

HALIFAX

P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 1
Halifax Regional Council
August 18, 2020

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed
Jane Fraser, CFO/Director of Finance, Asset Management & ICT

Original Signed by 
Jacques Dubé, Chief Administrative Officer

DATE: June 18, 2020

SUBJECT: Progress Report: Conveyance of 1588 Barrington Street, Halifax

INFORMATION REPORT

ORIGIN

May 22, 2018 – Regional Council approved the conveyance of 1588 Barrington Street, Halifax, through a less than market value sale to the 1588 Barrington Building Preservation Society. Section 2.03 of the Contribution Agreement obliges the Society to submit progress reports at 6-month intervals and Finance, Asset Management & ICT to submit an information report to Regional Council.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, 2008, S.N.S c.39

Section 63(1) The Municipality may sell or lease property at a price below market value to a non-profit organization that Council considers to be carrying on an activity beneficial to the Municipality.

Section 131(3) The Municipality may set off a sum due from a person to the Municipality against a claim that person has against the Municipality.

BACKGROUND

This information report provides an update on the Society's progress towards redevelopment of 1588 Barrington Street, Halifax, as an arts incubator and cultural hub.

DISCUSSION

The conveyance of 1588 Barrington Street, Halifax, to the Society for the sum of \$1.00 included specific terms and conditions that are included in a Buy-Back Agreement and a Contribution Agreement. The terms contained in the Buy-Back Agreement applicable to this progress report include sections D and E which describe the conditions under which the Municipality may repurchase the property for \$1.00 if the Society is unable to proceed with redevelopment of the property as an arts incubator and cultural hub within 24 months of the closing date for the Agreement of Purchase and Sale. The date of closing was November 30, 2018. Therefore, the Buy-Back Agreement could be invoked by either party as of November 30, 2020. The progress report for June 18, 2020 represents the last update, as prescribed under the conveyance contracts, prior to the 2-year timeline for the Buy-Back Agreement¹.

(i) Confirmation of Federal and Provincial Funding

As of the date of this progress report, capital funding has not been confirmed from either the federal or provincial government. As shown below, the latest capital projections have increased by \$127,800; this difference is largely due to an increase of \$100,000 in the value of provincial grant requested and a modest increase in the society's fundraising goal.

Source	Original	Revised I	Revised II (06/2020)	Confirmed (06/2020)
Federal	\$1,000,000	\$1,568,377 ¹	\$1,568,377	
Provincial	\$500,000	900,000 ²	\$1,000,000	
HRM	\$200,000	225,000 ³	\$225,000	\$225,000
Society	<u>\$1,700,000</u>	<u>443,377⁴</u>	<u>\$471,177</u>	
Total	\$3,400,000	\$3,136,754	\$3,264,554	

1. An application was submitted to Heritage Canada in April 2019, but funding cannot be confirmed until a prescribed percentage of projected costs have been confirmed.
2. Unconfirmed as of the date of this report.
3. HRM's commitment of up to \$200,000 towards asbestos abatement and environmental remediation is considered an operating not capital expense. The contribution is a one-time grant and excludes the "in-kind" contribution of the property. A difference of \$25,000 is attributed to a contribution towards holding costs (insurance, snow and ice control etc) that has been issued: the balance of \$200,000 is held by HRM.
4. Funds raised to date are presumed to cover the society's holding costs.

(ii) Fundraising Campaign

The Society's revised fundraising goal is now \$471,177 in addition to cash-flow towards holding costs, including the construction period and day-to-day operating costs during and following the redevelopment of the property. To date, they have received a \$50,000 donation which appears to have been assigned to annual holding costs as shown in the cash flow projections included as Attachment 3 of this report.

(iii) Financial

Upon appeal, Property Valuation Services Corporation has adjusted the assessed value of the subject property, effective January 1, 2019. The revised assessment values are shown below:

2018	\$1,400,000
2019	\$ 954,100
2020	\$ 955,000

¹ If the 2-year clause in the Buy-Back Agreement is not invoked the 'standard' 25-year term applies.

The lower assessment value has reduced annual taxes for 2019 and 2020. The retroactive adjustment for 90 days in fiscal year 2018 (January 1 to March 31) and for fiscal year 2019 have been applied to the Society's account significantly reducing the balance due under the current payment plan agreement. While this adjustment recognizes the limited utility of the property pending asbestos abatement it could also reduce the value of any financing secured by the asset under the Buy-Back Agreement.

(iv) Revised Capital and Operating Projections

It is anticipated that the Society may have to make significant adjustments to their projected capital and operating costs based on the availability of provincial and federal grants.

FINANCIAL IMPLICATIONS

None. This is an Information Report only.

COMMUNITY ENGAGEMENT

Not applicable.

