Over the course of the next eight months, dozens of new arts and retail spaces will open on the site including restaurants, galleries, specialty boutiques, and an interactive site interpretation centre.

Artscape's Distillery District project marks new awareness of the power of the arts community to breath life and energy into neighbourhoods. This project has been heralded by the Canadian Urban Institute and numerous major media outlets including The Globe & Mail's Report on Business Magazine.

The City of Toronto has approved a \$400,000 capital loan guarantee - the balance of funds required to complete this project. Construction has begun and completion is projected for February 01, 2003



II Project Description

Artscape Studios in the Distillery District is an innovative public/private sector partnership that aims to:

- create 62 affordable studio spaces for non-profit arts organizations and professional individual artists for 20 years
- re-use one of Canada's most significant historic sites: the Gooderham & Worts Distillery c.1832
- facilitate and enhance the accessibility of artists to the public and the marketplace
- develop a dynamic ecology of artists and arts organizations who interact with each other, share resources and feel a sense of pride in their workplace
- demonstrate the revitalizing impact that capital projects in the arts have on communities and neighbourhoods

III Project Background

In November 2001, Cityscape Developments contacted Artscape regarding their plans to turn the 13-acre Gooderham & Worts site into a village for the arts and entertainment. At that time, Artscape was exploring the viability of creating a new collaborative-use arts complex at a different location in partnership with Margie Zeidler, the owner and developer of 401 Richmond Street. Cityscape proposed that we consider re-developing two buildings on the site as galleries, offices, and artists' studios.

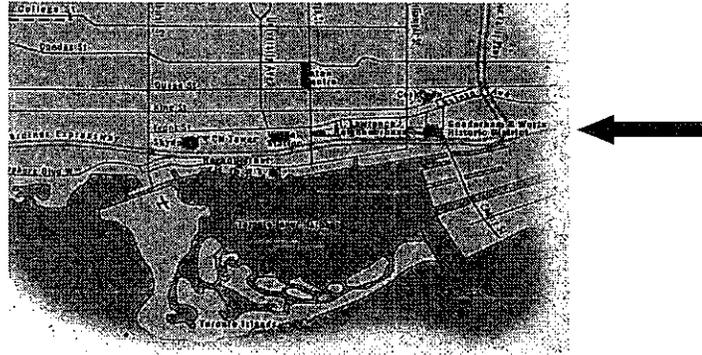
Development obligations negotiated by the City of Toronto through Section 37 of the Municipal Planning Act required Cityscape to provide a number of public amenities in exchange for permission to increase the density of the site. The City of Toronto has agreed to accept a 20-year lease at below market rates to Artscape as a portion of Cityscape's Section 37 obligations.

The buildings proposed by Cityscape are ideally suited for adaptive re-use as galleries and studios with a relatively low capital investment. Artscape specializes in the creation of collaborative-use complexes for the arts. Each of the six capital projects the organization has developed, has had a profound impact on revitalizing its neighbourhood. The Gooderham & Worts opportunity marks the first time a private sector partner who understands the power and potential of the arts to bring a site back to life has come forward to propose a partnership.

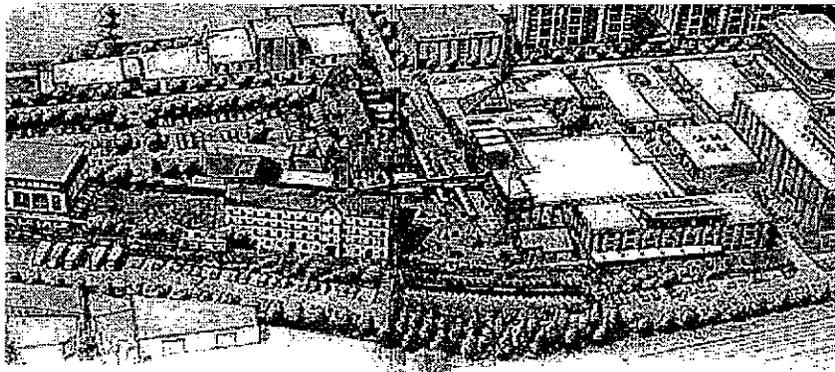
The existence of such beautiful, historically-significant buildings sitting empty on a site so close to the heart of the city, makes the Gooderham & Worts site an extraordinary opportunity to demonstrate how the arts can act as a catalyst for change in the development of community.

