Kamloops Centre for the Arts

Business Case

KAMLOOPS CENTRE
FOR THE ARTS SOCIETY

OCTOBER 21, 2019

CONFIDENTIAL

Notice

The confidential report (Report) prepared by KPMG LLP (KPMG) is provided for Kamloops Centre for the Arts Society (the Society) and the City of Kamloops (or the City) and pursuant to the consulting service agreement with the Society dated July 4, 2019, to assist the Society in preparing certain components for an independent business case for a new centre for the arts in downtown Kamloops.

If this Report is received by anyone other than the Society and the City of Kamloops, the recipient is placed on notice that the attached Report has been prepared solely for the Society and the City for its own internal use, and this Report and its contents may not be shared with or disclosed to anyone by the recipient without the express written consent of KPMG and the Society. KPMG does not accept any liability or responsibility to any third party who may use or place reliance on the Report. The scope was limited to the preparation of an independent study of select components of a business case. The intention of the Report is to outline components of a business case and identify potential opportunities and options for consideration of the Society and the City.

The analysis was primarily based on data and information developed and provided by the City of Kamloops, the Society and its contracted architect for the project, as well as other sources. We express no opinion or any form of assurance on potential impacts and costs that the Society and the City of Kamloops may realize should it decide to implement the options and considerations contained within this Report. The Society and the City are responsible for the decisions to implement any options and considering their impact.

The procedures we performed do not constitute an audit, examination or review in accordance with standards established by the Chartered Professional Accountants of Canada, and we have not otherwise verified the information we obtained or presented in this Report. We express no opinion or any form of assurance on the information presented in the Report and make no representations concerning its accuracy or completeness.

As part of the Report on select components of the business case, the Society engaged KPMG to undertake an analysis of the economic impact on the B.C. economy of the projected preliminary capital plan (Capital) and the projected operational expenditures (Operations) post-construction of a new centre. The Society provided KPMG with data for the value of both capital and operating expenditures, including a breakdown in categories, based on data and information from the Society and from a third party contracted by the Society.

There are a number of limitations in economic impact assessments and in this study. In conducting this analysis, the methodology used is standard economic input-output modeling – an approach that is widely accepted and common for this type of analysis. The KPMG analysis used the 2015 Statistics Canada Interprovincial Input-Output Model to measure the economic impacts. The Input-Output Model reflects the structure of the Canadian economy in 2015. It is likely that the structure of the economy will change over time, which may affect the estimates. Output data is reported in 2020 Canadian dollars. The estimated economic impact of the projected Capital Plan and Operations is composed of the GDP (value-added) and employment impacts that are generated in the provincial economy directly from the Capital Plan and Operations, indirectly from suppliers, and the induced impacts that result from spending by employees of their salaries and wages. The analysis and estimated economic impacts presented in this report are dependent on data, information and estimates provided to KPMG by the Society. KPMG cannot warrant the completeness or accuracy of the information and input data provided by the Society.

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Executive summary

Kamloops Centre for the Arts Society (the Society) provides the following business case as information for the City of Kamloops (the City) and its residents for a new Centre for the Arts (the Project, or Centre). This Business Case seeks to inform the Society, the City and community decision making related to the Project including, but not limited to, securing required approvals to proceed with design and construction of the Project.

The Business Case responds to a growing need, including responding to the following key driving factors:

(1) Community and Council Direction: a performing arts centre was identified by the community as the number one priority for investment in the recent Kamloops Recreation Master Plan, which directly aligns with Council's Strategic Plan.

(2) Downtown Revitalization: cultural amenities increase the likelihood of revitalization – both population growth and poverty reduction – which will support ongoing efforts to develop Kamloops downtown.

(3) Condition and Availability of Existing Facilities: current facilities are aged and inadequate to support community demand which limits the quality and availability of performances and community events.

(4) Demand for Community Attractions: strong potential demand for events and activities to support the Kamloops resident and visitor economy exists through continued focus and investment on culture, arts, sports, events, and a healthy community.

Not only will the Centre respond to growing needs, it seeks to deliver the following key community outcomes:

Community Asset	Serves as a key facility supporting youth and education, enhancing the quality of life for all residents, and supporting a vibrant arts and cultural ecosystem.
Catalyst for Growth	Contributes to the development of a strong and stable cultural community, including contributing to downtown revitalization, jobs and opportunities for resident organizations, positive economic spin-offs for local businesses, and increased tourism for the region.
Sustainable Operation	Operated, funded, and managed for the benefit of the community. Including consideration of environmental sustainability, social inclusion (e.g. accessibility), and financial sustainability.

The new facility's indicative design is approximately 120,000 square feet, plus an additional 20,000 square feet of renovated existing space donated by the Fawcetts. It will feature two theatres, a black box studio theatre and related amenities such as production space, classroom / meeting space, and administrative space. The design and construction of the Centre will focus on:

- Accessibility for all customers;
- Inclusive design with consideration of Indigenous and contemporary design principles, sight lines to enhance safety and security, selection of mechanical systems and approach to ongoing building operations, and definition and design of spaces to maximize utilization;
- Environmental sustainability, through facility design, material selections, and ongoing operations; and,
- Operational sustainability including variable rates ensuring affordability for non-profit and community organizations balanced by competitive rates for commercial users; and,
- The donated space brings significant cost efficiencies to the project over new builds.

The Project is estimated to cost $70.0 million and be funded through a combination of City provided funding and fundraising. If the City's borrowing does not exceed $45 million, there is no anticipated impact to municipal tax rates as a result of the Project.

It is recommended that the facility be operated by a separate entity with a City-sanctioned external Board. Annual operating contributions from the City are forecasted to decrease over time, with even initial contributions lower than those provided to other municipal recreation facilities.

In addition to significant benefits related to community development, social involvement, commercial activity, and downtown revitalization, the Project is estimated to generate one-time economic impacts of $70.7 million of GDP or value added to the Canadian economy, 565 FTE jobs, and government revenues estimated at $9.2 million during planning, design and construction. Once operational, the Project is estimated to have ongoing annual economic impact of $2.9 million of value added impact, 31 FTE jobs, and generate $0.33 million in estimated government revenues.

The Society is prepared to assist the City with design and construction, upon securing required funding and borrowing approvals, to obtain maximum efficiencies. Based on anticipated decision making and funding availability, opening is projected to be Fall 2023, with the Society committed to accelerating timelines wherever possible to address growing community need.

1.0 Background and context

The Kamloops Centre for the Arts Society has led the effort to develop this business case for a Centre for the arts in Kamloops.

1.1 PROJECT BACKGROUND

Kamloops Centre for the Arts Society (the Society) provides the following business case as information for the City of Kamloops (the City) and its residents for a new Centre for the Arts (the Project, or Centre), which will generate positive economic and social impact, and contribute to the City of Kamloops' downtown revitalization plans. The Centre will address the growing need for community event and performance space.

About the Kamloops Centre for the Arts Society

The Society has been formed to advance this project. On June 18, 2019 the Society was introduced to City of Kamloops Council and committed to the development of a business case for the City's consideration.

The Society's mission is to participate in the promotion, creation, development and construction of the Centre for the Arts. Its organizational goals are to:

- Develop a business case;
- Develop and implement a communications strategy;
- Enlist broad community support;
- Develop and execute a fundraising campaign;
- Provide input into the design of the project; and
- Work with the City of Kamloops to elicit financial support from other levels of government.

The Society's Board of Directors consists of local community business and arts leaders.

1.2 DOCUMENT PURPOSE

This Business Case seeks to inform the Society, the City and community decision making related to the Project including, but not limited to, securing required approvals to proceed with design and construction of the Project.

Key objectives that have informed the development of the Business Case are as follows:

Figure 1: Business case objectives

1	**Articulate the Need for a New Facility** Provide an evidence-based business case for change.
2	**Determine Required Investment and Funding Plan** Working with the Society, its technical advisors and the City, inform a funding plan.
3	**Evaluate Governance Options and Outline Preferred Governance Model** Evaluate different governance options, and recommend a preferred governance model.
4	**Identify Community Impacts** Determine the quantitative and qualitative impacts of the Project.

The components prepared by CHP Architects, together with components prepared by KPMG, working in collaboration with the Society, form the Business Case.

1.3 PLANNING TO DATE

In 2015, the City of Kamloops commissioned a feasibility study and business case to support the creation of an arts centre and parkade. The proposal at the time was a $90 million project that required borrowing by the City of Kamloops. The request for borrowing approval was defeated at referendum.

Ron Fawcett, a local business and community leader and philanthropist, has advanced a new vision, a different project, and commissioned the architecture firm, CHP, to draft a new facility plan. The resulting Class D estimate for the Centre includes three performance / event spaces and administrative space for resident tenants. The project scope, functional program and desired outcomes have been refined based on community consultation and ongoing stakeholder engagement. The Project is described in this business case.

Ron Fawcett worked closely with local arts organizations, the City and the Society to establish a new vision for the Centre. To date, significant work has been undertaken, to define the Centre as presented within this Business Case.

2.0 Business need

Kamloops has a growing need for a venue that provides community event and performance space.

2.1 FACTORS DRIVING THE NEED

The need for investment in arts and community and amenities is driven by the following four critical factors:

Figure 2: Factors driving the need

Community and Council Direction

Driven by community engagement and needs, Council's Strategic Plan 2019-2022 identifies an area of focus under the Strategic Priority of Livability. Critical to successful achievement of this priority is a vibrant and diverse arts, culture, and heritage environment. Council direction includes exploring options for community cultural facilities, and support place making through infrastructure and venue development.

Downtown Revitalization

The Project will add to the City's plans for downtown revitalization. The Centre will turn a prime block of downtown real estate into productive use and serve as an anchor for further adjacent development. This project will provide local employment, business spin-offs, and will add to the liveability of downtown.

Condition and Availability of Existing Facilities

Current facilities are aged and inadequate to support community demand. Facility limitations are directly impacting the quality and availability of performances and community events, including the Sagebrush Theatre and Pavilion Theatre which are booked to their maximum and have experienced serious structural issues and require capital repairs.

Demand for Enhanced Community Attractions

The Centre would be a key asset for the community, expanding audiences for successful arts organizations such as the Kamloops Symphony (KSO) and Western Canada Theatre (WCT), supporting more shows and entertainment, community events, and use by non-profit organizations, as well as providing opportunities for travelling shows that are currently by-passing the city.

Factor #1 - Community and Council Direction

The City of Kamloops has experienced consistent and stable population growth, which is anticipated to continue into the future. The City has proactively sought to enhance the quality of life for its residents, driving economic growth and investment in local services and amenities, informed by ongoing input and engagement with residents. Based on engagement with residents, the significant need for enhanced cultural infrastructure was initially identified in the City's Cultural Strategic Plan in 2003. Since then, it has continued to be raised by residents and well analyzed, documented, and experienced including with the recent closure of Sagebrush Theatre. In response to this feedback, the City has identified the need in a variety of strategic planning documents since 2003[1].

The City's most recent Strategic Plan, covering 2019-2022, specifically identifies direction to explore options for cultural facilities and supporting cultural place-making through infrastructure and venue development, festivals and programming. As well, the most recent draft of the new Recreation Master Plan identifies the introduction of a new cultural venue as the highest priority based on engagement and venue availability. Analysis completed as part of the development of the Master Plan indicates that there are nearly 4,000 children and youth registered in arts and culture programs requiring enhanced access to suitable facilities.This Business Case builds upon previous strategic plans, option analysis, and business cases analyzing the need and opportunity for enhanced community and arts infrastructure.

In addition to continued community stakeholder input defining the need and opportunity for enhanced cultural infrastructure to support economic growth, livability and enhanced quality of life for residents, local entrepreneur and philanthropist, Ron Fawcett, has committed to a significant financial contribution toward the Project. As a lead donor on the Project, his financial commitment demonstrates the interest and support of the community in progressing the Project.