ATTACHMENTS

1. Progress Report to HRM from The Turret Arts Space Society, dated June 18, 2020.
2. Financial Statement 5-Month Period Ended May 31, 2020.
3. Estimated Quarterly Cash Flow Requirements July 1, 2020 to June 30, 2023.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Peta-Jane Temple, Team Lead Grants & Contributions, Finance, Asset Management & ICT902.490.5469

Turret Arts Space Society

1588 Barrington Street, Halifax, Nova Scotia | turretartsspace.com
Mail % Neptune Theatre, 1593 Argyle St, Halifax NS, B3J 2B2

June 18, 2020

HRM Progress Report

Dear Halifax Regional Municipality,

Re: Property Conveyance and Contribution Agreement: 1588 Barrington Street, Halifax

As required under Section 2.03 of the Contribution Agreement, below is our progress report for the first 6-month interval (December 18, 2019-June 18, 2020).

1. Confirmation of receipt of federal and provincial government funding (for example, the name of the program, amount, and applicable terms and conditions);

In May 2020, we submitted a proposal for \$1,000,000 in funding to the Nova Scotia Department of Communities, Culture and Heritage. Our proposal has been received and is currently under review by the department.

We presented to the Province of Nova Scotia Standing Committee on Community Services on our project on February 4, 2020.

As previously reported, we submitted an application to the Canada Cultural Spaces Fund for \$1,568,377. The program funding can not be recommended or approved until proof two-thirds funding (including the ask to PCH) is submitted. With the HRM contribution of \$250,000 (roughly 8% of total project costs), we need to confirm another approximate 8% in order to move the approval process forward. PCH has indicated a willingness to connect with Nova Scotia Communities, Culture and Heritage at a funders table.

2. Implementation of a fundraising campaign and funds received or pledged;

In early March 2020, we secured a donation of \$50,000.00 from a private donor. This money has been received by our Society.

3. A financial statement showing the Society's cash position;

As of May 31, 2020, our Society's cash balance was \$55,377. See attached financial statements for the period ending May 31, 2020.

Turret Arts Space Society

1588 Barrington Street, Halifax, Nova Scotia | turretartsspace.com
Mail % Neptune Theatre, 1593 Argyle St, Halifax NS, B3J 2B2

4. Any revised capital and operating budget projections; and

Our society revised our quarterly cash flow projections for our project.

Our society has shelved the first floor phased renovation plan detailed in our last progress report due to COVID-19 social distancing measures. We determined that under current public health measures, gathering space is not an asset to the community at this time.

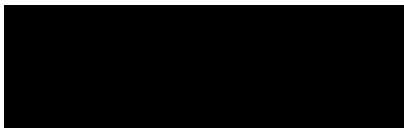
We intend to commence site renovations once Provincial and Federal government money is confirmed. This work will proceed in phases, and the time required to complete this extensive renovation will allow time to complete the pursuit of charitable status and subsequently additional private sector support. Please see the attached quarterly cash flow projections that reflect this plan of action.

5. Any other related initiative that the Society wishes to bring to Council's attention (for example, charitable status, a consultant's evaluation undertaken after conveyance, any formal agreements with Neptune Theatre or tenants etc).

We officially changed our society name to Turret Arts Space Society. We are in the process of updating documentation at the Nova Scotia Land Registration Office to reflect this change.

Don't hesitate to contact us should you have any questions or concerns.

Sincerely,



Emily Davidson
President
Turret Arts Space Society

TURRET ARTS SPACE SOCIETY
(Formerly 1588 Barrington Building Preservation Society)

Financial Statements

Five Month Period Ended May 31, 2020

(unaudited)

TURRET ARTS SPACE SOCIETY
(Formerly 1588 Barrington Building Preservation Society)
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Five Month Period Ended May 31, 2020
(unaudited)

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TURRET ARTS SPACE SOCIETY
(Formerly 1588 Barrington Building Preservation Society)

Statement of Financial Position

May 31, 2020

(unaudited)

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 55,377	\$ 340
Accounts receivable	4,600	-
Prepaid expenses	-	2,519
	<u>59,977</u>	2,859
CAPITAL ASSETS	<u>965,000</u>	1,469,118
	<u>\$ 1,024,977</u>	<u>\$ 1,471,977</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 28,171	\$ 32,425
Forgivable loan	3,000	3,000
	<u>31,171</u>	35,425
NET ASSETS	<u>993,806</u>	1,436,552
	<u>\$ 1,024,977</u>	<u>\$ 1,471,977</u>

TURRET ARTS SPACE SOCIETY
(Formerly 1588 Barrington Building Preservation Society)

Statement of Revenues and Expenses
Five Month Period Ended May 31, 2020
(unaudited)

	2020 <i>(5 months)</i>	2019 <i>(12 months)</i>
REVENUES		
Fundraising and donations	\$ 75,000	\$ 4,127
Property tax recovery	4,600	-
HRM funding	-	21,654
	<u>79,600</u>	<u>25,781</u>
EXPENSES		
Board development	-	935
Dues and fees	12	31
Fundraising expenses	-	1,740
Insurance	8,694	19,813
Interest and bank charges	9	957
Property taxes	2,519	26,881
Repairs and maintenance	5,026	2,731
Utilities	1,968	3,259
	<u>18,228</u>	<u>56,347</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	61,372	(30,566)
OTHER EXPENSES		
Impairment of capital assets	<u>504,118</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (442,746)	\$ (30,566)