IV The Distillery District Site

The historic 13-acre Gooderham & Worts site is located on Mill Street, in the King-Parliament District, adjacent to the St. Lawrence and Corktown neighbourhoods. With original buildings dating back to 1832, the site is part of an industrial stronghold that included distilling, malting, cattle-feeding, railway interests, and retail stores. It is one of the best-preserved groups of 19th century industrial architecture in the country. The complex includes 44 brick and limestone buildings, and brick-paved streets.



Artscape will develop and manage two buildings at the Distillery District: The Case Goods and Cannery buildings (50,000 sq. ft.) situated on the east side of Trinity Street at the southern end of the site.



V Partners

Toronto Artscape is a non-profit organization that creates space for the arts while building communities and revitalizing neighbourhoods. Since 1985, Artscape has developed a unique portfolio of properties that include low-cost artist studios, offices, programming spaces, live/work units, and an artist retreat centre.

Cityscape Development Corporation is a privately-owned development company with extensive experience in adaptive re-use of heritage properties. Formed in 1996, Cityscape purchased the Gooderham & Worts Distillery in December 2001. Principals in Cityscape include: Jamie Goad, architect; John Berman, lawyer; Mathew Rosenblatt, developer; and David Jackson, planner.

401 Richmond Limited is a private company formed in 1996 to re-develop and operate a 200,000 square foot industrial building at the corner of Richmond and Spadina Avenues in Toronto. This award-winning development is home to a diverse mix of tenants including: non-profit organizations, some of Toronto's most significant artist-run galleries, artist studios, and arts-related businesses. 401 Richmond has become one of Toronto's most important hubs of creative energy and is one of the most dynamic, mixed-use arts projects in North America. Margie Zeidler, President of 401 Richmond is serving as a volunteer consultant and has committed \$600,000 in long-term financing to Artscape Studios in the Distillery District.

The City of Toronto negotiated a range of public amenities to be provided by Cityscape on the Gooderham & Worts site in exchange for an increase in allowable density. Artscape's long-term lease at below market rates is part of this package of public amenities. The City of Toronto has also agreed to provide a \$400,000 capital loan guarantee for the project.

VI Terms of Lease

Artscape and Cityscape have entered into an agreement for a 20-year lease for the Case Goods Building and third floor of the Cannery Building (approx. 50,000 square feet). A summary of the terms of agreement is included in this package. The rent specified in the agreement is \$5 p.s.f. (Cannery) and \$5.75 p.s.f. (Case Goods) including maintenance and heating/cooling. Artscape is responsible for property taxes, insurance, and managing the property.

Capital costs are primarily Artscape's responsibility with Cityscape contributing \$690,000 toward a \$2.8 million renovation. The balance of capital funds will come from government and other sources and \$400,000 in financing. The lease provides for a leasehold mortgage to be registered on title.

VII Market Analysis

Since 1990, Artscape has operated as a non-profit developer and manager of artist work and live/work studios. Its property portfolio includes five buildings encompassing more than 150 studios. For the past twelve years, Artscape has operated at 100% occupancy with long waiting lists. Currently, Artscape tenants pay rents in the \$10 - 15 p.s.f. range for raw work studio space.

Work space in which to create is one of the most fundamental resources artists require to transform their ideas and inspirations into productive output. When work space becomes unavailable or unaffordable, artists' productivity is disrupted as long as it takes to search and set up shop in a new location. Artists can be both the catalysts for and victims of the gentrification process. Despite their powerful influence as

agents of change within neighbourhoods, their status as tenants can render them powerless in the real estate marketplace. Many are constantly on the move - a fate that diminishes their ability to sustain careers or businesses.