Factor #2 – Downtown Revitalization

As described further in Section 3.2 Site, the preferred location for the Centre is in downtown Kamloops. The preferred site is currently a surface parking lot, presenting limited use of a primary downtown location. The construction of the Centre, would bring patrons and visitors to downtown Kamloops. Maximizing the use of this primary location, based on the experiences of other municipalities, the Centre would drive positive spin-off impacts to downtown restaurants, transportation providers, and accommodation providers, among others.

Additionally, in other communities, such as documented by the Social Impact of the Arts Project at the University of Pennsylvania, development of community cultural hubs stimulates local community participation overall. This community cross-participation has helped stabilize communities, enhance overall community capacity, and address social determinants of health, especially in children, such as social cohesion[2]. This same study has demonstrated that cultural amenities increase the likelihood of revitalization – both population growth and poverty reduction, stating:

> *"The picture of a community cultural ecosystem suggests a neighborhood-based approach to the use of culture to stimulate both community revitalization and regional economic development. The model illustrates the interdependencies of cultural producers, providers, and participants and the way networks are woven between community and regional entities."*

[1] 2018 Kamloops Recreation Master Plan; Kamloops Strategic Plan; 2015 PAC Preliminary Business Case; Janzen and Associates, Kamloops Cultural Strategic Plan, December 2003.
[2] University of Pennsylvania and The Reinvestment Fund, Social Impact of the Arts Project, *Culture and Community Revitalization: A Collaboration*, Fall 2008.

Factor #3 – Condition and Availability of Existing Facilities

Community and arts organizations in Kamloops currently rely on the Sagebrush Theatre, Pavilion Theatre, Sandman Centre (arena), Thompson Rivers University, and a limited number of local churches and community venues for rehearsals, performances and events. The current facilities do not meet the needs of the community. The challenges have become even more acute over the last four years. Key identified challenges associated with existing facilities include the following:

Table 1: Challenges and limitations of existing facilities

Facility	Description	Key Challenges and Limitations
Sagebrush Theatre	A 706-seat proscenium theatre owned by the School District, leased to the City, and operated by WCT	▪ Operated at very high utilization, with nearly 300 booked days in 2018/19, limiting potential for expanding runs on existing shows and / or introducing new shows ▪ Based on the joint use management agreement established between City and School District, scheduling priority is given to the School District and WCT, limiting availability for other users ▪ The Theatre is aging and has experienced failures, including in 2019 when the Theatre had to be closed for 8 months due to structural damage, resulting in rescheduling of shows to other smaller venues ▪ At over 40 years old, the Theatre presents accessibility challenges for those in wheelchairs or with mobility concerns
Pavilion Theatre	An approximately 150-seat black box studio operated by WCT	▪ Designed and used as a 'black box studio' rather than being well suited to performance groups ▪ Frequently used as a rehearsal space for WCT ▪ Does not have the capacity and available functionality to meet community needs
Sandman Centre	Arena with seating capacity of over 5,000 that can be configured for events for approximately 750, 960, 1,100 and 4,430 seats	▪ Well suited for sporting events such as Kamloops Blazers games and large concerts; however, too large for many performing arts shows due to ambience, facility design and acoustics
Thompson Rivers University	Facilities including Grand Hall, House of Learning, Alumni Theatre, and Black Box Theatre	▪ Priority access and booking to University events and requirements (e.g., use as teaching and research spaces), and therefore very limited community availability ▪ Not located in central location for ease of access and parking for patrons
Other Community Venues	Various facilities that can be booked by commercial and community users	▪ Many local churches and venues such as Oasis Church, Kamloops Alliance Church, Summit Drive Baptist Church, St. Andrew's Presbyterian, Old Courthouse Cultural Centre, Coast Kamloops Hotel and Conference Centre, The Stage House and Paramount Theatre that are used for small arts productions with limited technical requirements and cultural events that do not meet the standards required for professional and commercial groups ▪ Numerous churches and community venues in the community historically have supported arts and provided performance venues, but due to financial and / or availability constraints, has continued to be limited

Factor #4 – Demand for Enhanced Community Attractions

The City of Kamloops is the third largest city in British Columbia outside the Lower Mainland, with an estimated population of over 93,000. The broader Thompson-Nicola Regional District is estimated at nearly 133,000 people. The demographic and social trends in the city and region bode well for increased demand for community events and performance space.

- With a diverse economic base in key sectors such as tourism, mining, agriculture, forestry, healthcare, education, manufacturing, transportation, real estate, construction, retail and other business services, the City and region have experienced increasing numbers of residents and visitors to the area.
- The region features one of the lowest rates of unemployment in Canada, average incomes above the British Columbia average, and more affordable housing cities than most other cities in British Columbia – indicating that residents have more disposable income than other areas of the province.
- A gradual demographic age distribution shift, with a growing number of families with children and aging population with increasing levels of disposable income.
- An estimated 1.85 million visitors in 2018, and estimated visitor spending of $282 million annually.
- Enhancing offerings in arts and culture provides opportunities for increasing tourism through attending events, shows, festivals and generating visitor spending on hotels, transportation, restaurants, retail and other business spin-offs.
- As Canada's Tournament Capital, Kamloops attracts many regional, national and international events annually. This project will create a complimentary venue to host programming that is often associated with large sporting events.
- Tour companies, including Rocky Mountaineer, have indicated strong interest in adding additional stays in Kamloops for visitors to attend events and activities. According to a July 2018 presentation delivered to Kamloops City Council, Rocky Mountaineer anticipates increasing the number of passengers by 51% from 2018 to 2022[3].

Combined, the above indicate strong potential demand for events and activities to support the Kamloops resident and visitor economy through continued focus and investment on culture, arts, sports, events, and a healthy community. A new Centre will also help build the capacity of cultural and community organizations.

[3] Rocky Mountaineer, 2018 Rocky Mountaineer Economic Impact, July 2018.

2.3 DESIRED OUTCOMES

Realizing a Centre for the Arts is a timely opportunity for building capacity, jobs and growth in the community, for showcasing events in a new facility and community gathering place, and for further enhancing the quality of life for the residents of a growing city and region. Desired outcomes, as defined by the Society, the City and its stakeholders, include:

Figure 3: Centre for the Arts desired outcomes

Community Asset	Serves as a key facility supporting youth and education, enhancing the quality of life for all residents, and supporting a vibrant arts and cultural ecosystem.
Catalyst for Growth	Contributes to the development of a strong and stable cultural community, including contributing to downtown revitalization, jobs and opportunities for resident organizations, positive economic spin-offs for local businesses, and increased tourism for the region.
Sustainable Operation	Operated, funded, and managed for the benefit of the community. Including consideration of environmental sustainability, social inclusion (e.g., accessibility), and financial sustainability.

3.0 Project description and scope

The proposed Centre would serve broad community needs, through a purpose-built design and operation.

3.1 PROJECT SCOPE

The new facility's indicative design is over 11,000 square meters or approximately 120,000 square feet, plus an additional 20,000 square feet of renovated existing space. According to the Class D estimates, the facility will include 83,000 new square feet of theatre and studio space and 37,000 square feet of space for 70-stall underground parking. The design and construction of the Centre will focus on:

- **Accessibility** for all customers including consideration of mobility, washrooms, etc.;
- **Inclusive** design including consideration of Indigenous and contemporary design principles, sight lines to enhance safety and security, selection of mechanical systems and approach to ongoing building operations, and definition and design of spaces to maximize utilization;
- **Environmental sustainability**, through facility design, material selection(s), and ongoing operations; and,
- **Operational sustainability**, including variable rates ensuring affordability for non-profit and community organizations balanced by competitive rates for commercial users;
- The donated space brings significant **cost efficiencies** to the project over new builds.

The location of the Centre is on Seymour Street between 3rd and 4th Avenue in downtown Kamloops. This site was selected as the preferred location based on availability, suitability and current ownership of the site by the City. This location will be used for various arts performances by commercial and non-commercial organizations, and for other non-arts based events such as conferences, meetings, and convocations. The facility is anticipated to include the following spaces:

- Main Stage Theatre (~1,200 seats);
- Studio Theatre (~450 seats);
- Black box flexible space;
- Rehearsal, production and education spaces;
- Administrative spaces;
- Resident tenant spaces;
- Underground parking;
- Meeting rooms;
- Commercial space;
- Support and storage areas, including consideration for climate-controlled storage areas; and
- Building systems.

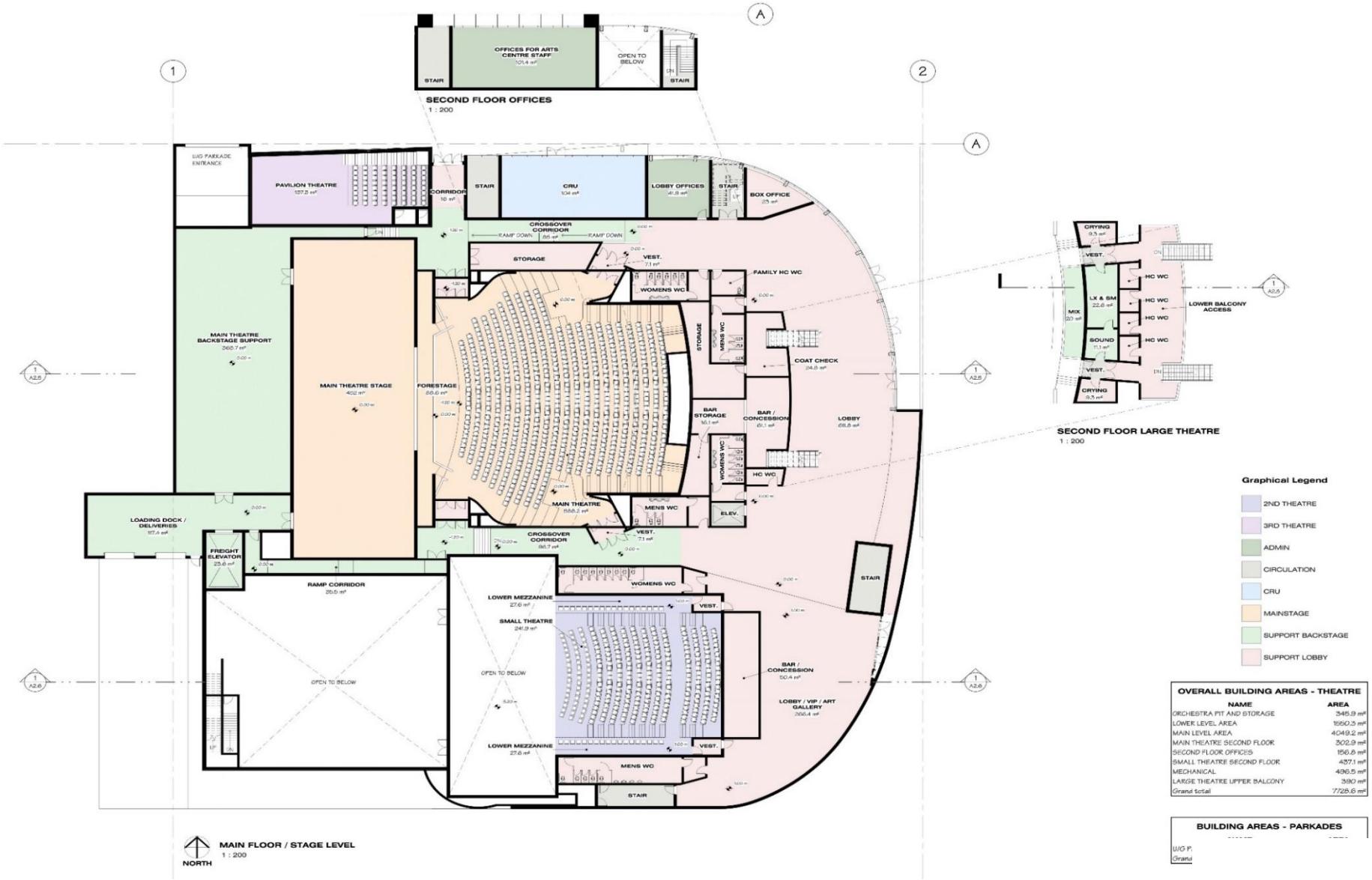
Figure 4: Architectural rendering[4]

[4] CHP Architects. *Kamloops Arts Centre.* 2019.