TURRET ARTS SPACE SOCIETY
(Formerly 1588 Barrington Building Preservation Society)
Statement of Changes in Net Assets
Five Month Period Ended May 31, 2020
(unaudited)

	2020	2019
NET ASSETS - BEGINNING OF PERIOD	\$ 1,436,552	\$ 1,467,118
Deficiency of revenues over expenses	<u>(442,746)</u>	<u>(30,566)</u>
NET ASSETS - END OF PERIOD	\$ 993,806	\$ 1,436,552

Estimated Quarterly Cash Flow Requirements
Period: July 1, 2020 **Ending June 30, 2023**

Organization Name: Turret Arts Space Society (Formerly 1588 Barrington Building Preservation Society)
Project/Program Name: 1588 Barrington Renovation

July 1, 2020 - June 30, 2023														
													Total	
													Estimated	
	2020 - Q3	2020 - Q4	2021 - Q1	2021 - Q2	2021 - Q3	2021 - Q4	2022 - Q1	2022 - Q2	2022 - Q3	2022 - Q4	2023 - Q1	2023 - Q2		
Revenues	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est		
Canadian Heritage	\$ -	\$ 784,189	\$ -	\$ -	\$ -	\$ 784,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,568,377	Note 1
Provincial Government	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	Note 2
Municipal Government	\$ -	\$ 225,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,000	Note 3
Fundraising	\$ 10,000	\$ 20,000	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 16,177	\$ 471,177	Note 4
TOTAL REVENUES	\$ 10,000	\$ 2,029,189	\$ 25,000	\$ 50,000	\$ 50,000	\$ 834,189	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 16,177	\$ 3,264,554	
Expenditures														
Project Manager	\$ -	\$ -	\$ 12,840	\$ 12,840	\$ 12,840	\$ 12,840	\$ 12,840	\$ 12,840	\$ 12,840	\$ 12,840	\$ -	\$ -	\$ 102,716	Note 5
Architects, engineers	\$ -	\$ -	\$ 187,420	\$ 62,473	\$ 62,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,367	Note 6
Contingency (max.5% of prof. fees)	\$ -	\$ -	\$ 10,013	\$ 3,766	\$ 3,766	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ -	\$ -	\$ 20,754	
Excavation and site preparation	\$ -	\$ -	\$ 81,425	\$ 81,425	\$ 81,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,276	Note 7
Materials and labour	\$ -	\$ -	\$ 263,043	\$ 263,043	\$ 263,043	\$ 263,043	\$ 263,043	\$ 263,043	\$ 263,043	\$ 263,043	\$ -	\$ -	\$ 2,104,347	Note 8
Contingency (max.15% of reno)	\$ -	\$ -	\$ 51,670	\$ 51,670	\$ 51,670	\$ 39,457	\$ 39,457	\$ 39,457	\$ 39,457	\$ 39,457	\$ -	\$ -	\$ 352,293	
Holding Costs	\$ 13,200	\$ 12,200	\$ 13,200	\$ 12,200	\$ 13,200	\$ 12,200	\$ 9,100	\$ 8,100	\$ 9,100	\$ 8,100	\$ 9,100	\$ 8,100	\$ 127,800	
TOTAL EXPENDITURES	\$ 13,200	\$ 12,200	\$ 619,612	\$ 487,418	\$ 488,418	\$ 328,181	\$ 325,081	\$ 324,081	\$ 325,081	\$ 324,081	\$ 9,100	\$ 8,100	\$ 3,264,554	
OPENING SURPLUS/(DEFICIT)	\$ 55,371	\$ 52,171	\$ 2,069,159	\$ 1,474,548	\$ 1,037,130	\$ 598,712	\$ 1,104,720	\$ 829,638	\$ 555,557	\$ 280,476	\$ 6,394	\$ 47,294		
SURPLUS/(DEFICIT)	\$ (3,200)	\$ 2,016,989	\$ (594,612)	\$ (437,418)	\$ (438,418)	\$ 506,007	\$ (275,081)	\$ (274,081)	\$ (275,081)	\$ (274,081)	\$ 40,900	\$ 8,077	\$ 0	
ENDING ACCUMUL. SURP/(DEF)	\$ 52,171	\$ 2,069,159	\$ 1,474,548	\$ 1,037,130	\$ 598,712	\$ 1,104,720	\$ 829,638	\$ 555,557	\$ 280,476	\$ 6,394	\$ 47,294	\$ 55,371		

Note 1: Assuming it's received in 2 equal instalments
 Note 2: Province indicated they generally provide funding in a single payment
 Note 3: Assuming HRM releases this at project start
 Note 4: Society fundraising expected to increase over the course of the project
 Note 5: Allocated equally over 8 quarters
 Note 6: Assuming 60% of professional fees will be incurred at project start, with the remainder spread equally over the next 2 quarters
 Note 7: Site preparation assumed to occur over the first 3 quarters.
 Note 8: Expected to hire a construction firm that will provide regular progress billings