



## City of Kelowna - PAC Feasibility Study

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Project  
Leaders

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# 1.0 Introduction

## 1.1 Background

The City of Kelowna (the “City”) has developed a Civic Precinct Plan (endorsed by Council in March 2016) to guide the long-term redevelopment and public investment priorities in downtown Kelowna. The Civic Precinct Plan prioritized the location of a future theater at the corner of Water Street and Doyle Avenue. While it is recognized that redevelopment of the theater in the current location challenges ongoing operations during re-development, establishing the theater on this corner over the long-term merits the trade-off. In examining this redevelopment potential, City staff considered the future needs for the Kelowna Community Theatre. A market demand, facility size and site suitability analyses were conducted to ensure that those future needs could be accommodated on the site. It was concluded that the site is of sufficient size to house a much larger Performing Arts Centre (PAC) with audience capacity of up to 1,250 seats in the main auditorium.

## 1.2 Project Objectives

The objectives of the Project are to:

- To ensure the City of Kelowna has a civic resource that supports the needs of cultural groups while facilitating new experiences for citizens of the region and the funding of the asset is done with an eye toward future fiscal sustainability.
- To provide an accurate and objective look at the options for funding construction of this new facility
- To provide a realistic examination for how a fundraising campaign may be undertaken and the implications both for stakeholders and future operations
- To assess the implications of disruption to stakeholders during construction and provide options to mitigate risk or minimize negative implications
- To provide decision-makers with the data and perspectives required to make an informed decision in the City’s best interest

## 2.0 Executive Summary

The Kelowna Community Theatre (KCT) is entering its 60th year in 2022 and by 2027 will be at 'retirement age' of 65. Over that lifespan, a vibrant performing arts community has developed that has become an intrinsic part of the City and region. As KCT reaches this milestone, it will be time to consider how best to serve the space and technical needs of the evolving cultural community, and how best to position Kelowna as an attractive destination for significant touring productions. Recent improvements at KCT will ensure that the venue continues to be successful for years to come, but ultimately, a new facility is needed to take the performing arts into the next decades and to serve future generations.

The new Performing Arts Centre (PAC) is an opportunity to renew Kelowna's commitment to the arts communities across the BC interior region and provide updated facilities while also improving on the users experience in engaging with the arts. This vision for the PAC has been developed since 2016 through several reports including:

- Civic Precinct Plan;
- 2018 Site Analysis;
- Cultural Plan; and
- Analysis of the disposition of 350 Doyle Avenue.

Commitment to the vision is now needed to embark on next stages of planning. The elements of commitment are:

- Location analysis to confirm the PAC site;
- Identifying the project as a priority in the 10-year Capital Plan with a timeline for action;
- Understanding, through this report, elements of funding feasibility and addressing various risks, including preliminary identification of strategies to mitigate the impact of a potential facility closure during construction; and
- Setting the stage for a future conversation with arts stakeholders and the community at large about the vision for a new PAC.

The feasibility analysis undertaken in this report has looked at several aspects of the PAC with the salient findings being:

1. The capital cost of approximately \$70,000,000 is in-line with the costs of other performing arts centres across Canada that have been successfully delivered.
2. There are available federal and provincial government funding sources available to the City to contribute to the required capital commitment, however approximately two-thirds of the cost will still be committed by the City.
3. Kelowna and surrounding areas have significant depth of wealth that could support fundraising in either sponsorship and/or philanthropic capacity. It would be however, a large campaign to accumulate the needed capital. An external charity is likely best positioned to lead such a large campaign, although the timelines are still unknown.
4. During the construction of the new PAC there are several potential locations in and around Kelowna that could support the arts communities if the KCT is no longer available.

The project remains unfunded, and a business case needs to be made to move the project into P1 status in the capital plan that would lay out the strategic, economic and financial case for the PAC along with a detailed plan for delivery.

As KCT approaches the 65-year mark in 2027, continuing investment can be made to improve the conditions, however it is our opinion that this approach has diminishing returns over the years to come. A new PAC in Kelowna would also improve its competitive advantage across the region as a destination of choice for tourism and entertainment.

There is much more planning and development work that is needed to finalize the shape, size and facilities of the PAC and it should be noted that this report has only considered the largest configuration as per the 2018 site analysis report as a conservative estimate of feasibility. In our opinion, there are three options for the City's consideration to proceed with the PAC project:

- **Status Quo**, whereby the City continues to operate and maintain the KCT. As noted above, we believe this to be of diminishing return on investment, as maintenance costs will likely increase in the future along with the needs of performing arts community likely growing beyond the capability of the building.
- **Consider an alternate scale**. In developing the needs assessment of the PAC, it is possible to consider a smaller facility that could lower the overall costs and present less pressure to capital expenditures of the coming years to the City.
- **Commit to the vision**. If the City seeks to proceed with the 1,250 seat PAC, commitment in funding is needed to provide greater clarity on the facility requirements, design and overall costs. This commitment will require moving the PAC to a P1 capital project.

We understand that there is still work under development in considering the impact to operational costs of the KCT and the site location of the PAC that may impact the decision of the City. We are of the opinion however, that PAC is a feasible project using a variety of funding sources, however, is not without risks. Given the amount of uncertainty still to be addressed in the project, we are of the opinion that effective risk mitigation strategies can be developed in conjunction with the fundraising process for the PAC.

## 3.0 Approach and Methodology

### 3.1 Methodology

To achieve the above objectives, the team (Colliers Project Leaders, Nordicity and Global Philanthropic) have undertaken the following works:

#### **Task 1 - Case Study Development**

In order to assess the feasibility of the PAC it is important to first establish a comparative view of similar facilities in both the interior of British Columbia but also across Canada. With the development of comparative list of case studies, parallels can be drawn to both the scale of fundraising that could be achieved for the PAC and also potential engagement strategies for the best way to engage with benefactors, donors and stakeholders to the facility.

#### **Task 2 - Funding & Approval Strategies**

Once both the scale and scope of the PAC are known at a conceptual level, a funding and approval strategy can be developed to assess potential contributions from Municipal, Provincial and Federal government sources along with the required contributions needed to bridge the difference in required funding (if any). To assess this the following analysis was undertaken:

- Electoral approval for borrowing;
- Senior government funding analysis;
- Contributions through sponsorships and philanthropic naming; and
- Review of fund development options.

Overall, the following deliverables were developed:

- Ranked list of options for municipal funding/borrowing with accompanying strategies for civic engagement/support;
- Ranked list of options for pursuing senior government funding;
- Charted value ranges for top seven potential naming/sponsorship opportunities to financially contribute to project; and
- Overview of ranked options for structuring and operating fundraising activities in support of the project.

#### **Task 3 - Risk Management & Delivery Strategies**

As the scope and scale of the PAC are developed alongside a funding and approvals strategy, an assessment of the risks to delivery will be developed. The purpose of the risk identification is to identify early constraints to the delivery of the PAC and as the development progresses, risk mitigation strategies can be implemented.

Deliverables: list of delivery model options with recommendation for future consideration by the City, list of risk, evaluated options for stakeholders to optimally navigate disruption.

#### **Task 4 - Feasibility Report and Presentation**

This report is the collection of analysis undertaken for the PAC for the consideration of the City. Further presentations of this material will be provided as requested.

## 4.0 Case Study Analysis

### 4.1 Peer Communities Interviewed

To provide a comparable perspective of peer communities, a scan of similar municipalities was undertaken and seven communities selected based on comparable scale of the centre, experience in approach and the facilities have been successfully completed. The communities interviewed are presented below in Table 1.

City	Facility	Name	Title
Saskatoon	<a href="#">Sid Buckwold Theatre at TCU Place</a>	Tammy Sweeney	CEO
Burlington	<a href="#">Burlington Performing Arts Centre</a>	Tammy Fox	Executive Director
		Richard Burgess	Chair, BPACT
New Westminster	<a href="#">Anvil Centre</a>	Vali Marling	General Manager
Guelph	<a href="#">River Run Centre</a>	Bill Nuhn	Facility Manager
Nanaimo	<a href="#">The Port Theatre Nanaimo</a>	Bruce Halliday	General Manager
Kitchener	<a href="#">Conrad Centre for the Performing Arts</a>	Michelle Cutts	Director of Development
Vernon	In anticipation of a new Greater Vernon Cultural Centre	Tannis Nelson	Assistant Manager, Parks, Recreation & Culture

Table 1: Interviewed Communities

### 4.2 Lessons Learned

Key learnings sourced from interviews with comparable jurisdictions are as follows.