Component Overview

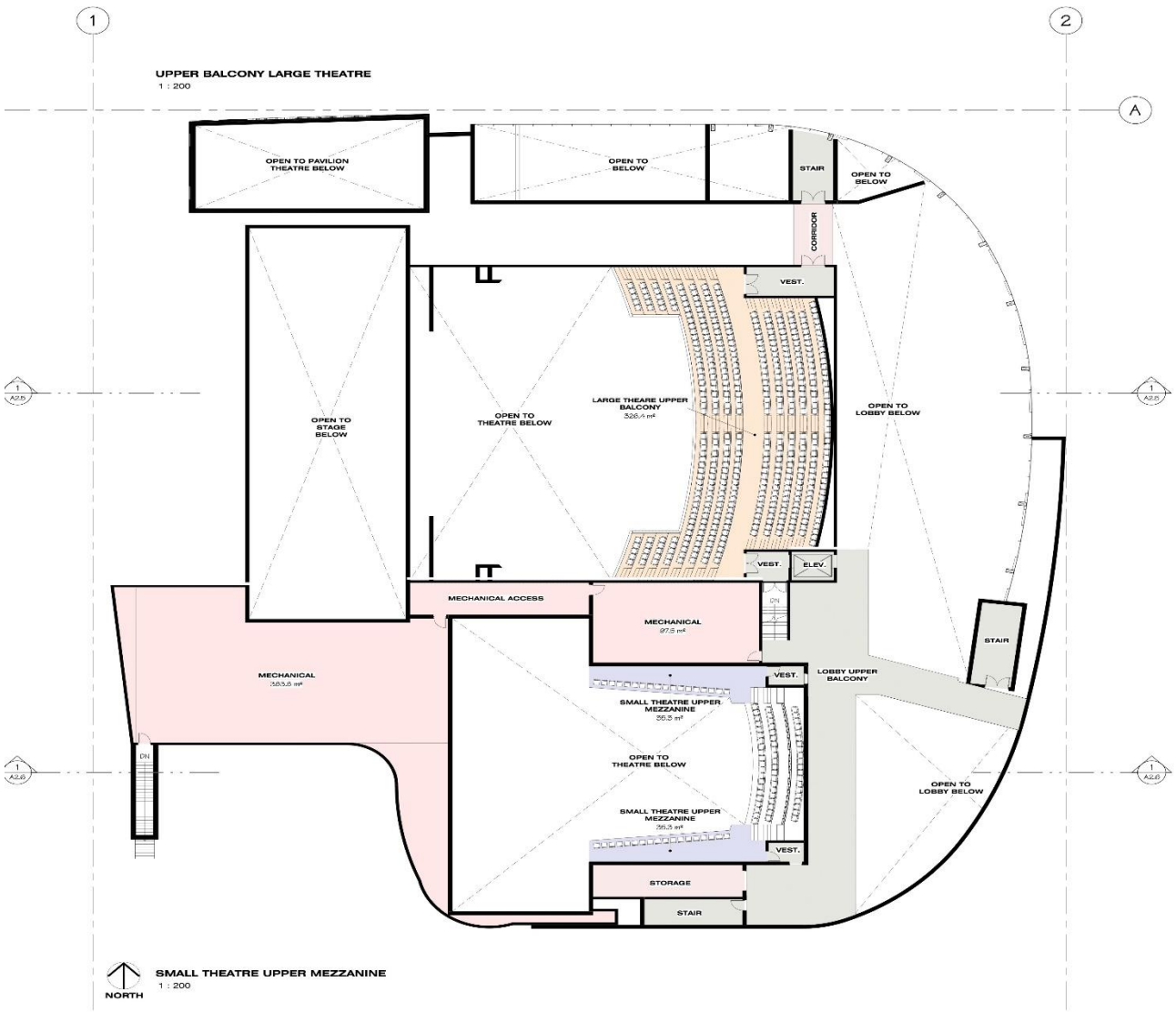
A conceptual functional program for the Centre has been designed, and is illustrated by floor in the following figures.

Figure 5: Conceptual floor plans – Main Floor[5]



[5] CHP Architects. *Kamloops Centre for the Arts.* 2019.

Figure 6: Conceptual floor plans – Upper Mezzanine[6]



Graphical Legend

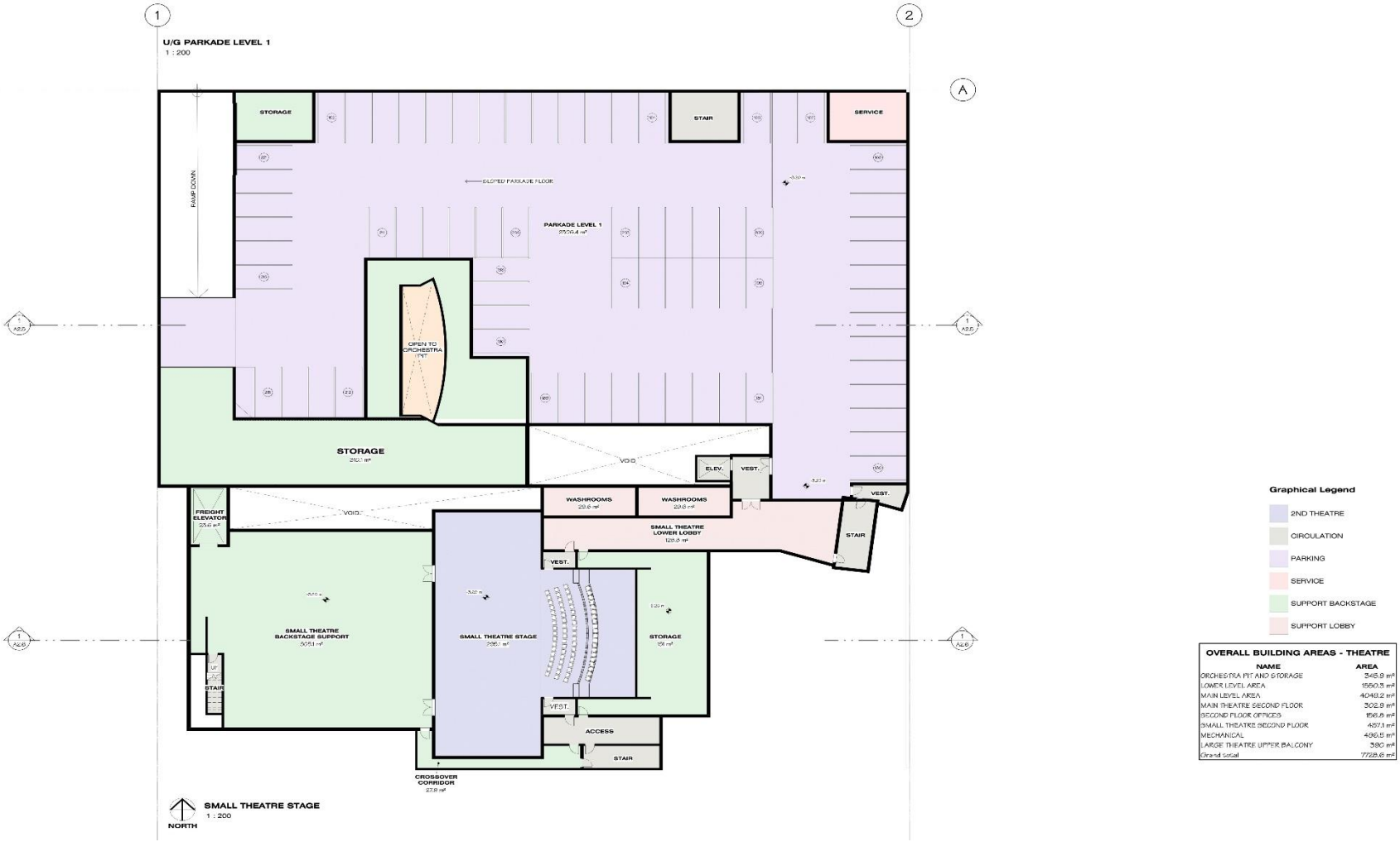
- 2ND THEATRE
- CIRCULATION
- MAINSTAGE
- SERVICE
- SUPPORT LOBBY

OVERALL BUILDING AREAS - THEATRE

NAME	AREA
ORCHESTRA PIT AND STORAGE	345.9 m²
LOWER LEVEL AREA	1550.3 m²
MAIN LEVEL AREA	4049.2 m²
MAIN THEATRE SECOND FLOOR	302.9 m²
SECOND FLOOR OFFICES	156.8 m²
SMALL THEATRE SECOND FLOOR	437.1 m²
MECHANICAL	498.5 m²
LARGE THEATRE UPPER BALCONY	390 m²
Grand total	7728.6 m²

[6] CHP Architects. *Kamloops Centre for the Arts.* 2019.

Figure 7: Conceptual floor plans – Studio Theatre Stage / Parking Level 1[7]



To save costs, the Project includes renovation of an existing building for administrative office space of the resident organizations, WCT and KSO, meeting, rehearsal, workshop, and storage space, including specialized art collection storage space for the Kamloops Art Gallery. Conceptual design of the renovations for the administrative space is currently being completed.

[7] CHP Architects. *Kamloops Centre for the Arts.* 2019.

3.2 SITE

The Centre will be developed on an approximately 1.8 acre site in downtown Kamloops. The location was chosen based on suitability and is owned by the City. The site, on Seymour Street between 3rd and 4th Avenue, is currently being used as a surface parking lot.

The site has been identified as the preferred location for the Centre for a number of reasons, including: downtown location available for development, a sufficient size to meet the functional needs of the Centre, current ownership by the City which enhances the degree of control in acquiring, servicing, and developing the site in alignment with Project schedule needs, and potential for economic revitalization of the area through investment in the Centre.