Navigating the commercial real estate marketplace can be particularly difficult for individual artists and small arts organizations with limited resources. It was not so bad in the early 90s in Toronto when the bottom fell out of the real estate market and warehouse space was abundant at \$5 per square foot. Today, however, numerous factors are conspiring to displace artists from their work environments including:

- Toronto's booming real estate market is driving leasing rates higher with raw space averaging \$18 - \$20 per square foot. Artists and arts organizations renewing leases negotiated in the early 90's are facing increased rents in the 300 - 400% range.
- The popularity of downtown warehouses for condominiums/lofts and office conversions (particularly for the new media industry) is displacing artists and arts organizations out of their traditional habitat.
- Liberalized zoning in Toronto is fueling revitalization. While the phenomenon of gentrification displacing artists is not new, it has been accelerated by the combination of hot real estate market and fewer restrictions on development. Toronto's new official plan calls for intensification of development in the core projected to house 1 million more people downtown over the next 30 years.
- Schools and community centres facing budget pressures have rapidly raised fees for the use of their facilities for non-profits.
- Building operating costs are climbing substantially due to rising energy costs and property taxes.

And so, the displacement of artists through gentrification, which used to happen in isolated pockets like Yorkville and Queen Street West, has now spread throughout the downtown core.

Artscape is keenly aware of the need for affordable studio space as it is besieged daily with requests for space. For Artscape Studios in the Distillery District, the goal was to secure a lease that would allow it to sub-lease space to the arts community at rates that fall within the current affordability threshold (\$10-\$14 p.s.f.). The 20-year term of the lease was equally important in negotiations with Cityscape as it provides a way to insulate sub-tenants from the sometimes wild increases in commercial leasing rates.

VIII Tenant Selection

As of November 15, 2002, eighty-seven per cent of Artscape Studios in the Distillery District has been leased and requests are under consideration for the balance of available units. The mix of tenancies includes:

- 3 performance studios
- 12 artist-retail galleries
- 1 artist-run gallery
- 17 offices for non-profit arts organizations
- 30 artist work studios

A formal "request for expressions of interest" was widely circulated in March 2002 to Toronto's artistic community with the help of the Toronto Arts Council. Expressions of interest were then reviewed by a volunteer advisory committee selected from the following list of individuals:

Billyann Balay - Director of Grants - Ontario Arts Council and resident of Gooderham & Worts
Michael Levine - Set Designer and current Artscape tenant
David Pelletier - Sculptor and current Artscape tenant
Virginia MacDonald - Owner - V. MacDonald Gallery
Catherine Osborne - Editor, Lola Magazine
Maxine Bailey - Mgr, Public Affairs -Toronto International Film Festival, Artscape Board Member

Applications for tenancy by organizations were reviewed against the following published criteria:

- Contribution to encouraging public visitation to the site
- Contribution to the diversity of the mix of tenants
- Availability of appropriate space
- Compatibility with other tenancies
- Viability of preferred move-in date

Eligibility and priority for tenancies in individual artist studios were assessed against the following criteria:

- Has presented his/her work to the public by means of exhibitions, publications, performance, readings, screenings, or by any other means appropriate to the nature of his/her work;
- Is represented by a dealer, publisher, agent or similar representative appropriate to the nature of his/her work;
- Devotes a reasonable proportion of his/her professional time as an artist to promoting or marketing his/her work, including but not limited to: presenting him/herself for auditions; seeking sponsorship, agent or engagements; or similar activities appropriate to the nature of his/her work;
- Receives or has received compensation for his/her work, including but not limited to: sales; fees; commissions; royalties; residuals; grants and awards, any of which may reasonably be included as professional or business income;
- Has record of income or loss relevant to the exploitation of his/her work and appropriate to the span of his/her artistic career;
- Has received professional training, either in an educational institution or from a practitioner or teacher recognized within their profession;
- Has received public or peer recognition in the form of honours, awards, professional prizes, or by publicly disseminated critical approval;
- Has membership in a professional association appropriate to his/her artistic activity whose membership or categories of membership are limited under standards established by the association; or which is a trade union or is its equivalent appropriate to his/her artistic ability.