#### 4.2.1 Funding, Delivery and Operating Models

Representatives of peer communities who were heavily involved in the development of new Performing Arts Centres (PAC) in their communities continuously emphasized how it is important **to distinguish between a City-run or a Society-run PAC** as soon as possible. Some City-run models such as the Sid Buckwold Theatre and the Anvil Centre expressed benefits such as easier facility upgrades, while in the case of the River Run Centre at Guelph, the City-built model reportedly made it difficult to have rental clients due to the need for Council approval processes (unlike the case in Kelowna). In the case of Burlington PAC, on the other hand, interviewees reported that the Centre benefitted from being financially, administratively and legally independent from the City because it was able to access emergency subsidies that would have not been otherwise possible.

From a **site selection perspective**, most PACs were built on existing City lands and did not replace existing PACs, therefore the mitigation of risks to existing user groups in the case of a shutdown was not a

shared experience. Determining the **size and structure** of the PAC is a key element when considering the overall use of space. Respondents emphasized how the number of seats should be informed by the **local cultural sector opportunities** and audience potential as opposed to those events or touring company performances that may come to the PAC once a year. The additional seats add to the operating costs exponentially, which are borne by the community.

**Diversity of space** may also help maximize revenue and audience support. While it is recognized that a PAC cannot be all things to all people, respondents emphasized how an open floor design with removable seats can advance the utility of the Centre. The inclusion of loading docks that are easily accessible was also raised as a key factor in attracting touring acts to the venue. Finally, having **office/studio rental space** for a wide range of cultural organizations and/or artistic practices was noted as yielding additional Centre-generated revenues.

#### 4.2.2 Sponsorship and Naming Processes

From a fundraising perspective, peer communities found it beneficial to **differentiate themselves from the City** so as to maximize fundraising potential and community buy-in. In Burlington, for instance, it was reported that a lack of differentiation contributed to decreased philanthropy and resident-driven donations. Guelph's Centre adopted a different approach by establishing a development and marketing manager whose primary responsibility was driving outreach for sponsorship and supporting a community-led capital campaign.

Across the communities, a key takeaway was the need to build significant **public engagement from the outset**. In the case of Guelph, the City's relationship and engagement with schools helped build civic support, which reportedly helped to raise significant federal support of the project. On the other hand, New Westminster's reported lack of engagement with the community – including public awareness raising – resulted in less support for the facility than expected over the life of the campaign. Burlington emphasized how conducting an economic impact survey helped demonstrate the impact of the PAC to both its community and City, inciting key champions of the potential build from an early stage.

#### 4.2.3 Impact of the Covid-19 Pandemic

The pandemic led to the immediate shut-down of all art and culture facilities, and respondents confirmed that Centres' survival and recovery experience has been defined by their operating models. For example, compared to municipal-run venues, it was found that independent facilities were better able to make **rapid changes during a crisis**, including accessing emergency funding. In terms of accommodating virtual events, several learnings were revealed, such as the Nanaimo Theatre's attempt to recreate a live environment by switching on audio and video at least 20 minutes before digital events allowing virtual attendees to get a "feel" for the lead up to the scheduled performance. Guelph also reported that it had quick success in seeking **sponsorship for live streaming events** (e.g. TD Bank) at the River Run Centre. Ultimately, having **insurance policies** that covered the pandemic's impact was the most significant factor in mitigating damage to the PACs (or not). We do note that the City's response to the pandemic was well received in its closure of the KCT with reallocation of staff and our comparative comments are for information only. The pandemic and its legacy is not the focus of this study, an awareness of the disproportionate impact on the cultural sector remains important. Depending on timelines for a new PAC, arts organizations may still be recovering.

# 5.0 Funding & Approval Strategies

## 5.1 Electoral Approval

Electoral approval is mandated for decisions made by **local governments** that may have a significant impact on the community, such as long-term borrowing. For the City of Kelowna, electoral approval can be obtained for funding the PAC either directly through Assent Voting, or through the Alternative Approval Process (AAP).

Key considerations for either route are outlined in Table 2 below.

Type of Electoral Engagement	Description	Approximate Costing	Approximate Timeline	Considerations
<b>Alternative Approval Process (AAP)</b>	Allows electors to indicate whether they are against a local government proposal moving forward.	Less expensive than referendum.	Developing a communications strategy and loan authorization bylaw can take anywhere from 3-6 months	If not contentious, <ul style="list-style-type: none"> <li>• More convenient</li> <li>• Less costly</li> <li>• Less time and resources required.</li> </ul>
	If 10 percent or more of the eligible elector’s sign and submit response forms in opposition to the proposed initiative, the City is then required to obtain the assent of the electors (i.e. via Assent Voting).		Minimum 30-day period for AAP response forms to be submitted.	If contentious and does not pass, a referendum is inevitable.
			Following the AAP there are a number of steps including quashing periods, certificate of approvals, bylaw resolution, Provincial inspector approval and finally the MFA board resolution. These steps can take anywhere from 4-6 months	
<b>Assent Voting /Referendum</b>	Allows electors to vote on whether a proposal will move forward.  Assent of the electors is obtained if a majority of the votes counted are in favour of the bylaw or question.	Wide range of up-front costs, including advertising, printing ballots, rental charges, purchasing voting materials and supplies, wages, travel/accommodation expenses	There is a significant effort required to undertake a referendum, the process is governed by Elections BC. Many local governments spent in excess of 12 months consulting and engaging with citizens, drafting and approving bylaws and obtaining statutory approvals.  80-day process (from the time the Inspector of Municipalities’ approval is received).	Allows for more engagement, public participation, and consultation.  Requires significant advance planning.

		for election officials, etc.	Many local governments choose to conduct assent voting during general local elections or a by-election given there may be advantages as to cost, convenience for the electors and notice requirements
			Once elector assent has been obtained, Council may adopt the bylaw at their discretion. The legislation does not require a bylaw to be adopted within a specified period of time.

**Table 2: Electoral Approval Options**

While Assent Voting lacks precedent in the region’s civic processes, **there are a few benefits to the referendum** option worth noting. Broadly speaking, a referendum responds better to the electorate’s increased appetite for public engagement for matters considered significant to the community. As one regionally situated interviewee put it, “Our culture is not AAP unless it’s deemed essential service. Asking the electorate to vote builds momentum you can’t find otherwise.”

One of the key benefits of an electoral referendum for **cultural infrastructure** is that the door to philanthropy is thereby opened. Indeed, because people feel they were asked about the project, potential donors/partners/funders will already have been socialized to the prospect, well before a formal capital campaign is launched. “We see it as a barometer test of community support,” described one interviewee. “It supports our ability to plan ahead, understanding what the community’s various departure points include, analyzing what calls we’re fielding through the referendum process itself.”

Other interviewees not only report a broader range of support driven by an electoral referendum, but also a real “sense of the community coming together”. The simple gesture of posing the question can spark new intrigue, energy, imagination, and commitment that “we’re going to build this and make it happen”. Several respondents mentioned that referendums ultimately tend to result in smaller tiered donations that otherwise would not have been likely (for example, with the AAP).

Others mentioned the benefit of referendum being that it “buys time” and offloads some of the weight of responsibility from Council, particularly in cases where there is divided opinion across political leadership. “It’s about getting naysayers to commit to a process that is formalized and they can’t argue with.”

On the other hand, going to referendum is not without its challenges – from raising expectations before operational planning and fund commitments are in place, to opening the door to negative feedback on the notion of raising taxes (no matter what the cause). Moreover, AAP is by far the less costly option, particularly when community support for the PAC is already assumed to be strong.

## 5.2 Electoral Borrowing

The City of Kelowna has multiple borrowing options to finance the Performing Arts Centre (PAC). The table below highlights the potential benefits and risks of each option for the City. This section also discusses the requirements for the City to pursue interfund borrowing. Findings are presented below in Table 3.