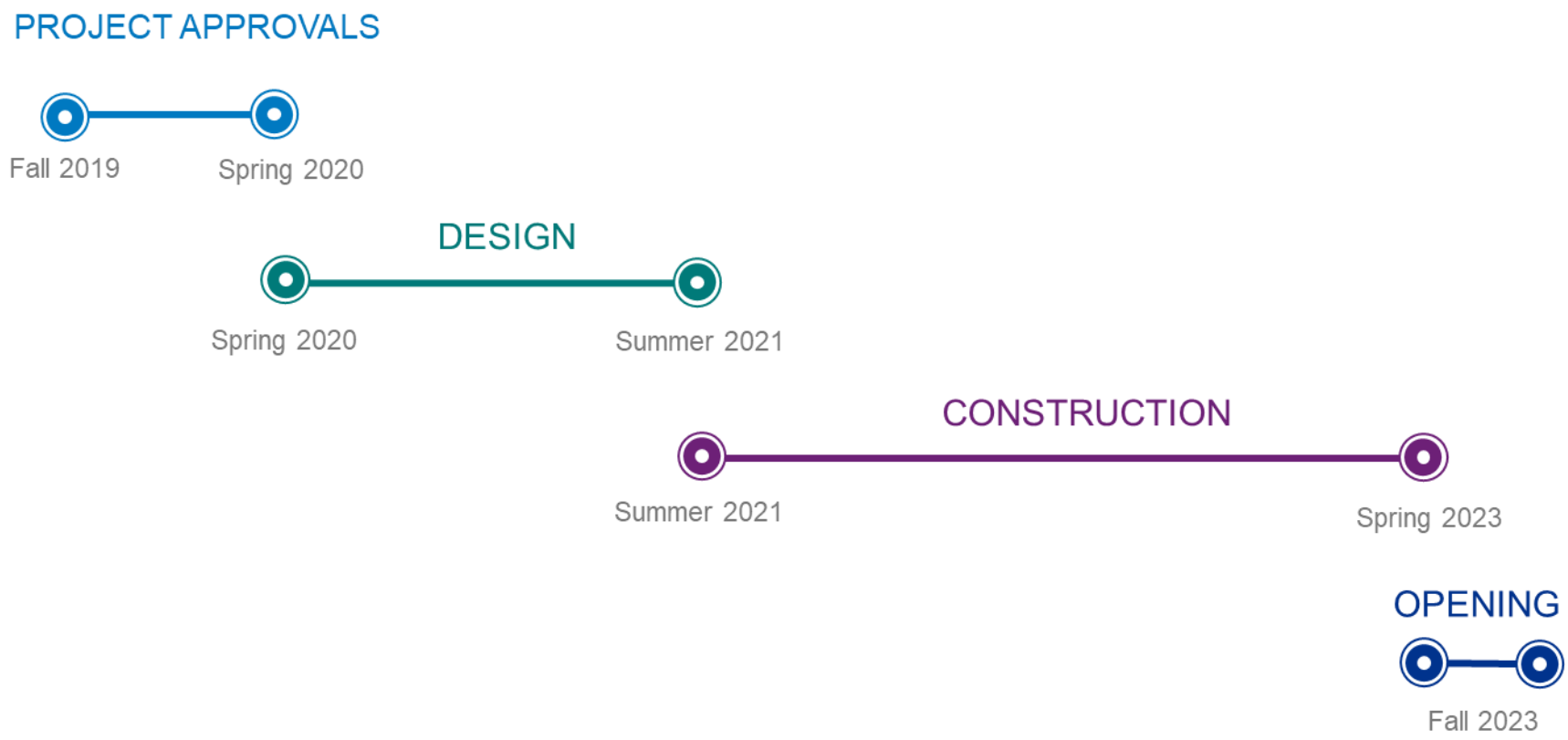
Figure 8: Aerial view of intended site

Site preparations are required that include underground utility movements and earthwork to meet the structural requirements of the Centre. The City purchased the site in 2013 with an understanding of future costs related to relocation of utilities, mechanical and civil services for development of the site. As similar work would be required regardless, the work and cost will be delivered by the City. The schedule presented in this document has considered the required site related work.

3.3 PROJECT TIMELINE

The graphic below outlines a typical timeline for a project of this type and scale. Timing is subject to decision making and funding availability. Efforts could be made to accelerate timelines where possible.

Figure 9: Preliminary project timeline



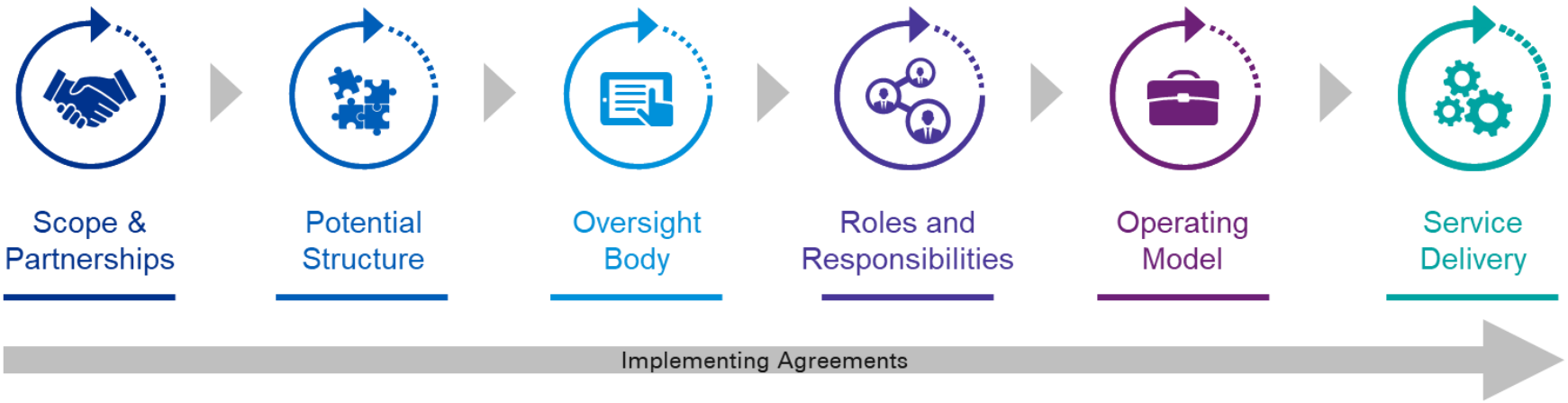
4.0 Governance and operations

Complex decisions, such as those relating to determining the optimal governance and operating model, often require incremental decision making with a holistic view of advantages, disadvantages, and implications.

4.1 GOVERNANCE AND OPERATING MODEL ANALYSIS APPROACH

A principle-based approach was used to assess incremental governance decision making. Key decisions associated with the governance and operating model were defined based on the framework illustrated below:

Figure 10: Governance and operating model analysis approach

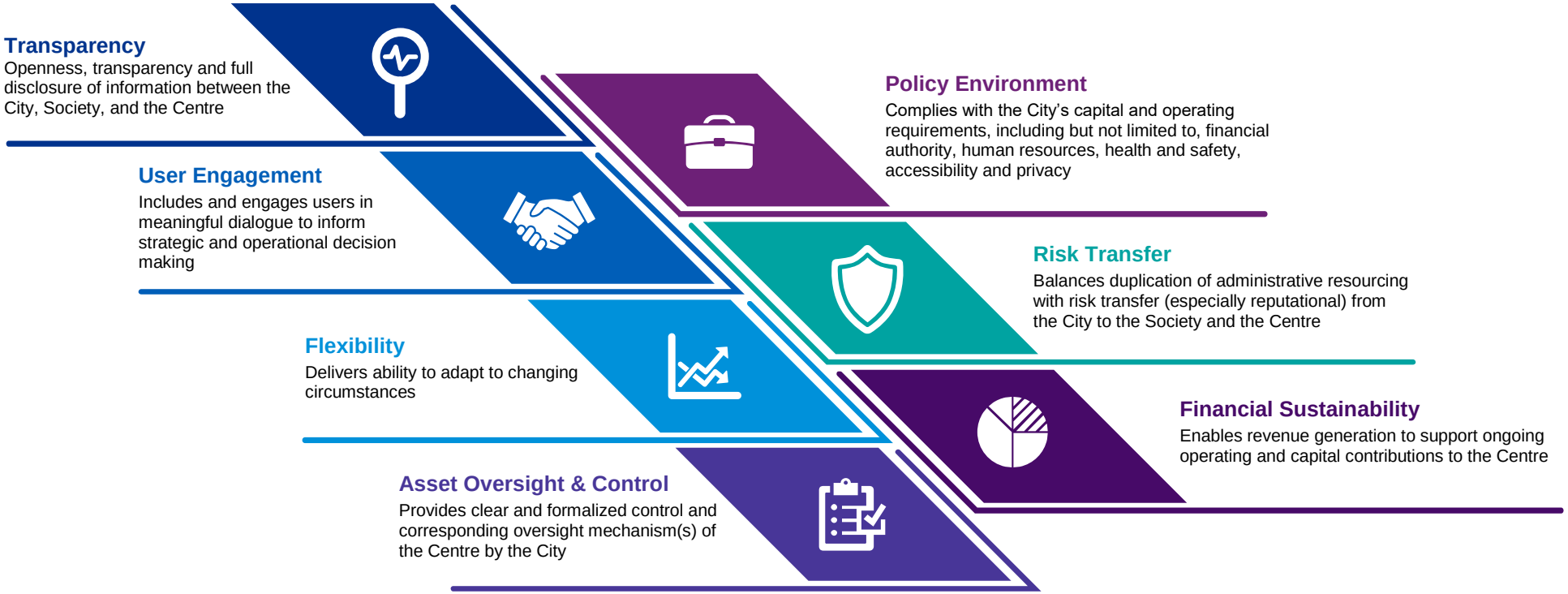


Based on preliminary information available, the Society and the City determined that the governance and operating model would be defined as much as feasible, recognizing that additional decision making would be required at future project stages to complete definition of the roles and responsibilities, operating model and service delivery approach. A principled-based approach was used to assess options for components where sufficient information was available. Where information was not yet available, conservative estimates were made for cost and schedule implications maximizing future flexibility.

4.2 ASSESSMENT CRITERIA

Potential assessment criteria were prepared based on leading practice, established project objectives and refined through a working session with members of the Society and representatives of the City. Criteria for assessing suitable governance and operating models were identified as follows:

Figure 11: Governance and operating model assessment criteria



4.3 PREFERRED GOVERNANCE AND OPERATING MODEL

An assessment was conducted of each component of the Governance and Operating Model Analysis Approach, as described in Appendix A. Based on the assumptions, potential for collaborators, overarching objectives for the facility, KPMG's experience with similar projects, and defined criteria, the following Governance Model has been identified as the preliminary preferred Governance Model for the Centre.

Table 2: Preferred governance and operating model

Component	Preferred Option	Description and Rationale
Scope and Partnerships	As described in this document, with collaborators including the City, the Society, WCT, and KSO at a minimum	Described throughout this Business Case, with collaborators key to success at all stages of Project development, construction and operations.
Structure	Separate entity with independent operation	Given the key considerations, it is recommended the City retain ownership and control of the assets, but establish a City-owned subsidiary to separately and independently operate the facility and assume responsibility for ensuring capital investments are made to maintain the infrastructure, with any surplus from operations being reinvested into the facility. This model supports focus on core, strategic objectives for both the City and the entity; transfers risk in operations without losing oversight and control of the asset itself; allows for distinctive policies tailored to the purposes of the facility; mitigates the risk of financial burden on the City's constituents; and reduces the City's exposure to liability. Implementation of this approach may be through implementing agreements defining the relationship between the City and entity, and/or through a lease or operating agreements, dependent on the level of integration/separation desired.
Oversight Body	City sanctioned external board	In order to achieve the City's desire to enable recognition of support and contributions from stakeholders and donors, while engaging stakeholders from in and outside of the community, it is recommended the City consider sanctioning an independent oversight body. The Oversight Body (or Board) could be representative of user groups, business and community leaders, with those who possess knowledge, experience, and skills that would be valuable to the facility.

Component	Preferred Option	Description and Rationale
Roles and Responsibilities	Transfer of responsibilities to separate entity as much as is feasible recognizing City relationship	As the sole owner of the Centre, the City will retain financial risks associated with the facility, and therefore maintain appropriate oversight of operations. City retained responsibility and authority is anticipated to include approval of material policy changes, approval of annual budget, receipt of reporting related to risk management, and approval of long-term liabilities.
Operating Model	Independent operation	To be determined in more detail at subsequent stages of the Project. Preliminary analysis indicates that the Board would hire the Executive Officer for the Centre, who in turn, would hire the necessary personnel and skills to operate the Centre. With strategic direction and oversight from the Board, the Executive would develop and execute a sustainable business and operating plan.
Service Delivery	To be determined at subsequent stages of the Project	Service delivery will be determined by the future Oversight Body, Executive Officer and management team of the Centre. Similar entities are often supported through a combination of internal (e.g., human resources, box office), external (e.g., building maintenance) and City contracted services (e.g., payroll) for successful operation.

5.0 Financial analysis

The following section outlines the key assumptions, capital and operating analyses, and funding outcomes associated with all phases of the Project, which have been developed to inform decision making.