IX Project Architect - Zeidler Grinnell Partnership

Zeidler Grinnell Partnership is one of Canada's leading architectural firms whose portfolio includes a wide range of projects from Toronto's Eaton Centre, Ontario Place, Canada Place, The Hospital for Sick Children, and many others across Canada and around the world. On hearing of Artscape's opportunity on the Gooderham & Worts site, principal architect Eberhard Zeidler volunteered the firm's architectural services for the development of the design concept and agreed to solicit and coordinate the voluntary contributions of associates in engineering and construction trades. While Zeidler Grinnell's work on large projects is known internationally, their most comparable experience in design and scope to the Artscape Studios in the Distillery District is their work on the low-budget renovation of 401 Richmond Street.

X Architectural Plans

The architectural plans reflect the combined experience of Artscape, 401 Richmond, and Zeidler Grinnell in achieving the following goals:

- create a dynamic environment that will encourage interaction and shared resources between tenants
- enhance public visitation to the site
- provide direct access to tenants to the marketplace within a new arts and entertainment district
- retain and accentuate the heritage features of the buildings
- provide for basic services and amenities at low cost
- satisfy code requirements within a very modest budget

Both 401 Richmond and Artscape have been successful in dealing with the fact that the affordability threshold of prospective tenants is very low. This requires a creative approach to all aspects of design and a diligent watch throughout the construction process.

The ground floor of the Case Goods building will be divided into 12 artist-retail studios. Significant glazing will make these spaces more inviting with entrances from internal foyers as well as exterior entrances/exits. Upper floors will be occupied by a mix of offices, rehearsal halls, dark rooms, shared production facilities, and artist studios.

The third floor of the Cannery will feature three performance studios and a gallery for prominent Toronto arts organizations. This floor connects to the Case Goods building through an overhead walkway allowing for internal circulation. Showcase units will be built into the walls of offices and studios to turn the hallways into permanent and constantly changing exhibition spaces. Visitors to the site will be encouraged to travel the hallways to view the exhibitions/installations and interact with artists and organizations. In this way, the design of the buildings will draw attention to the diversity and creative energy of both the work exhibited and the act of producing it.

XI General Contractor

Dalton Engineering and Construction has been engaged as the construction manager for the project. Following the construction tender process, Dalton agreed to act as general contractor under a stipulated sum contract (attached). The Dalton Company was founded in 1940 and through three generations of family ownership has become a well established firm that has worked on a wide variety of construction

projects including several in the non-profit sector. A copy of Dalton's Contractor Qualification Statement is appended to this document.

XII Funding/Financing of Improvements

A number of factors have contributed to the need for a very creative mix of funding and financing Artscape's Distillery District project. Confirmed sources of revenue include:

Department of Canadian Heritage	\$900,000	
Ontario Trillium Foundation	\$ 75,000	
Cityscape	\$690,000	
In kind services and fund raising	\$110,000	
Tenant contributions	\$ 45,500	
	Total	\$1,820,500

The balance of funds required to complete the project are:

Loan by 401 Richmond limited	\$600,000 (confirmed)	
Bank loan (guaranteed by City of Toronto)	\$400,000	
	Total	\$1,000,000

Detailed capital and operating budgets and cash flows are attached.

XIII Conclusions

A unique set of circumstances has allowed Artscape to create an affordable long-term home for 62 artists and non-profit arts organizations. Artscape has lined up a solid team of experts, the strong support of the City of Toronto, enthusiastic support from the arts community, and substantial funding and financing from the private sector to make the project viable. The last piece of the puzzle is a \$400,000 bank loan that the City of Toronto is prepared to guarantee.

The space challenges of small and mid-sized arts organizations and individual artists in Toronto are enormous and complex. Most lack the financial capacity and knowledge-base to manage their own capital projects and navigate the often treacherous waters of the commercial real estate market. Collaborative space developments, however, can deliver tangible benefits to communities and neighbourhoods, and as demonstrated in this case, to the private sector.

Through this project, Artscape has phenomenal potential to demonstrate the value of clustering arts organization together to revitalize the local community. Five years from now, this project will be exemplary to other communities across the country of how the arts community, governments, and the private sector can align their interests to yield benefits for all.