<b>Borrowing Option</b>	<b>Description</b>	<b>Potential Benefits</b>	<b>Potential Risks</b>
<b>Interim financing</b>	Method of obtaining funding on a short-term basis for a project.	After the loan authorization bylaw is adopted, can interim finance the construction and development of the PAC through one or more temporary borrowing bylaws.	Total amount of approved temporary borrowing cannot exceed the maximum authorized borrowing under the initial loan authorization bylaw  Would not be used as a primary source of borrowing as lending through this option is generally smaller in size.
<b>Long-term debenture debt</b>	Repayment of both principal and interest over a period not to exceed 30 years.  The City of Kelowna has limited the term to 20 years whenever possible.	Can convert temporary borrowing into long-term debenture debt once the PAC (or a major phase) is completed through a security issuing bylaw.  Greater assurance against default, and reduces the risk associated with debentures.	Partial repayment is not permitted.  Once long-term debt has been issued by the Municipal Finance Authority, debt can be paid out on a refinancing date, or, via the original payment schedule.
<b>Interfund borrowing</b>	Temporary loan from one reserve fund to a different reserve fund, where both reserve funds are established for capital purposes.	Flexibility to internally finance capital projects by temporarily lending funds from one statutory reserve fund to another.  See below for specifics on short-term and long-term borrowing.	Cannot be used for operating purposes such as revenue anticipation borrowing or other similar forms of liquidity management.

Borrowing Option	Description	Potential Benefits	Potential Risks
<b>Short-term interfund borrowing</b>	Used for minor capital works programs and must be repaid over a period not to exceed 5 years.	Temporary borrowing to finance capital works under an approved loan authorization bylaw.	Only applicable during the construction period, not long-term borrowing.
<b>Long-term interfund borrowing</b>	For capital works programs that can be repaid over a longer period.	Can backstop the interfund borrowing with an approved loan authorization bylaw, which may be exercised when the lending fund requires repayment.	Underlying risk that the loan authorization bylaw may lapse within five years. To mitigate this risk, borrowing should either be done within the five-year time frame or done with an associated temporary borrowing bylaw.
<b>Social debentures</b>	Governments enter into agreements with social service providers to pay for the delivery of pre-defined social outcomes.	<p>Will maintain the City's competitiveness in the primary debenture market by gaining access to capital from socially responsible funds and investors globally.</p> <p>Expected low cost of borrowing can help fund more key capital projects that align with the City's Strategic Priorities.</p>	Relatively new program: the City of Toronto is the first one to implement it.

**Table 3: Electoral Borrowing Options**

It is likely that the City would finance a PAC via long-term debt, administered by the Municipal Finance Authority (MFA). While interfund borrowing is technically an option, the City would only use this for borrowings much smaller in size, with a shorter payback period to be able to clearly demonstrate that the "lending reserve" would not need the money for the term of the borrowing. For significant borrowing such as required for the PAC, this would indeed be difficult to achieve.

The City of Kelowna's constraints in using the MFA relate to the Council Policy's overall limit of 8% on the debt servicing cost as a percentage of taxation. If the borrowings of the Parkinson Recreation Centre (forecast to approach the 8% ceiling) are approved, for example, this would mean the PAC project would not have access to the debt option for the next 5-7 years. It is noted that the 8% limit policy constraint could, however, be altered by Council if required.

An emerging financing mechanism of interest is the social debenture approach. Please see Appendix 2 for more details.

## 5.3 Senior Government Funding Analysis

Funding opportunities available to the City from both federal and provincial sources (principally the former).

- The federal **Canada Cultural Spaces Fund**, which supports renovation and construction projects related to cultural spaces, is the most **relevant federal funding option** available.
  - The Fund is designed to remain **active at least until 2028** and is committed to supporting the work of a broader range of creative disciplines, while continuing to invest in traditional arts and heritage facilities like PACs.
  - **Funding:** While the fund can finance a maximum of 50% of total project costs, the competitive nature indicates that the average approved contribution is around **37% of total costs**. For projects of this size, however, this percentage is likely to be lower. Note, there is a \$15,000,000 total cap per application.
  - **Deadlines:** There are no firm deadlines; applications are accepted at **any time throughout the year**.
  - **Eligibility requirements:** Municipalities and arts organizations are both eligible to apply. The applicant has to demonstrate that they **own the building** or that they have a **long-term lease** (minimum 10 years). Additionally, an applicant organization must be able to show that they have been active in the execution of their artistic mandate for **at least 2 years**.
  - **Assessment:** The projects will be assessed on the availability and quality of space, the access to professional arts and heritage experience and the viability of the facility as well as the long-term financial impact on the organization.
  - **Decision:** Applicants are notified of their decision approximately 30 weeks after the application has been submitted.
- There is **minimal infrastructure funding** currently available. Many federal funds have been fully disbursed, and all Covid-recovery related infrastructure funds have been granted. The **Canada Healthy Communities Initiative** for instance, was designed to help communities adapt public spaces both during and following the covid-19 pandemic and stopped accepting applications in June 2021. The **Community Economic Recovery Infrastructure Program**, which was a provincial funding opportunity that financed up to 100% of the project, closed in March 2021.
- The City of Kelowna may consider applying for climate targeted funds if the design incorporates eligible green elements. The **Federation of Canadian Municipalities' Climate Innovation Program**, for instance, provides loans and grants for municipal environmental capital projects.
- Some grants are claims-based, meaning that the client will be required to pay upfront and will be reimbursed later. In the case of the **Investing in Canada Infrastructure Program**, applicants would have to be prepared to finance project construction, cost-share the project, and cover any cost over-runs.
- Another option for the City is a **direct appeal to the provincial or federal government**. In the case of Vernon, for example, local politicians came together to ask provincial government for support and funding for their cultural centre, including letters of support from local organizations such as the Chamber of Commerce as referred to in Section 5.5 of this report.

- **One-off funding opportunities** that are presented periodically may also arise. Often, such opportunities require quick turnaround times and are best suited to “shovel ready” projects.

## 5.4 Funding Analysis

Important to the decision-making process for the City of Kelowna is the assessment at a preliminary stage of the potential routes for additional funding of the PAC from private sources. The following sections provide an approach to asset valuation and the potential sponsorship and philanthropic naming options available. The total funding potential and timing for receipt of financial support for the project will vary depending on the path(s) pursued.

It should be noted that there exists a difference between sponsorship and philanthropy. Sponsorship is typically of lower amounts and amortized over a set period, as opposed to philanthropic investments that tend to be of greater value at single points in time with longer terms. With respect to capital and operating costs, it is reasonable to assume that philanthropic investments provide greater relief for capital costs, whereas, sponsorship is often received on timeline that better supports operating costs. Greater detail is provided in Section 5.5 below.

### 5.4.1 Asset Valuation Methodology

Comprehensive asset valuation utilizes several criteria:

- **Baseline Rate (BR)** used to calculate the raw naming value of a space.
- **Location Index (LI)** is assigned by rating the spaces based on location. A higher location index value is attributed to street level access and those most prominent for patron’s access.
- **Functional Index (FI)** is used to weigh the philanthropic value of the assets, according to trends in public perception.
- **Accessibility Index (AI)** is assigned to each space and reflects the areas of higher usage, accessibility, public access, uniqueness or prestige.
- **Donor Appeal (DA)** is assigned to spaces from those with low appeal to extremely high appeal.

Once the valuations are assessed through the application of the five criteria, an **Adjusted Naming Value** is determined. The Adjusted Naming Value is then rounded upward or downward to arrive at a Target Naming Value, taking into consideration the intrinsic attractiveness towards sponsorship or philanthropic naming. For the purposes of this study, we applied the Baseline Rate to ascertain the cost of the space and potential value.

### 5.4.2 Baseline Valuation

The total gross area of the City of Kelowna PAC ranges from 61,314 square feet (850 seat facility) to 81,296 square feet (1200 seat facility)<sup>1</sup>. The estimated value of construction in 2021 is estimated at \$70million. The measurements of spaces are approximate and may not include all spaces (not all areas are suitable for naming). While no determination has been made as to specific size or configuration for a new PAC, for illustration purposes we chose the largest budget to yield the greatest financial figures for comparative purposes on campaign scope. We used an approximate per square foot cost of \$861 using 81,296 square feet (area for a 1200-seat facility) for the baseline calculations of naming values.