5.1 KEY ASSUMPTIONS

5.1.1 Context

Capital costs have been estimated by CHP Architects and a cost consultant, and reflect Class D – Concept Design Stage estimates. Prior to development of the estimates, the administrative space was being treated separately, and therefore costs for the administrative space have not yet been estimated at a Class D stage, with capital estimates reflective of estimates provided directly by the Society. The size of components in square metres and estimated costs per square metre, described in detail within the functional program, served as a basis in the costing inputs and assumptions. The estimates are believed to be inclusive of all major capital costs.

Operating costs have been estimated based on FTE estimates provided by the City of Kamloops, current Sagebrush Theatre operations, comparative information from select facilities, the defined facility functional program, and input from the Society.

Based on input provided by the City, borrowing has not been included in capital and operating costs, with financing expenses anticipated to be borne by the City as part of broader debt management considerations, including retirement of existing debt.

5.2 CAPITAL – USES

The projects total capital costs are estimated to be approximately $70.0 million, including $50.0 million for direct construction costs, $20.0 million for construction cost driven fees and other fees. The Class D estimates omit GST.

The Project is expected to be approximately 120,000 square feet, wherein theatre and related space accounts for 83,000 square feet, 37,000 square feet accounts for the 70-stall underground parking.

The City purchased the site in 2013. Mr. Ron Fawcett purchased the adjacent parcel in 2017, and committed to donating the renovated building, land, and Project design costs. The building on the adjacent property is an estimated 20,000 square feet. Once approved, this renovated property will be transferred to the City.

The City will bear any cost related to the required utilities and mechanical civil services infrastructure that will need to be established for the Project to have available storm, sewer, water, gas, and electricity services. The estimated cost for this is approximately $3.0 million; which were projected by the City for any development on this site, and therefore has not been reflected in Project capital costs.

A summary of capital costs by type is presented in the table below, with notes related to each component immediately following the table.

Table 3: Estimated project capital expenditures (2020 $millions)

	$ millions
Construction cost estimates	
1. Grounds enhancement	0.6
2. Main building (includes first level of underground parking with 70 stalls)	47.7
3. General equipment allowance	1.7
Total construction cost estimates	**50.0**
Construction cost driven fees and other fees	
4. Design fees – architectural (5.9%) and sub-consultant fees (5.9%)	5.9
5. Construction oversight and owners reserve of fees (5%)	2.5
6. Escalation contingency 24 months (10%)	5.0
7. Theatre equipment allowance	3.4
8. Furniture, fixtures, and equipment	3.2
Total construction cost driven fees and other fees	**20.0**
Total estimated Project capital expenditures	**70.0**

Source: Information derived from the Society and its technical advisor.

1. Grounds enhancement: includes landscaping and required site-related activities following construction of the Centre.
2. Main building: includes exterior building shell, interior theatre construction and fit-out, and provision of 70 underground parking stalls. Excludes furniture, fixtures and equipment.
3. General equipment allowance: Specialized, relatively permanent equipment installation including an estimated 1,750 seats, orchestra pit lift, and orchestra shell.
4. Design fees: includes architectural fees and sub-consultant fees. Each fee is calculated based on a percentage of total construction costs. The Society indicated that the market rate for architectural fees and sub-consultant fees in Kamloops are approximately 5.9%. Therefore, estimated architectural fees and sub-consultant fees are both $2.95 million and collectively amount to design fees of $5.9 million.

5. Construction oversight and owners reserve of fees: Construction oversight and owner reserve fees are calculated on a percentage of total construction costs. The Society indicated that the market rate for oversight and owner reserve fees in Kamloops is approximately 5.0%. Therefore, total estimated construction oversight and over reserve fees are approximately $2.5 million.

6. Escalation contingency: 24 month escalation contingency fee market rates in Kamloops are approximately 10%. Therefore, the estimated escalation contingency fee is $5.0 million.

7. Theatre equipment allowance: includes an allowance for food and beverage service equipment, lighting and dimmers, sound and backstage drapes and rigging. The theatre equipment cost estimate is $3.4 million.

8. Furniture, fixture and equipment (FFE) costs: includes fee for signage, furniture and fixtures, IT/AV systems, security, and other internal project management costs. The FFE cost estimate is $3.2 million.

While the administrative space will be constructed as a component of this overall project, the operations of KSO and WCT are managed separately and therefore most of their operating revenue and expenses are not included in the Estimated Operating Cost section of the business case. It is anticipated that the ongoing building related operations of this space would be operated at break-even, with rental rates reflective of utility and building operation costs.

Based on current discussions with Ron Fawcett, costs associated with land purchase and all renovations will be provided in kind, and upon completion ownership transferred to the Centre for ongoing operations, maintenance and use.

5.3 CAPITAL – SOURCES

In addition to operating revenues, capital funding sources will be required to support one-time construction and related costs associated with the Centre. Based on a maximum available City-borrowing of $45 million for the Project, the Society will work with community members to reduce borrowing as much as feasible. Table 4 summarizes potential scenarios currently being contemplated by the Society. The scenarios will continue to be refined as additional information becomes available about the Project and potential applicable funding programs.

Other in-kind contributions toward the one-time costs associated with the Centre are also anticipated. They have been excluded as a capital source as it is provided as an in-kind rather than funding contribution. To date, these commitments include land and renovation of administrative space by Mr. Fawcett, with an estimated in-kind value of greater than $7.0 million.

Table 4: Anticipated capital sources

Category	***Description***	***Anticipated Amount ($M)***		
		Scenario 1	***Scenario 2***	***Scenario 3***
City Funding[8]	1. Maximum of $45.0 M available borrowing with no impact to current municipal tax rates.	**30.0**	**37.5**	**45.0**
Fundraising, Federal and Provincial Funding [9]	2. Fundraising and sponsorship from companies, organizations and individuals over time. 3. Fundraising and sponsorship from companies, organizations and individuals at the outset. 4. Funding contribution from other levels of government (e.g., federal and provincial).	**37.0**	**29.5**	**22.0**
Financial commitment from Mr. Fawcett[10]	5. Commitment of $3.0 million financial gift from Mr. Fawcett should the Project proceed.	**3.0**	**3.0**	**3.0**
Total, after pending fundraising commitment for the Project		**70.0**	**70.0**	**70.0**

[8] City of Kamloops provided.
[9] Society provided.
[10] Provided by the Society and the City of Kamloops.

5.4 OPERATING COSTS

The following table outlines the inflation-adjusted, indicative estimated revenues and expenditures once the Centre becomes operational. The table provides a summary, with notes related to assumptions for each row immediately following the table.

The estimates contained in the table exclude interest and principal repayment related to the loan throughout the Project (i.e., the estimates below only relate to operations). They also exclude the non-cash depreciation expense that would be reflected in the financial statements.

Table 5: Preliminary estimated inflation-adjusted revenues and expenditures ($thousands) by year

	Year 1 *($ thousands)*	***Year 5*** *($ thousands)*
Operating revenues		
1. Theatre rental income	319	517
2. Recoverable production expenses	234	322
3. Facility fee	429	658
4. Box office operations	246	312
5. Other earned revenue	556	653
6. Fundraising and sponsorship	70	110
7. City of Kamloops operating contribution[11]	703	383
Total operating revenues	2,557	2,955
Operating expenditures		
8. Salaries and benefits	1,152	1,356
9. Stage production operations	400	500
10. Custodial and security services	130	137
11. Building services and maintenance	625	687
12. Utilities	250	275
Total operating expenditures	2,557	2,955
Excess of revenues over expenditures	**0**	**0**

Source: Based on information and assumptions from the Society and the City.

[11] See Appendix B for operating contribution assumptions.

1. Theatre rental income: Assumes 150 days of use of the large theatre at 60% capacity (17% promoted, 35% commercial, and 35% non-commercial); 275 days of use of the medium theatre at 60% capacity (10% promoted, 45% commercial, 45% non-commercial); and, 275 days of use of the black box space at 60% capacity (10% promoted, 45% commercial, 45% non-commercial). Assumed blended average rates per day of approximately $750 for large theatre, $500 for medium theatre, and $370 for black box space for Year 1. These rates are assumed to be increasing annually, and by Year 5 to blended average rates per day of $950 for large theatre, $700 for medium theatre, and $450 for black box space. Non-profit and community-based organizations will have substantially lower rates than commercial users, tiered by category of use, with the overall objective to maximize use and availability for the community.
2. Recoverable production expenses: 75% of technical FTEs (e.g. sound, lighting, etc.) focused on providing technical production support that will be billed to facility users.
3. Facility fee: An average $3 fee for each ticket sold in the facility in Year 1. Consider increasing facility fee in the medium term.
4. Box office operations: 4% of production sales of all events in the Centre.
5. Other earned revenue: Revenues from promoted/co-promoted shows, parking fees, concession/retail leases, other in-house sales, and any other related fees.
6. Fundraising and sponsorship: Ongoing naming, corporate, and private donations and contributions toward Centre operations.
7. City contribution assumed to net totals to break-even. See Appendix B for a comparative analysis of this total relative other City of Kamloops operating contributions.
8. Salaries and benefits: 14 Full-time Equivalent (FTE) staff members, plus an additional 72 casual hours (~12 staff for six hours to support box office, parking, ushers, etc.) for each facility bright day.
9. Stage production operations: Fees associated with co-promoted / promoted shows, and general administrative supplies (e.g., marketing, office supplies, professional services, memberships, etc.)
10. Custodial and security: Custodial supplies (FTEs including in salaries and benefits), and estimated costs associated with two security personnel for each bright day.
11. Building services and maintenance: costs associated with preventative maintenance, building supplies, building control and management, information and technology hardware, etc.
12. Utilities: Costs associated with water, gas, and electricity.

6.0 Economic impact assessment

This section describes the methodology used to quantify the economic impact of the capital and operating expenditures associated with the Centre for the Arts. KPMG utilized Statistics Canada input-output modelling to estimate Gross Domestic Product (GDP), and employment impact.

6.1 APPROACH

6.1.1 Input-Output Modelling Overview

An input-output model separates the general economy into a collection of industries and commodities. Relationships within the model map the production of commodities to industries and identify the primary and intermediate commodities that would be used in the production of each final commodity. Final commodities are either used by consumers or sold as an export. The model then aggregates all of the expenditures on goods and services in the supply chain as commodities are produced.

In Canada, the most authoritative and comprehensive input-output model is provided through Statistics Canada, which maintains both national and interprovincial input-output models. As the Centre is being developed at a municipal/regional level, the interprovincial model is more suitable for this Project. The premise of the model is that shocks to the Canadian economy within an input-output model show the direct, indirect, and induced impacts on GDP, identify which industries benefit the most, determine the number of jobs it would create, and estimate the indirect taxes and subsidies generated. As a result of input values being expressed as 2020 values and due to the linearity of multiplier effects, the economic impacts shown in dollar terms can be interpreted as 2020 values. Adjustments, however, must be made when interpreting employment impacts.

The estimated employment impacts are linked to average compensation per worker and the amount of time spent on a full-time position, resulting in the estimated employment impact by full-time equivalent (FTE) positions. Since the input-output model was calibrated to the provincial economies in 2015, average compensation per worker assumed in the model is less than what it will be in 2019. Without adjusting for time, this would result in an overestimate of the employment impact of the Centre. In order to address this issue, the employment impacts must be deflated from the input-output model between 2015 and 2020 – an approach recommended by Statistics Canada to avoid overestimating the employment impacts.