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<sup>1</sup> Market Demand, Facility Size and Site Suitability Study, May 2018, Colliers Project Leaders

While there are more assets identified for potential naming in the new facility, we have focused on the top seven most prominent assets to project the potential value of recognition opportunities for sponsorship or philanthropic naming. Lower valued assets that will attract financial support include the gallery boxes, performer support spaces, box office, administrative spaces, dressing rooms, production areas, multi-purpose spaces, bars, lounges, reception, kitchen, coat room, etc. The creation of a civic plaza on the site also offers potential.

Lower value naming opportunities will be particularly relevant in motivating discussions and generating momentum, if leveraged to regularly publicize and recognize the significant investments being made overall. As a culture of philanthropic naming recognition begins to emerge, interest and curiosity about supporting the PAC will inevitably increase.

### 5.4.3 Current Values for the City of Kelowna Assets

The financial threshold for a sponsorship or **philanthropic naming opportunity** in conjunction with a campaign the scale of that being considered for the PAC is significantly higher than what presently exists. Current presenting/title sponsorship estimates from a valuation previously completed by a consultant in 2016/2017 were provided by the City. As anticipated by City staff, the current values are low compared with what Global Philanthropic has identified in the scan of sponsorship offerings across the country. These values should be reassessed to elevate the sponsorship offerings for the City, especially in light of the proposed valuation for the Kelowna PAC. Completing a valuation specific to the facility once designed is recommended, but the following figures and comparisons are substantive enough for decision-making purposes and to gauge potential impact of contributing revenues from these sources. While investment experts will also note that past performance is not a guarantee of future returns, conducting a Philanthropic Naming Assessment specific to the PAC’s final design is recommended as valuations are likely to increase in the future. The City of Kelowna may see that by the time designs are finalized, valuations for a PAC could increase between 6% and 10%.

The following represents the current sponsorship valuations in Table 4.

Asset	Annual Sponsorship Value base on Assessed Value 2016/2017
Kelowna Community Theatre	\$27,000
Black Box Theatre	\$8,100
Memorial Arena	\$21,600
Stuart Park Ice Sheet	\$13,500
Rutland Arena	\$27,000

Table 4: Current Sponsorship Valuations

### 5.4.4 Top Assets Valuation

For the purposes of calculating the valuation of top assets for a PAC, we combined the Baseline Value with the valuations of comparators, along with what the donor market may bear as demonstrated by campaigns in other locales across the country. We also looked at historic fundraising figures for the region from 2018 to account for activity that was not pandemic-driven.

The information gathered from the scan, interviews and baseline calculations collectively help inform the proposed valuation ranges for the City of Kelowna PAC are presented in Table 5 below.

<b>City of Kelowna Performing Arts Centre Valuation of Top Assets</b>			
<b>Assumed Project Cost (2021)</b>	<b>\$ 70,000,000</b>		
<b>(Baseline Value)</b>	<b>\$ 861 per sq.ft.</b>		
<b>Area for Recognition</b>	<b>Space Allocation Valuation (based on sq.ft)</b>	<b>Target Sponsorship Valuation (10-year term)</b>	<b>Target Philanthropic Valuation (min 20-year term)</b>
Overall Complex/Facility		\$ 2,500,000	\$ 10,000,000
1200 Seat - Main Theatre	\$ 13,328,280	\$ 1,500,000	\$ 7,500,000
Main Stage		\$ 500,000	\$ 2,000,000
Orchestra Pit	\$ 516,600	\$ 250,000	\$ 500,000
250 Seat - Studio Theatre	\$ 4,253,340	\$ 500,000	\$ 2,000,000
Lower Lobby	\$ 4,993,800	\$ 500,000	\$ 2,000,000
Upper Lobby	\$ 2,410,800	\$ 250,000	\$ 1,000,000
<b>Total</b>	<b>\$ 25,502,820</b>	<b>\$ 6,000,000</b>	<b>\$ 25,000,000</b>

**Table 5: Valuation Ranges for the PAC**

\*Note: These sponsorship and philanthropic figures are totals. Their payments would be amortized over periods in accordance with bespoke sponsorship or gift agreements. The “terms” refer to the period over which recognition benefits would be delivered.

## 5.5 Sponsorships and Philanthropic Naming

Consistent with industry usage, **sponsorship** is defined as a mutually beneficial business relationship where a corporation or organization as sponsor/partner co-markets/brands with an organization, such as the City of Kelowna, in exchange for a rights fee of cash or in-kind value, for a set period of time (often 5 to 10 years with options to renew) for a physical property, facility or virtual asset or program. In terms of revenue, sponsorships represent annualized revenue over a relatively short (in terms of the overall life of the organization) period, generally at a lower overall amount. Sponsorships may fund annual operating or capital costs. Sponsor benefits are commensurate with an assessed value. An organization’s naming policy and sponsorship agreement would define the criteria to ensure that the sponsorship is in alignment with the values of the organization and partnership benefits.

**Philanthropic naming** is where the organization offers to name a physical property, facility, sub-component or virtual asset in recognition or honour of a donor, often an individual(s), who voluntarily commits to making a significant financial gift. The duration or term of philanthropic naming rights in many communities has traditionally lasted “in perpetuity”, often defined as “as long as the space or asset exists in its original form and is used for its original purpose.” In recent years, however, organizations in all sectors seeking philanthropic support have adjusted their thinking to offer time limitations on naming opportunities.

A scan of Canadian arts organizations supports this trend and identifies set terms (excluding perpetuity) for philanthropic naming range from 15 to 25 years.

In both instances, sponsorship and philanthropic naming may provide the project with up-front capital support. **Philanthropic** contribution amounts are typically front-loaded to the recognition period and disbursed over an average period of 1 to 5 years. Sponsorships may be front-loaded but are typically amortized over the sponsorship period. In the comparative chart, one may assume the Targeted Sponsorship Valuation would be distributed over the term of the sponsorship recognition while the Targeted Philanthropic Valuation would be contributed to the project on an accelerated basis in accordance to an individually-drafted gift agreement.

Philanthropic giving typically represents a relatively larger value (often 5 to 10 times the value of any potential sponsorship) representing an **enduring relationship**. Because of the shorter term and lower valuation of sponsorship naming, there is a danger of an organization not having enough higher valued inventory to meet immediate major capital needs. In the longer term, sponsorships with set terms and renewal opportunities will continue to support the operating costs or capital refurbishment of the property.

It is our opinion, that to successfully raise significant capital funding, philanthropic funding will need to play an important role. A mix of philanthropic naming values/terms and sponsorship values/terms may need to be utilized to successfully meet capital needs and campaign goals. Fundraising for a +/- \$30M campaign would be **one of the largest cultural infrastructure efforts in Canada** and will require detailed analyses of the right approach or risk failure.

The amount of funding that may need to be raised could vary widely depending on the scope and scale of the project. However, when looking at implementation and construction, for those interested in a phased approach, there is an accompanying belief that doing so could reduce the amount of money to be raised – at least to get the project underway. Beyond determining what degree of funding will be required to move the performing arts centre from a P2 to a P1 in the city's priority list and budgeting process, it will be important to cost out and communicate whether such an approach or assumption of any initial fundraising savings would be valid.

### 5.5.1 Methodology

Our approach included:

- A comparative site scan of 34 performing arts centres or arts/culture/recreation facilities from across Canada with named assets to identify patterns and trends in sponsorship and philanthropic practices and values;
- In-depth interviews/consultations with five comparator facilities selected from the initial review for benchmarking;
- Review of case study findings of the six peer communities consulted (Nordicity report);
- A baseline calculation of the top assets naming values based on size and function the City of Kelowna PAC;
- A review of the City of Kelowna's:
  - Naming Policy (343)
  - Corporate Sponsorship and Advertising Policy (376)

- Charitable Donations and Gifts to the City Policy (360)
- A review of inventory of existing City of Kelowna assets and values for title sponsorship estimates from a valuation previously completed in 2016/2017.

### 5.5.2 Findings from Comparative Scan & Consultations

We identified an array of locales that represented **comparatively sized cities and facilities** that were owned by cities, universities, or non-profits, including civic or non-profit operating models, with special attention given to facilities that had attracted sponsorship or philanthropic revenues to support capital projects. Identifying past philanthropic or sponsorship naming values for the comparators’ respective sites helped to give perspective on the broader context of market values across the country.

In addition to the site scan and review of findings from the Case Study, we conducted in-depth interviews with five organizations with performing art centre projects and fundraising goals similar in size to the City of Kelowna’s PAC. The scope of the interview covered:

1. Confirmation of the ownership/operating model;
2. How is asset valuation assessed for sponsorships and/or philanthropic naming? (Methodology);
3. The overall % that sponsorships and philanthropic contributed to capital construction budget? And operating budget?;
4. The range of values and length of terms for sponsorships;
5. The values and terms for philanthropic naming opportunities, if treated differently than sponsorships;
6. If the ownership by the City supports/hinders private sector fundraising and naming;
7. Further advice for the City of Kelowna.

Institution	Property Owned By	Operated By
First Ontario Performing Arts Centre	City of St. Catharines, ON	Municipal services board, representation from the City and Brock University
Francis Winspear Centre	City of Edmonton, AB	Edmonton Concert Hall Foundation (Charitable Arm)
Fredericton Playhouse Inc.	Fredericton Playhouse Inc, Fredericton, NB	Fredericton Playhouse Inc
The Port Theatre	City of Nanaimo, BC	The Port Theatre Society
The York Theatre	City of Vancouver, BC	The Cultch (non-profit charitable Society) on a 60 year lease arrangement

Table 6: Consulted Facilities

### 5.5.3 Key Findings from the Scan and Consultations

The scan verified that there are higher valuations for naming facilities in Central Canada with its larger centres and among the preeminent performing arts centres and festivals than in Western or Atlantic Canada. In addition to some of the comparable sites that were explored more in-depth, the following table includes examples from the Okanagan and Vancouver Metro for added context within the province. There is also an example from Grand Prairie for a PAC, but the valuation was an extreme outlier when considering some of the other sites.

**Toronto – Meridian Hall.** The City of Toronto entered into a \$30.75 million, 15-year partnership with Meridian Credit Union, re-branding the Sony Centre (also formerly known as the O’Keefe Centre) into Meridian Hall, and the Toronto Centre for the Arts into the Meridian Arts Centre. The arts venues formally adopted their new names on September 15, 2019. This sponsorship of just over \$2 million per year is a combination of cash and in-kind contributions.

**Toronto – Four Seasons Centre for the Performing Arts,** also in Toronto, following a \$25M commitment from the Federal Government, the Canadian Opera Company secured a \$20 million donation from the Four Seasons hotel chain in exchange for perpetual naming rights to the complex. This was the lead gift for a \$58M+ campaign to support a project in excess of \$113M.

**St. Catharines and Brock University in The City of St. Catharines,** Ontario established a partnership with Brock University to share the 775-seat First Ontario Performing Arts Centre for production, performance and learning purposes, but Brock University built and maintains on the adjacent property the Marilyn I. Walker School of Fine & Performing Arts. Community philanthropist Marilyn Walker donated \$15 million towards renovations and new construction of the project of \$42 million or 35% of the capital cost for naming rights in perpetuity.

The original capital project was a partnership between the City of St. Catharines, which owned the venue, a citizens group, and Brock University. Brock University and the City independently cultivated individual donors with no shared prospect clearance protocols or naming policy on values. This lack of coordination resulted in the City offering naming opportunities at lower values. Brock managed its multi-purpose campaign through its Advancement Office and cultivated gifts from its current and prospective donors interested in the arts. The City hired the firm Interkom, a fundraising/marketing firm based in Burlington, Ontario, to assist with the initial phase of the \$5 million fundraising campaign at a fee of \$48,500, plus HST. The capital project for the venue was run by the City of St. Catharines.

The City of St. Catharines sold sponsorship naming rights to First Ontario Credit Union for \$3 million in cash and in-kind over 25 years. In 2020, the City turned over management to a municipal services board, with representation from the City and Brock University. The First Ontario Performing Arts Centre receives direct funding from the City. The Centre is considered an agent of the municipality and inherited its naming policies, thus it did not benefit from government COVID or wage subsidy grants. The municipal board is currently applying for charitable status to enhance fundraising ability.

**Edmonton – Francis Winspear Centre in Western Canada,** the Francis Winspear Centre in Edmonton generated a philanthropic gift of \$6 million from arts patrons Francis and Harriet Winspear towards the community campaign goals of \$17.5 million – equating to 34% of the campaign goal. That gift resulted in naming rights for the City-owned property in perpetuity.

**Vancouver – Arts Club Theatre In Vancouver,** the BMO Financial Group donated \$1.5 million, towards the construction of the new Arts Club Theatre facility, while Goldcorp made a \$500,000 donation that allowed for the installation of state-of-the-art, modern sound and lighting systems.

**Nanaimo – Port Theatre.** In Nanaimo, the City owned property housing the Port Theatre raised \$4.3 million in its community campaign, including a \$1 million sponsorship from the Port Authority guaranteeing sponsorship naming rights for 20 years.

It is worthy to note that performing arts venues owned and operated by colleges and/or universities, such as Brock University (St. Catharines, Ontario), Queen’s University (Kingston, Ontario), St Clair College (Windsor, Ontario) generate larger sponsorships and philanthropic gifts from their donors than municipal-owned venues. The Bader family donated \$31 million to the 567-seat performance hall at Queen’s. This gift represented 43% of the total capital cost of \$72 million. The balance was funded with a \$15 million grant through the Major Infrastructure Component of the 2007 Building Canada Fund; \$15 million from the Government of Ontario; \$6 million from the City of Kingston and \$5 million from other donors to Queen’s University.

St. Clair College acquired the Cleary International Centre in 2007 and renamed it the St. Clair Centre for the Arts as its fourth campus. The Chrysler Theatre is part of a 230,000 square foot convention facility, the St. Clair Centre for the Arts (formerly the Cleary International Centre). The Chrysler Theatre in the St. Clair College Centre for the Arts in Windsor, Ontario, is a 1200 seat theatre. originally built in 1960 and renovated in the early 1990's at a total cost of \$30 million. The 1200-seat Chrysler Theatre at St. Clair College is a sponsorship has not been divulged publicly.

Facility	Seats/Size	City	Sponsorship Valuation	Term	Philanthropic Valuation	Term
Meridian Hall	3,191	Toronto	\$30.75 million	15 years		
Four Seasons Centre	2,071	Toronto	\$20 million	Perpetuity		
Marilyn I. Walker School of Fine and Performing Arts (Brock University)	95,000 sq .ft	St. Catharines			\$15 million	Perpetuity
Francis Winspear Centre	1,716 seats	Edmonton			\$6 million	Perpetuity
Isabel Bader Centre for the Performing Art at Queens University	567seats	Kingston			\$31 million	Perpetuity
First Ontario Performing Arts Centre	775 seats	St. Catharines	\$3 million	25 years		
Polygon Gallery	25,000 sq. ft	North Vancouver	\$4 million	not disclosed		
BMO Theatre Centre	250 seats	Vancouver	\$1.5 million	not disclosed		
The Port Theatre	800 seats	Nanaimo	\$1 million	20 years		

Kal Tire Centre	3,006 seats	Vernon	\$160,000	4 years		
KMSC Law Performing Arts Centre	310 seats	Grand Prairie	\$150,000	10 years		

**Table 7: Facility Sponsorship and Philanthropic Valuations**

The scan identified that terms for sponsorship range from 10 to 25 years and 20 years or more for philanthropic naming. The range of private sector contributions to the capital cost of performing arts centres ranges from 11.7% to 43%, including universities.

#### 5.5.4 The Capacity to Attain Sponsorships and Donors

The scale of campaign anticipated for a new PAC in Kelowna **has not been seen in Canada** for many years. Kelowna would also represent one of the smallest population bases to undertake a campaign of this magnitude. When looking at peer communities and projects, it was clear that the last wave of significant construction for performing arts centres across Canada was quite a long time ago, and the overall budgets for the projects were modest by comparison. One of the more recent and most comparable performing arts centres and campaigns by scale was Toronto’s The Four Seasons Centre for the Performing Arts. The catchment area for prospects included Canada’s largest population base, and the facility’s resident organizations have donor bases representing their national and international appeal.

Still, the City of Kelowna is well positioned to be a **leader in the next wave** of establishing Canada’s new performing arts centres and undertaking a successful campaign. The population has grown, and the region’s affluence has continued to increase. Private investments by corporations and individuals throughout the Okanagan have expanded, and the population centre continues to be a provincial priority in ensuring equity to balance investments made in the lower mainland or southern end of Vancouver Island. In looking at pre-pandemic statistics from 2018, assuming a \$10 million lead donation could be identified and secured, the region would likely be positioned to undertake a fundraising campaign with a target of approximately \$32 million.