6.1.2 Types of Benefits Assessed

Four dimensions of quantitative economic impact are derived from the input-output model:

1. **GDP or value added:** GDP or value added is the total unduplicated value of goods and services produced in the economic territory of a country or region during a given period. Value added includes household income from current productive activities (e.g., wages, salaries and unincorporated business income) as well as profits and other income earned by corporations. In the context of the economic impact analysis for this Project, GDP serves as a measure of the total economic wealth generated within British Columbia, and elsewhere in Canada, resulting from the one-time capital project and perpetual post-construction operations.
2. **Labour income:** Labour income represents the total earnings of employees (including the employees of suppliers) consisting of wages, salaries, and supplementary labour income (e.g., employer contributions to pension funds, employment insurance, payroll tax, worker's compensation, etc.). A significant proportion of the Centre's anticipated operating expenditures is allocated to salaries, wages, and benefits. Labour income is a component of GDP impact. As a service sector, the large majority of GDP impact is labour income, so the output charts focus on GDP.
3. **Employment impact:** The employment impact is measured in terms of FTE positions from ongoing employment (i.e., employment impacts associated with annual expenditures). FTE positions are counted according to their duration and not whether they were employed on a full-time or part-time basis. In other words, two part-time employees would be counted as one FTE if the total time spent on the job adds up to one year of full-time employment. This approach is consistent with standard statistical terminology.
4. **Government revenues:** Government revenues represent national Government revenues including product and production taxes, such as sales taxes and capital taxes; property taxes and fees; and personal and corporate income tax. This analysis quantifies government revenues from those sources and for the three levels of government (i.e., municipal, provincial, and federal). It is important to note that government revenue and taxes include government income described above, plus estimated income taxes on labour income based one effective tax rates on average labour income.

6.1.3 Types of Economic Impacts Assessed

Infrastructure projects impact the economy through three primary economic mechanisms, commonly referred to as direct, indirect, and induced impact.

1. **Direct:** Direct economic impacts would represent the economic value added directly associated with the Centre's capital and operating expenditures (i.e., they include the employment and income of all direct employees).
2. **Indirect:** Indirect impacts represent the economic value added resulting from demand for goods and services that operating expenditures and spending generate for suppliers within British Columbia. For example, economic activity generated in the manufacturing, wholesale trade, transportation, and professional services sector as a result of demand for materials and services generated.
3. **Induced:** Induced economic impacts are an estimation of the economic activity stimulated by the spending of salaries and wages earned as a result of the capital and operating activities associated with the Project. An example of an induced economic impact would be household purchases made by employees of the Centre or its suppliers' employee(s) with their earnings. Induced economic impacts, while having a significant effect on the economy, are sometimes excluded when evaluating the economic impact of a specific Project's activities. This is due to the challenges in specifying how much of the spending would have occurred in the absence of the activities being considered. Appropriately attributing the induced impacts is further complicated by the possibility that earnings are spent in a different jurisdiction or on imported products and services. However, economic impact analyses comprised of only

the direct and indirect impacts from an input-output model would underestimate the overall economic impacts. Thus, including induced impact ensures the economic activities generated through the expenditures of salaries and wages are appropriately accounted for.

6.1.4 Approach and Methodology to Capture Economic Impacts

An overview of the overall economic impact approach is outlined below:

Figure 12: Economic impact approach

Capital Impacts (One-Time)		Operating Impacts (Ongoing)		
Labour / Payroll	**Purchases of Goods and Services for Construction of the Facility**	**Labour / Payroll**	**Facility**	**Purchases of Goods and Services**
▪ Salaries and benefits of construction workers ▪ Salaries and benefits of professional services	▪ Purchases of supplies for design and construction ▪ Furniture, fixtures, and equipment for the facility ▪ Site preparation	▪ Salaries and benefits of facility employees	▪ Expenditures on goods and services to maintain the facility over time ▪ Sustaining capital expenditures	▪ Purchases of supplies ▪ Other ongoing expenditures

The impacts are described in terms of:

1. **Value added in terms of GDP**: The economic wealth generated in the region;
2. **Employment:** The impacts in terms of FTE jobs; and
3. **Government revenues**: Taxes incurred on income, profits, and purchases of goods and services at the municipal, provincial, and federal levels.

The model estimates the impacts across three levels:

1. **Direct Impacts:** The economic impacts resulting from expenditures by the first-line economic agents of the operations;
2. **Indirect Impacts:** The economic impacts generated by the demand for goods and services supplied to the first-line agents of the operations; and
3. **Induced Impacts:** The economic impacts generated by the spending of labour income generated via direct and indirect impacts.

6.1.5 Process

The analysis utilized the 2015 Statistics Canada input-output model to measure the impact of the capital project and operations on the British Columbia economy.

Two sensitivities exist in the process. First, both the employment and value-added impacts from the input-output model are linear so that any percentage increase/decrease in the value to Canadian corporations will result in an equal percentage increase/decrease to the employment and value-added results. Second, with respect to the assessment of the economic impacts of capital and operations in British Columbia, we have analyzed the economic impacts that would accrue in British Columbia. Through supply chain linkages, indirect impacts would also occur in other provinces. For clarity, impacts that would accrue outside of Canada have been excluded, as imports are considered to be leakage from the Canadian economy.

The process for running the Statistics Canada input-output model was as follows:

Figure 13: Economic impact analysis process

1	**Definition of Expenditure Data**	The expenditure data to be analyzed included the projected capital expenditures during the planning, design, and construction phases and the projected annual operating expenditures in British Columbia, based on projected post-construction data. For both capital and operational spend, 2020 dollars were used.
2	**Definition of Jurisdictional Level at which to Disaggregate Expenditure Data**	In order to increase the accuracy with which interprovincial trade flows and regional distributions of operations are reported, the analysis requires the expenditure data to be disaggregated to the provincial level.
3	**Definition of Commodity Disaggregation Levels**	The analyses uses expenditure data to be disaggregated to what Statistics Canada defines as the “W” (worksheet) level, in which over 200 commodity items are defined.
4	**Collection of Data**	In accordance with the defined values above, the data is then collected.
5	**Adjustment of Data**	Based on available data and information, the data must be adjusted. A separate data set is required for capital and operations. The adjusted data is then submitted to Statistics Canada.
6	**Review of Input Matrices**	Prior to Statistics Canada running the model for each of the data sets, the input matrix is reviewed.
7	**Interpretation and Analysis of Results**	Statistics Canada then delivers the input-output model, and the results are interpreted and analyzed for the business case.

The impacts from capital expenditures are based primarily on the anticipated space requirements and capital cost estimates provided by the Society, and the operating expenditures are based on information and assumptions, as described in the Financial Analysis section.

6.2 ECONOMIC IMPACTS

6.2.1 Capital Expenditure

This section presents the economic impact in British Columbia and Canada through GDP and employment, as a result of the projected capital expenditures from the construction of the Centre in Kamloops. It is important to note that these represent one-time economic impacts that would accrue over the course of the construction period.

This projected capital expenditure is estimated to generate one-time impacts of $70.7 million of GDP or value added to the Canadian economy. Out of the projected total, an estimated $58.8 million would be added to the British Columbia economy, and an estimated $11.9 million would be added to other Canadian provinces from the purchase of materials, goods, and services through the inter-provincial supply chain.[12]

The construction of the facility would also result in is projected to result in 565 FTE jobs, with the large majority, 474 FTE jobs or 84% in British Columbia throughout the construction phase. It is important to note that one FTE is measured as one full-time position held for one year. Thus, one full-time person employed by the capital project over the course of the three-year construction period would count as three FTEs for the purpose of reporting employment impacts.[12]

Figure 14: GDP impacts from capital expenditures ($millions)[12]

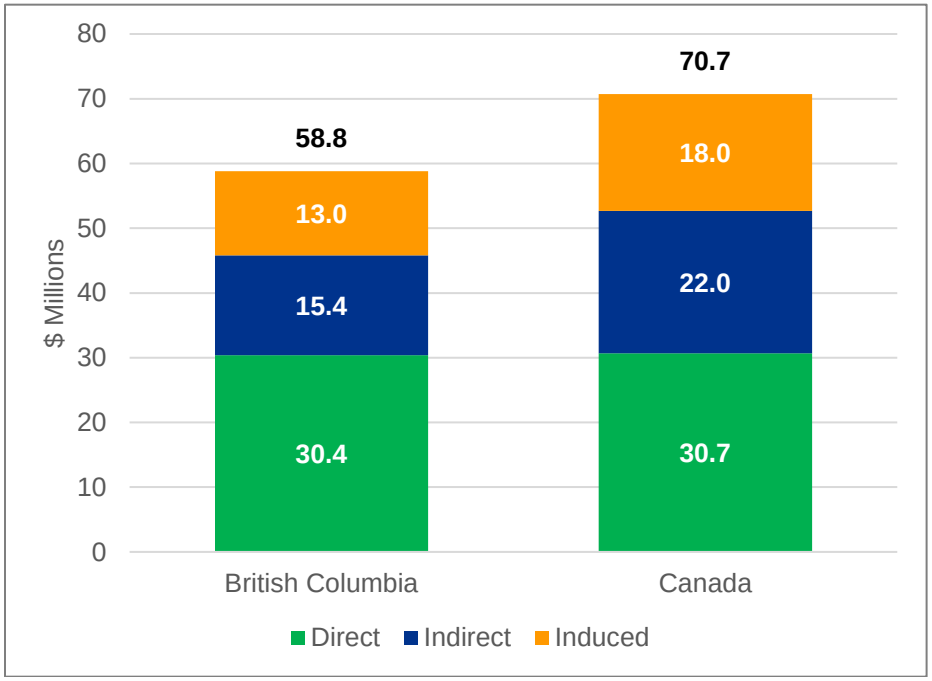
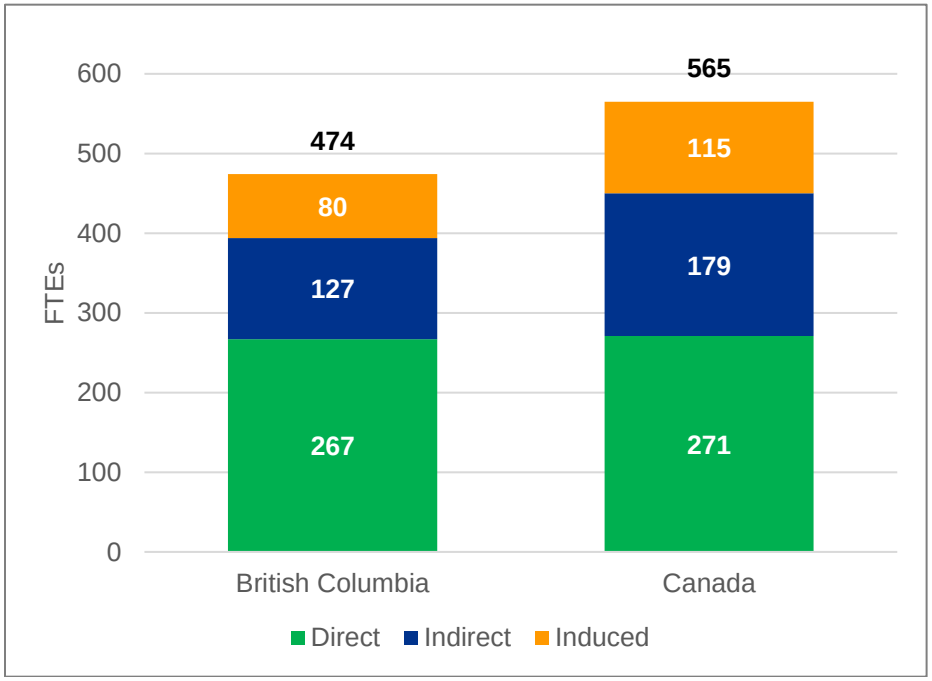


Figure 15: Employment impacts from capital expenditures (FTEs)[12]



[12] Statistics Canada input-output simulation based on information and projections provided by the Society.

6.2.1 Operating Expenditures

This section presents the impact in British Columbia and Canada on GDP and employment as a result of the projected ongoing operating expenditures after the construction of the Centre in Kamloops.

This projected operating expenditures are estimated to generate a recurring annual impact of $2.9 million of value added to the Canadian economy. Out of the total, a large majority ($2.6 million) would accrue within British Columbia as much of the operating expenditures relate to local labour.[13]

The ongoing operations of the facility would create or sustain approximately 31 FTE jobs, of which over 90% would be in British Columbia, and dominantly in Kamloops. The operating expenditures first generate direct impact, in terms of value added and employment, as well as the creation of further economic impact through the wider supply chain (i.e., indirect impacts) and the spending of wages earned by individuals for direct and indirect employment linked to operations (i.e., induced impact).[12]

Figure 16: GDP impacts from operating expenditures ($millions)[12]

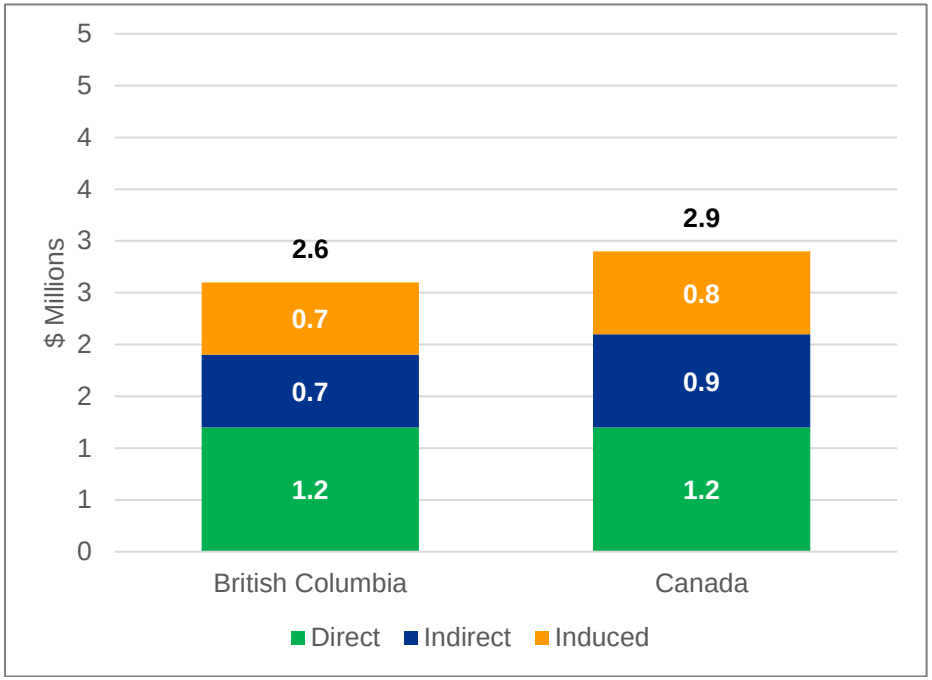
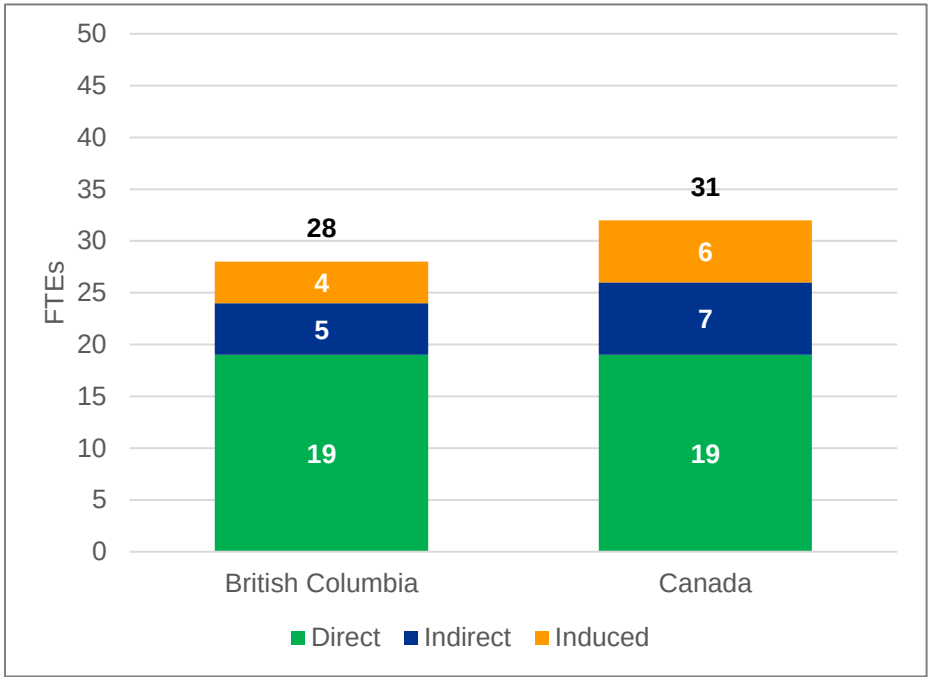


Figure 17: Employment impacts from operating expenditures (FTEs)[12]



[13] Statistics Canada input-output simulation based on information and projections provided by the Society.

6.3 ESTIMATED GOVERNMENT REVENUES

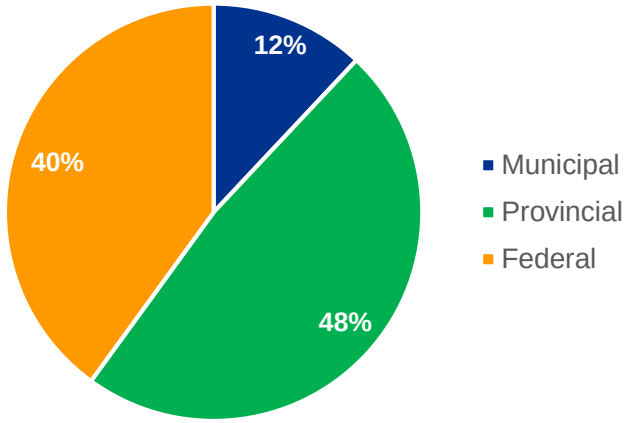
6.3.1 Capital Expenditures

The construction of the Centre is projected to generate direct and indirect government revenues of an estimated $9.2 million during the planning, design, and construction phases.[14] This includes an estimated:

- $4.1 million in provincial revenues (e.g., provincial sales tax and other taxes, provincial income tax, provincial taxes on production, motor vehicle license fees, land transfer taxes) collected by the Government of British Columbia;
- $3.7 million in federal revenues (e.g., federal taxes on products, federal income tax, capital taxes levied against corporate entities) collected by the Government of Canada; and
- $1.0 million in municipal revenues (e.g., property taxes, frontage fees, other fees, and other levies) collected by municipalities within British Columbia.

An additional $0.4 million in government revenues are estimated to be generated indirectly outside of British Columbia. The approximate share of government revenues from capital expenditures, by level of government, is displayed in the figure to the right.

Figure 18: Estimated government revenues from capital expenditures by level of government[14]

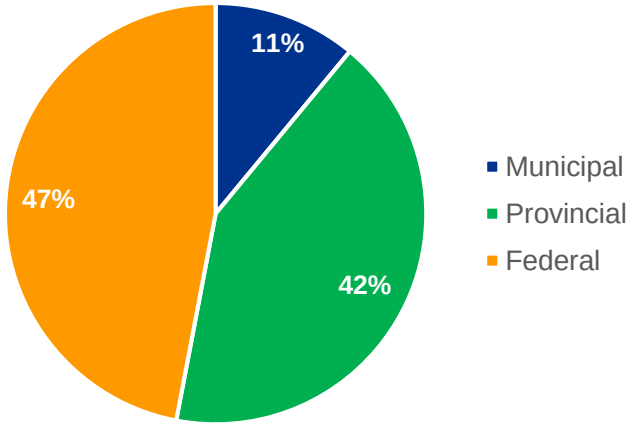


6.3.2 Operating Expenditures

The operations of the Centre is projected to generate direct and indirect recurring revenues estimated at $0.33 million on an annual basis.[14]

The approximate share of government revenues from operations, by level of government, is displayed in the figure to the right.

Figure 19: Estimated government revenues from operating expenditures by level of government[14]



[14] Statistics Canada simulation based on information provided by the Society; income tax estimates based on effective tax rates on salaries/wages.

6.4 TOURISM AND QUALITATIVE BENEFITS

- The main ongoing economic impacts relate to the one-time economic impacts from construction of the facility and from actual operating expenditures. Secondarily, out-of-province visitor spending, can generate incremental economic impacts. In this case, out-of-province visitor spending were not available, so were not part of the study. As the Centre develops its track record, an economic impact assessment including out-of-province visitor spending based on actual experience could be undertaken. Note that the large majority of tickets to Centre for the Arts events are sold locally or in the region. Dollars spent by citizens in Kamloops and the region are recirculated dollars, not new dollars – so they are not part of the Economic Impact Assessment. However, these expenditures certainly benefit local businesses.

- While out-of-province visitor spending is not part of the formal economic impact assessment conducted on annual operations, for a sense of magnitude, approximately 10,000 tickets sold annually to out-of-region visitors who stay one night (or add one extra night in Kamloops for such events) would have estimated direct visitor spending of well over $1 million, which in turn, generates income and spin-offs for local businesses.

- Types of visitor expenditures:
  - Hotels and accommodation
  - Retail – restaurants, bars, shopping malls, specialty shops, other stores
  - Transportation – air, rail, car rental, taxis, bus, transit, other ground transportation
  - Event merchandise, souvenirs, concessions at events
  - Recreation and entertainment (tickets, visits to other attractions)

- Events at a new Centre for the Arts support local businesses such as manufacturers, suppliers, hotels, restaurants, transportation, retailers, and in turn their suppliers of goods and services. These businesses in turn pay taxes, employ people who in turn spend their money and pay taxes.

- In addition to these significant economic impacts, there are further positive qualitative benefits from the presence of the Centre in Kamloops (see chart on next page), such as:
  - contributing to the City's quality of life;
  - providing facilities to showcase arts and stage events for the citizens of Kamloops and visitors to the region;
  - a new facility adding to downtown revitalization in Kamloops and turning a relatively unused block of downtown real estate into productive use and opportunities for nearby businesses;
  - City marketing and brand reputation and sense of pride and community for Kamloops and the region.

- The Centre and arts and culture bring economic impacts and many intangible community benefits to Kamloops and the region.

Figure 20: Qualitative benefits

COMMUNITY DEVELOPMENT

- Quality of life
- Event hosting
- Labour attraction and retention
- City brand and reputation
- Civic satisfaction and pride
- More participation opportunities in arts in general

SOCIAL INVOLVEMENT

- Community outreach
- Philanthropic programs
- Charitable donations
- Grants, scholarships
- Youth programs

COMMERCIAL ACTIVITY

- Visitor spending in hotels, local shops and restaurants
- Concessions
- Commercial hub around the Centre
- Destination will be centre of a cultural district/precinct

DOWNTOWN REVITALIZATION

- Real estate development hub for other commercial buildings and office spaces
- Real estate tax (centre and other buildings in the area)
- Marketing

Appendices

APPENDIX A: GOVERNANCE AND OPERATING MODEL ASSESSMENT

This section includes a summary of the evaluation of governance and operating model options, considering the assessment criteria outlined.

Scope and Partnerships

The scope of the Project is described in Section 3.1 of this document. Key collaborators anticipated to be involved in the Centre include:

- City of Kamloops: ultimate owner of the asset, and primary capital funder
- Kamloops Centre for the Arts Society: not-for-profit organization, overseen by independent Board, with role in the Project determined by the City
- Western Canada Theatre: independent not-for-profit organization, anticipated to be a primary user of the Centre
- Kamloops Symphony Orchestra: independent not-for-profit organization, anticipated to be a primary user of the Centre

Each of the above have been actively involved in the development of the Business Case and analysis of governance options.

Four potential structure options were identified and assessed as described in the appendix.

Potential Structure

Four potential structure options were identified and assessed.