- A \$32 million campaign would require 139+ donors contributing at least \$10,000 and 415+ prospects capable of donating \$10,000 or more.
- The number of donors required at the various levels most closely aligns to past philanthropic behaviour and/or potential sources connected to the region.
- The number of prospects required more closely aligns with the number of engaged philanthropists in the region.

**Canadian philanthropists** have continued to be generous throughout the pandemic, and Western Canada generally experiences a higher rate of wealth and philanthropic giving frequency than does Eastern Canada. Appreciating the current philanthropic landscape has been unusual, the ongoing trends support an assumption that using pre-pandemic figures represents a conservative approach to projection.

Building upon the value of the lead gift resulted in the gift chart shown in Table 8 below:

Preliminary Gift Range Table with Goal of \$32.5 M					
Gift Amount	# of Gifts required	# of Prospects required	Subtotal	Cumulative Total	Cumulative Percentage
\$10,000,000	1	1	\$10,000,000	\$10,000,000	31%
\$5,000,000	1	3	\$5,000,000	\$15,000,000	46%
\$2,500,000	2	6	\$5,000,000	\$20,000,000	62%
\$1,000,000	3	9	\$3,000,000	\$23,000,000	71%
\$750,000	2	6	\$1,500,000	\$24,500,000	75%
\$500,000	4	12	\$2,000,000	\$26,500,000	82%
\$250,000	6	18	\$1,500,000	\$28,000,000	86%
\$100,000	10	30	\$1,000,000	\$29,000,000	89%
\$50,000	20	60	\$1,000,000	\$30,000,000	92%
\$25,000	40	120	\$1,000,000	\$31,000,000	95%
\$10,000	50	150	\$500,000	\$31,500,000	96%
<\$10,000	Numerous		\$1,000,000	\$32,500,000	100%
<b>Totals</b>	<b>139+</b>	<b>415+</b>		<b>\$32,500,000</b>	<b>100%</b>

**Table 8: Gift Chart**

As is the case with any significant capital campaign, an ability to secure the leadership gifts – particularly the top 10 – will be a strong indicator as to the campaign’s momentum and ability to succeed. While the magnitude of the proposed PAC would likely result in a fundraising campaign for a cultural facility that surpasses what most of Canada has seen outside of its largest urban centres, there is a concentration of wealth, philanthropic behaviours, educational attainment, and engagement with cultural entities that indicate a high likelihood for success.

### 5.5.5 Impact on Cultural Hub – Arts & Broader Community Fundraising

As noted in Imagine Canada’s 2018 report “30 Years of Giving in Canada, The Giving Behaviour of Canadians: Who gives, how and why?”<sup>2</sup>, arts and **cultural organizations** do not rank as high priorities among Canadian’s charitable giving. They often follow health, education, religion, and social services as preferred causes. Thus, the pool of potential is already smaller. While the spectrum of potential donors is narrower, the actual donations are often larger. Patrons of the arts tend to be older and more affluent. They often give larger than average donations to their preferred causes. Kelowna’s population is also growing with **more affluent residents** that are apt to support a vibrant arts community. Historically, Canadian donors who gave the largest amounts contributed nearly 85% of total donations reported while

the top 10% contributed nearly two thirds<sup>2</sup>. A successful private sector campaign for \$32 million for the Kelowna PAC would also need the support of a major donor with a leadership gift of \$10 million or more.

The Kelowna PAC may be viewed by prospective donors as a civic or regional asset that returns a broader social impact, creates a legacy, and offers a point of pride for the community. This would be a key pillar of communications for cultivating gifts for the Kelowna PAC

A comprehensive capital fundraising campaign for the Kelowna PAC may have an impact on private sector funding for other arts and culture organizations in the community as the donor pool inclined to support this sector may shift their support to the PAC campaign. Existing arts and culture organizations can mitigate this migration by ensuring their own accountability to donors and their stewardship programs continue to build strong donor loyalty. Pressure would most-likely be felt at the major gift level. Individual organizations may experience the competition with annual donors that contribute \$5,000, \$10,000 or more annually. However, these donors also tend to be the most **committed to an organization's well-being** as well as being informed as to the overall benefit that a new PAC could have for the long run, including their beloved institutions. For sophisticated philanthropists, they will work with their beneficiaries to stretch as they are able and be proactive in communicating what can be expected of them during the pledge period. For philanthropists committed to supporting the region but necessarily tied to specific cultural organizations, they will review the opportunity to invest in their community alongside the other funding opportunities presented during the same period. Some donors will make choices for one cause at the expense of another, but most are experienced with evaluating for themselves how best to apply their individual financial capacities where it will best have the breadth of impact they desire.

### 5.5.6 Next Steps

As a process concludes to narrow plans for a prioritized PAC, we suggest proceeding with the formal **Planning & Feasibility Study** to test philanthropic appetite and begin the process of cultivating key prospective donors and leadership volunteers. Along with preparing a **Case for Support** to be tested in the study, conducting a comprehensive asset valuation assessment of all potential spaces at the current construction value once confirmed, using all five criteria before finalizing the asset inventory will be of benefit. We further recommend these values be subsequently tested with prospective donors along with the Case for Support before proceeding to a campaign for private sector support.

- Refine a preliminary case for support.
- Base the case upon the campaign goal, operational plans, and a chosen construction scenario, articulate the civic and user group impacts from the project.
- Outline potential giving levels and opportunities.
- Test the case for support in a formal Planning/Feasibility Study for a proposed campaign.
- Conduct 35+ interviews with prospective contributors to gain insight into:
  - The resonance of the case
  - Potential financial participation
  - Potential volunteer engagement and leadership

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<sup>2</sup> 30 Years of Giving in Canada: The Giving Behaviour of Canadians: Who gives, how, and why? Imagine Canada. 2018. [https://imaginecanada.ca/sites/default/files/2019-05/30years\\_report\\_en.pdf](https://imaginecanada.ca/sites/default/files/2019-05/30years_report_en.pdf)

- Use interviews to engage known interest plus prospects with identified capacity

## 5.6 Fund Development Options

After determining the potential funds available to support a new performing arts centre via other levels of government, local borrowing, or earnings from the city-held Legacy Funds to enhance the community, there will, undoubtedly, be a gap that must be covered by resources from the private sector. As previously shown, the potential value of philanthropic support far exceeds that of solely relying on sponsorship. So, a mix of the two is likely merited.

When an emphasis is placed on needing to raise a significant amount of capital, the challenge immediately becomes identifying who will take the lead in doing so. To garner the most philanthropic appeal, it must be operated by a charity recognized by the CRA and capable of issuing receipts for charitable donations. The City of Kelowna has that status, but government entities are not typically the most appealing beneficiaries to prospective donors.

To assess the potential courses of action for undertaking a **capital campaign** in support of building a new performing arts centre, we evaluated three potential paths with the results captured below. In general, the approach to fundraising for the philanthropic portion of a campaign to build a new performing arts centre would fall into one of these operational models.

- The city would undertake this effort itself.
- The city would engage the assistance of an existing entity (likely another charity) to undertake the activity on its behalf.
- A new charitable entity would be created for this purpose.



Global Philanthropic and Colliers Project Leaders  
Fundraising Methodology Assessment Tool

**Assumptions:**

Skilled, AFP compliant fundraising professionals are utilized  
**A maximum of two of Cost, Quality, and Schedule can be rated as "Very Important"**  
If criteria is not applicable, select "Not Important"  
For In-house fundraising, capacity is added for municipal-based operations  
For External Existing Charity, capacity is added to an established charity. Connection to PAC beyond construction may continue.  
For External New Charity, a CRA recognized entity is created. Connection to PAC beyond construction will continue.  
For External New Charity, connection to PAC operations is assumed.