In the case of a separate entity, the entity type (e.g., Corporation, Not-for-Profit Corporation, Charitable status, etc.) would be determined as part of implementation.

Table A1: Summary evaluation of operating the facility as a separate entity with independent operation

Separate entity with independent operation	**Overall Alignment**	**High**
	Transparency	Financial information incorporated as a City-owned subsidiary, with additional separate financial reporting as defined by regulatory requirements, implementing agreements and / or by the oversight body
	Policy Environment	Oversight body defines policy environment, including use of, or tailoring of, existing policy environment
	User Engagement	Extent of stakeholder engagement would depend on the selected entity type and oversight body
	Risk Transfer	City defines risk transfer as part of implementing agreements
	Flexibility	Assuming a single owner, City retains ability to make decisions to maximize future flexibility
	Financial Sustainability	Likely to introduce duplication, based on oversight body and operating model defined
	Asset Oversight & Control	Provides clear asset oversight with a single owner

Table A2: Summary evaluation of operating the facility as part of the City

Part of City	**Overall Alignment**	**Moderate**
	Transparency	Financial information incorporated as part of City operations, limiting potential financial transparency
	Policy Environment	Leverages City policy environment, limiting duplication, but does not consider differences required to reflect operations of Centre activities
	User Engagement	Stakeholder engagement likely to be incorporated into broader City ongoing engagement activities
	Risk Transfer	Most limited potential risk transfer from City operations
	Flexibility	Limits potential flexibility to incorporate and recognize contributors and stakeholders
	Financial Sustainability	Maximizes resource sharing between City and Centre activities
	Asset Oversight & Control	Provides clear asset oversight accountability with a single owner and structure

Table A3: Summary evaluation of operating the facility as a separate entity with sole ownership by the City

Separate entity with sole ownership by the City	**Overall Alignment**	**Moderate**
	Transparency	Financial information incorporated as a City-owned subsidiary, with additional separate financial reporting as determined by the City and regulatory requirements
	Policy Environment	Oversight body defines policy environment, including use of, or tailoring of, existing policy environment
	User Engagement	Offers potential to engage stakeholders through oversight and advisory opportunities
	Risk Transfer	City defines risk transfer as part of implementing agreements
	Flexibility	With a single owner, City retains ability to make decisions to maximize future flexibility
	Financial Sustainability	May introduce duplication, based on oversight body and operating model defined
	Asset Oversight & Control	Provides clear asset oversight with a single owner

Table A4: Summary evaluation of operating the facility as a separate entity with shared ownership

Separate entity with shared ownership	**Overall Alignment**	**Low**
	Transparency	Financial information may or may not be consolidated based on ownership, separate financial reporting as determined by oversight body, implementing agreement(s) and regulatory requirements
	Policy Environment	Oversight body defines policy environment, including using or tailoring of existing policy environment from owner(s)
	User Engagement	Future potential decisions require engagement and input from all owners
	Risk Transfer	Owners define risk transfer as part of implementing agreements, with City level of risk and control unknown until defined as part of implementing agreements
	Flexibility	Owners define risk transfer as part of implementing agreements, with City level of risk and control unknown until defined as part of implementing agreements
	Financial Sustainability	May introduce duplication, based on oversight body and operating model defined
	Asset Oversight & Control	Adds complexity around asset oversight based on multiple owners

Potential Oversight Body (Assuming Separate Entity Structure)

Table A5: Summary evaluation of operating a Council-sanctioned independent external Board

City-sanctioned, independent External Board	**Overall Alignment**	**High**
	Transparency	Transparency of membership and decision making based on policy definition and implementing agreements
	Policy Environment	Policy environment tailored to the needs of the Centre, with The City sanctioning the independent appointment of oversight body membership
	User Engagement	Enables stakeholder engagement through defined roles in the oversight body – oversight body could choose to define advisory body to provide input toward decision making
	Risk Transfer	Enables risk transfer from the City, including related to reputational risk, retaining control over sanctioning the independent Board
	Flexibility	Flexibility would be dependent on decision making from oversight body
	Financial Sustainability	Limits additional resource capacity required from Council, with resource sharing between the City and entity dependent on independent oversight body decision making
	Asset Oversight & Control	Oversight and control of assets as defined through implementing agreements

Table A6: Summary evaluation of an elected / appointed Board

Elected / Appointed Board	**Overall Alignment**	**Moderate**
	Transparency	Transparency of membership and decision making based on policy definition and implementing agreements
	Policy Environment	Policy environment tailored to the needs of the Centre, based on oversight body decision making
	User Engagement	Enables stakeholder engagement through defined roles in the oversight body – oversight body can define membership based on representative and/or required skill set needs
	Risk Transfer	Enables risk transfer from the City, including reputational risk; however, may reduce control with limited influence on oversight body membership by the City
	Flexibility	Flexibility would be dependent on decision making from oversight body
	Financial Sustainability	Limits additional resource capacity required from Councillors, with resource sharing between the City and entity dependent on oversight body decision making
	Asset Oversight & Control	Oversight and control of assets as defined through implementing agreements

Table A7: Summary evaluation of operating a Council-appointed, internal and external Board

City-sanctioned, Internal and External Board	**Overall Alignment**	**Moderate**
	Transparency	Council control of oversight body membership, may hold majority or minority votes of the oversight body
	Policy Environment	Policy environment likely to be balanced between City and tailored policies to reflect decision making representation and perspectives
	User Engagement	Enables stakeholder engagement through defined roles in the oversight body – Council could choose to define advisory body to provide input toward Council decision making
	Risk Transfer	Provides some risk transfer; however, remains limited related to political risk
	Flexibility	Flexibility would be dependent on decision making from oversight body
	Financial Sustainability	Enables resource sharing with City involvement
	Asset Oversight & Control	Oversight and control of assets as defined through implementing agreements

Table A8: Summary evaluation of the City Council as the oversight body

City as Oversight Body	**Overall Alignment**	**Moderate**
	Transparency	Transparent oversight body membership based on existing governance and committee structures
	Policy Environment	Familiarity with existing policy environment likely to result in greatest level of similarity between the City and entity
	User Engagement	Stakeholder engagement focused on defined election cycle and councilor engagement activities – Council could choose to define advisory body to provide input toward Council decision making
	Risk Transfer	Limits potential risk transfer, especially related to reputational risk
	Flexibility	Flexibility limited to defined Council processes
	Financial Sustainability	Limits duplication of effort and enables resource sharing, assuming sufficient capacity available to provide oversight
	Asset Oversight & Control	Oversight and control of assets as part of City existing processes

Roles and Responsibilities (Assuming Council-sanctioned independent External Board)

The following table outlines key considerations relating to roles and responsibilities, assuming the City moves forward with a City-sanctioned independent external Board. This type of governance model is common in Canada and there are many examples such as: Arts Commons in Calgary, and performing arts centres in Vernon, Regina, Toronto, and many cities):

Table A9: Summary evaluation of roles and responsibilities, assuming the City moves forward with a Council-sanctioned independent Board of Directors

Roles	Roles would be limited to the following: ▪ Owner: City of Kamloops ▪ Contributor(s): All potential donors and collaborators, including WCT and KSO ▪ Users: Resident and non-resident users of the proposed facility
Retained Authority and Responsibility	Anticipated City authorities and responsibilities (to be defined in implementing agreements) to include: ▪ Approval of material policy changes (e.g., By-laws, financial authority, etc.) ▪ Approval of strategic plan and annual budget ▪ Receipt of annual reporting related to risk management ▪ Approval of long-term liabilities, including multi-year contracts
Transferred Authority and Responsibility	Anticipated transferred authorities and responsibilities (to be defined in implementing agreements) to include: ▪ Rate setting ▪ Risk reserve and capital asset planning and implementation ▪ Scheduling ▪ Operating model decision making ▪ Employment contracts and relationships ▪ Management of operating surpluses and deficits

Operating and Service Delivery Model

The details of the operating and service delivery model would be determined at subsequent stages of the Project. The Oversight Body would hire the Executive Officer for the Centre, who in turn, would hire the necessary personnel and skills to operate the Centre. With strategic direction and oversight from the Oversight Body, the Executive would develop and execute a sustainable business and operating plan.

APPENDIX B: CITY OF KAMLOOPS RECREATION FACILITY CONTRIBUTIONS

The City of Kamloops provides an annual operating contribution to various City-supported facilities. In addition to annual operating contributions, the City develops asset management plans to repair and replace capital assets as needed. The projected City operating contribution to the Centre is lower than provided to other City Supported Facilities in 2018 as shown in Table B1.

Table B1: Summary of the recreation facility contributions provided by the City of Kamloops

City Supported Facility	*Projected Operating Contribution*[15]		Historical Contribution[16]	
	Year 1	*Year 5*	2018 Actual	2017 Actual
Kamloops Centre for the Arts	*703,000*	*383,000*	N/A	N/A
Sandman Centre	*N/A*	*N/A*	752,197	616,682
Tournament Capital Centre	*N/A*	*N/A*	1,269,166	1,081,331
Arenas	*N/A*	*N/A*	2,169,989	1,817,712

[15] Described in Section 5.4 of the Business Case

[16] Provided by the City of Kamloops

The confidential report (Report) prepared by KPMG LLP (KPMG) is provided for Kamloops Centre for the Arts Society (the Society) and the City of Kamloops (or the City) and pursuant to the consulting service agreement with the Society dated July 4, 2019, to assist the Society in preparing certain components for an independent business case for a new centre for the arts in downtown Kamloops.

If this Report is received by anyone other than the Society and the City of Kamloops, the recipient is placed on notice that the attached Report has been prepared solely for the Society and the City for its own internal use, and this Report and its contents may not be shared with or disclosed to anyone by the recipient without the express written consent of KPMG and the Society. KPMG does not accept any liability or responsibility to any third party who may use or place reliance on the Report. The scope was limited to the preparation of an independent study of select components of a business case. The intention of the Report is to outline components of a business case and identify potential opportunities and options for consideration of the Society and the City.

The analysis was primarily based on data and information developed and provided by the City of Kamloops, the Society and its contracted architect for the project, as well as other sources. We express no opinion or any form of assurance on potential impacts and costs that the Society and the City of Kamloops may realize should it decide to implement the options and considerations contained within this Report. The Society and the City are responsible for the decisions to implement any options and considering their impact.

The procedures we performed do not constitute an audit, examination or review in accordance with standards established by the Chartered Professional Accountants of Canada, and we have not otherwise verified the information we obtained or presented in this Report. We express no opinion or any form of assurance on the information presented in the Report and make no representations concerning its accuracy or completeness.

As part of the Report on select components of the business case, the Society engaged KPMG to undertake an analysis of the economic impact on the B.C. economy of the projected preliminary capital plan (Capital) and the projected operational expenditures (Operations) post-construction of a new centre. The Society provided KPMG with data for the value of both capital and operating expenditures, including a breakdown in categories, based on data and information from the Society and from a third party contracted by the Society.

There are a number of limitations in economic impact assessments and in this study. In conducting this analysis, the methodology used is standard economic input-output modeling – an approach that is widely accepted and common for this type of analysis. The KPMG analysis used the 2015 Statistics Canada Interprovincial Input-Output Model to measure the economic impacts. The Input-Output Model reflects the structure of the Canadian economy in 2015. It is likely that the structure of the economy will change over time, which may affect the estimates. Output data is reported in 2020 Canadian dollars. The estimated economic impact of the projected Capital Plan and Operations is composed of the GDP (value-added) and employment impacts that are generated in the provincial economy directly from the Capital Plan and Operations, indirectly from suppliers, and the induced impacts that result from spending by employees of their salaries and wages. The analysis and estimated economic impacts presented in this report are dependent on data, information and estimates provided to KPMG by the Society. KPMG cannot warrant the completeness or accuracy of the information and input data provided by the Society.

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