Project Criteria	Score Select from list	Weighted Score			
		In-house Fundraising	External, Existing Charity	External, New Charity	
<b>Cost</b>	Cost (as compared to quality and schedule)	Somewhat Important	6	3	4
	Early costs minimized	Somewhat Important	2	6	1
	Minimal additional personnel for implementation	Very Important	4	16	1
	Ongoing costs remain post-construction	Somewhat Important	2	3	1
<b>Scope &amp; Quality</b>	Quality (as compared to cost and schedule)	Very Important	32	4	16
	Immediate comfort from public	Somewhat Important	1	4	6
	Immediate confidence from public	Very Important	4	16	32
	Established infrastructure for solicitation, processing and stewardship	Somewhat Important	1	4	2
	Connections to project evolution, facility development and operations	Not Important	1	1	1
	Minimize operational costs	Somewhat Important	2	3	1
<b>Schedule</b>	Schedule (as compared to quality and cost)	Very Important	16	64	4
	Ability to initiate rapidly	Somewhat Important	4	6	1
<b>Risk</b>	Oversight of meeting targets for contributed revenues	Very Important	64	8	16
	Public trust and willingness for making philanthropic contributions	Very Important	4	16	32
<b>City (Owner) Considerations</b>	Ongoing governance and participation requirements/opportunities	Somewhat Important	4	1	6
	Ongoing management of donor relationships post construction	Yes	3	2	27

In-house Fundraising	External, Existing Charity	External, New Charity
151	158	152

Source: 800037-0085(1.0)

The initial evaluation indicated that fundraising should be led by an agency outside of the city. Still, many municipalities and regional districts have some form of fundraising and/or sponsorship operation. We continue to examine each of the three options.

As part of this review, we looked at several municipalities and regions that are actively or passively engaged in some degree of fundraising or sponsorship activity. They include:

- Burnaby, BC
- Kamloops, BC
- Nanaimo, BC
- Nelson, BC
- New Westminster, BC
- North Vancouver, BC
- Prince George, BC
- Surrey, BC
- Vancouver, BC
- Vernon, BC
- Victoria, BC
- Columbia Shuswap Regional District
- Comox Valley Regional District
- Regional District of the North Okanagan
- Thompson Nicola Regional District

Interviews were completed with those representing the following government entities or their significant philanthropic partners/targeted projects:

- Kamloops, BC
- New Westminster, BC
- North Vancouver, BC
- Surrey, BC
- Victoria, BC
- Columbia Shuswap Regional District
- Thompson Nicola Regional District

The interviews reinforced the preliminary assessments that indicated a fundraising campaign was best undertaken by an entity outside of the city. Some of the reasons for this include:

1. Modestly scaled municipal efforts
2. Passive approaches to fundraising
3. Limited appeal to prospective donors

## 5.7 Absence of expertise and capacity

For all of those interviewed, fundraising was a modestly scaled activity and not generating the level of engagement or support that would be required for a project like the new PAC. In each instance fundraising was quite passive and not the sole focus of a particular employee - further reinforcing the perception that adequate resources to grow capacity were not deemed to yield a high enough ROI to make such an investment a priority. Every respondent indicated public reticence toward making philanthropic contributions to government entities. This is something further reinforced by the thousands of interviews Global Philanthropic has conducted in relation to feasibility studies across the country. Finally, given the limited focus on fundraising, none of these entities possess the depth of knowledge and dedicated resources to undertake a significant capital campaign inhouse. They are not driven by staying on top of industry trends or maintaining focus on best practices for the industry. If a significant project were to come along, additional expertise would have to be sourced.

The absence of professional fundraising expertise and its impact truly came to light when a government entity pursued its own efforts on a parallel path to an external charity with personnel experienced in the fundraising sector. We saw challenges with alignment between municipalities and external charities raising support for the same facilities as exemplified in the **St. Catharines, Ontario**, and **Brock University** example. The university was able to leverage its expertise to prospect in a more sophisticated manner and went into the market with naming valuations that were higher than that of the city. Depending on citizen comparisons and awareness, the university was positioned to bring more money to the table and project, and the city attracted a lower investment. In the end, the city opted to engage an external fundraising firm to execute the first phase of the fundraising campaign on their behalf. Professional fundraising is a balance of science and art. It relies on proficiency with prospecting, paired with adequate data, gift processing and record-keeping. Knowledge of donor behavior along with established prospect relationships are key to connecting potential funds to compelling cases for support. Charitable institutions adept at maintaining proficiency with professional practice and standards are typically positioned to outperform the occasional or "one-off" efforts of others. Given the increased focus on growing contributed revenues, post-secondary and healthcare institutions within a community often have the most sophisticated, well-resourced, and developed fundraising efforts.

We explore the considerations for each of the three approaches and the efforts required to put a professional fundraising structure into place. Any hybrid approach should take into account the disparities present in project knowledge as well as prospecting and fundraising expertise.

### 5.7.1 Adding Capacity Within the City's Structure

This model enables the greatest amount of control and influence over the efforts to raise funds for a new performing arts centre. It is moderate in the level of additional personnel that may be required to have an effort that is **well-supported and functional**. While there is likely the need to augment staffing with dedicated fundraising resources in the form of positions that do not currently exist, much of the other required infrastructure for appropriate separation of duties, such as gift processing, accounting, financial reporting, IT support and marketing, could be woven into systems that are already in place.

While the need to establish a full array of new positions may be reduced, the public is often reticent to consider philanthropic exchanges with government entities. The perception of already contributing significantly through existing tax structures tends to eliminate motivation to make additional donations.

Still, while minimal, there are municipal entities that undertake fundraising activities from within the government structure. Rather than managing everything internally, many utilize **external platforms** like Canada Helps ([www.canadahelps.org](http://www.canadahelps.org)) to deal with gift processing and administration. For most, fundraising from this point is a passive activity. They receive donations and channel funds to areas requiring support or meeting donor intentions, but these government entities are not actively seeking and soliciting philanthropic support.

To add fundraising capacities and support structures within the City of Kelowna would necessitate a series of approvals, financial allocations, and agreement on operational or process flows, but the introduction of qualified personnel would likely occur at a lower level within the organizational structure. As the needs of such an operation will be diverse, determining where they are housed and how the indirect management lines are drawn may be the more challenging aspect.

### 5.7.2 Adding Capacity to an External Entity

Integrating the fundraising for a new performing arts centre into the mandate of an existing charity may optimize the openness of prospective philanthropists to donate to non-government entities while presenting the fewest additions to personnel required to succeed. This undertaking will require endorsement from **organizational leadership** (volunteer and professional) to expand the scope of their mandate, and it will likely require augmenting capacities within an existing structure to undertake additional fundraising while not compromising their ongoing operations or activities.

Some of the activities investigated made use of area community foundations for such allocation of responsibilities. The **Okanagan Rail Trail** made use of the Community Foundation of the North Okanagan and the Central Okanagan Foundation for its successes. Whether it is a community foundation, another dedicated arts charity, or a company contracted to solicit funds on the project's behalf, public perception of the entity remains an important factor. While donors are generally comforted to not be donating to a government entity, the reputation of the charity serving the purpose must be considered. If they have a legacy of strong donor stewardship and program delivery, that will serve the effort well. However, if the reputation is one that falls short, there will be added concern about the capacity to successfully undertake a project of this magnitude. Having a proven history is helpful in instilling confidence in the donors, but this also exposes vulnerability to a track record that can be considered and scrutinized. When partnering with a community foundation or other charity, it is also important to be clear on whether funds will flow through to directly support a project, if any deductions will be applied for administrative costs, or if donations will be held by the recipient charity and it will be revenues generated by the donated funds that will be furthered to benefit the project. The latter is frequently the case for many community foundations. Though, the recent success with the Rail Trail exemplifies a history of funds flowing through intact.

Another consideration when working through an outside charity is the incentive or requirement that may exist to actively pursue donations. Again, for many the activity is a passive one. It is typically a charity that will directly benefit from the campaign's success or project's completion that will be the most driven to see it cross the finish line. While the external charity may be the one to process the donations, the campaign cabinet and fundraising volunteers will remain a critical component of championing the effort to success.

To add capacity within an existing charity already possessing functional channels for gift processing and reporting will necessitate approvals from volunteer and executive leadership regarding organizational mandate. Beyond adding the capacity for the increased fundraising demand, there is a need to clarify to which entity the donors belong as well as who will be responsible for ongoing stewardship, benefit

administration and pledge fulfillment activities. Also, it is key to have a clear understanding of where accountabilities lie for campaign progress and the direct impact had on construction or project fulfillment.

### 5.7.3 Establish an External Entity for This Purpose

Establishing a new CRA recognized charity on behalf of fundraising for a new performing arts centre is an option that makes more sense if it is intended to remain in existence after construction is complete. In that circumstance, the new charity would serve as the ongoing entity to raise funds on the facility's behalf and could potentially play a role in the facility's operations. **Determining the preferred operating model** for a proposed facility should occur prior to establishing a new charity. Regardless, prospective donors will have questions about how a new facility will be managed and operated. Knowing if there will be an **ongoing need for fundraising** as part of the operations and how that will be undertaken are other questions for which prospective donors often seek clarity before committing to a major gift. An ability to answer these questions will impact the resulting donations. As with Adding Capacity to an Existing Entity, all of the needs to identify accountabilities and articulate where subsequent donor relationships will reside also apply.

While establishing a new charity enables its focus to be solely on the proposed performing arts centre, the challenge comes in the magnitude of resource and effort that must be leveraged to establish a functional entity. It can also challenge the cultural ecology to have an additional charity seeking donations among the donors that are already supporting established arts and cultural organizations. The infusion of another charity seeking support can jeopardize the well-being of weak or struggling institutions. Creating a new charity merits attention paid to the parties involved that can boost **organizational credibility** from the start. Plus, it is important to ensure the resources are available that establish appropriate infrastructure and processes to govern and implement a fundraising campaign of the magnitude being discussed.

## 6.0 Risk Management & Delivery Strategies

### 6.1 Delivery Model Options Analysis

We believe it is too early in the project cycle to propose a definitive methodology for the delivery of the new Performing Arts Centre due to the amount of uncertainty remaining in the project and number of questions that still need to be answered from the community and leadership. With that in mind, we can say that a unique, purpose-built facility, funded with public money has traditionally been delivered using a **Design-Bid-Build** approach.

This delivery method is considered the standard approach. The Owner engages the Architect and Engineering team for the design and preparation of complete construction and tender documents for the project, and the tender is then issued to prequalified bidders. The tender documents are used for obtaining competitive bids. A General Contractor (GC) is selected based on the highest scoring compliant bid (technical and financial) and the Owner enters into a contract with the selected GC for the construction and completion of the project. The principal parties in the design-bid-build process are the Owner, Architect, Engineering consultants and the GC.

The owner-based benefits of design-bid-build methodology are:

- Simple tendering and bid evaluation process; most frequently implemented in the construction industry;
- A fixed price bid based on a completed set of tender documents provides Owner assurance on construction cost commitment;
- Provides Owner direct contact and control with the design team and thorough review over the design. This contributes value for a project having very prescriptive requirements;
- Provides Owner and project team the opportunity to influence systems, materials and construction methods to minimize life cycle costs;
- Architect is the Design Consultant as per the Contract; and
- Architect represents the Owner and is accountable for quality of construction and compliance to design specifications.

All Design-Bid-Build projects face potential challenges. It is the anticipation and successful management of the project challenges that delivers certainty. The most common challenges with design-bid-build methodology are:

- Ambiguity or a lack of well-coordinated construction tender documents can expose the Owner to additional unforeseen construction costs and claims and schedule extensions;
- The Design-Bid-Build is the most time consuming approach and must be planned with appropriate lead times; production of quality tender documents draws out progress of the project; and
- The relationship with the Builder tends not to be collaborative and there is little input from the Builder regarding more cost effective solutions or for constructability.

Another approach that is commonly used for this type of purpose-built facility is a non-fast tracked **Construction Management** approach.

In construction management methodology the Owner engages an Architect, along with the Engineering firm to develop the design and construction documents, and a Construction Manager (CM) as advisor. The CM will act as a construction advisor to the project team during the design, construction trade procurement, and construction phases. The CM is best brought into the team very early in the design process and works with the Architect's design team to develop the detailed design.

The Construction Manager then manages the procurement of construction and the construction process using sub-contractors and sometimes their own forces.

This approach is generally considered where time is of the essence and budget is flexible, but can also be used in a non-fast tracked approach where the CM is used for Pre-Construction services to review constructability, contribute to phasing plans and obtain real time cost estimates.

The benefits of construction management methodology are:

- The CM and designers are both advocates for the Owner;
- Constructability of design is potentially covered early in detailed design phase;
- Potential for sequencing and procuring construction allowing for an early start to construction and a compressed schedule (fast tracking); and
- Long lead delivery construction estimates.

Potential challenges with this form of construction management methodology are:

- A more complex design review process than Design-Bid-Build or Design-Build methodologies; and
- If an at-risk method is used there is potentially less collaboration between Construction Manager and Architect (designer)/ Owner's team, as CM acts like a GC, and a potential for a more adversarial relationship.

In the table below, our analysis tells us that a traditional design-bid-build is likely the approach that the City should base their methodology on but modifying the traditional approach with innovative ways to reduce overall project risk, such as using a Construction Manager for pre-construction services, is becoming more and more common. Many contractors prefer this approach as it allows them a stake in the project much earlier in the planning phases and ultimately provides the owner with more certainty and reduced overall risk.

City of Kelowna - PAC Feasibility Study  
P1701-1966158342-15 (5.0)

Colliers Project Leaders  
Construction Methodology Assessment Tool

**Assumptions:**

A fully competent project manager is engaged  
**A maximum of two of Cost, Quality, and Schedule can be rated as "Very Important"**  
 If criteria is not applicable, select "Not Important"  
 For design-build, a bridging/compliance consultant is engaged  
 For design-build, an honorarium will be provided to short-listed proponents with compliant submissions  
 For design-build, design-builder is retained before site plan approval process  
 For Construction Management, a fixed fee is used and Construction Manager engaged concurrent to Prime  
 For P3, includes long term building operations  
 Assumes that only DBB requires sequential trade packages.

Project Criteria	Score Select from list	Weighted Score					
		Design Bid Build	Design Build	Construction Management	P3	IPD	
Cost	Cost (as compared to quality and schedule)	Very Important	16	16	4	16	4
	Early cost certainty	Somewhat Important	2	6	1	4	4
	Ability to incorporate contractor ideas for cost savings	Somewhat Important	1	3	4	3	4
	Owner requires builder to provide capital and amortize over the life of the building.	Not Important	1	1	1	1	1
Scope & Quality	Quality (as compared to cost and schedule)	Somewhat Important	6	2	3	2	4
	Incorporate complex systems and/or requirements	Very Important	32	4	16	4	8
	Owner retains control over design elements	Very Important	32	4	16	4	8
	Maintain ability to change direction or design for as long as possible	Not Important	1	1	1	1	1
	Control of building/infrastructure longevity	Very Important	32	4	16	4	8
	Minimize operational costs (through life-cycle costing)	Very Important	8	8	4	16	16
Schedule	Schedule (as compared to quality and cost)	Somewhat Important	1	4	8	4	1
	Ability to phase construction	Very Important	8	8	32	8	4
Risk	Ability to transfer risk for design errors and delay claims.	Somewhat Important	1	6	3	4	3
	Minimize the risk of design and construction coordination errors	Somewhat Important	1	4	3	4	6
Owner Considerations	Minimize involvement of end users in the requirements definition process.	Not Important	1	1	1	1	1
	Are you willing to have decisions made by consensus with equal weight given to the opinions of the owner, the builder and the designer?	No	0	0	0	0	0

Design Bid Build	Design Build	Construction Management	P3	IPD
144	73	114	77	74

## 6.2 Risk Analysis

Our team, through ongoing research for this report, interviewed similar organizations and hosted a risk workshop uncovered several risks that will need to be considered and further discussed in future years. Planning for the PAC will need to incorporate considerations from many different aspects. In the table below, we have grouped our findings into seven (7) high-level risk themes or categories and risks that may need to be considered.

1. Risk Category 1 - City of Kelowna		Risk
1.1	PAC will not be available as a venue during construction period	Rebuilding on the existing site requires the closure of the PAC for demolition and construction. During this period, the City will lose the venue.
1.2	PAC will not have a revenue stream during construction	Rebuilding on the existing site requires the closure of the PAC for demolition and construction. During this period, the City will lose this revenue stream.
1.3	Political Risks	Be as prepared as possible for the multitude of variables that may arise from political decisions during the planning of the project.
1.4	Continuity of internal & external champions for the project - Attrition	City should build a team that will be active for the lifespan of the project to allow for continuity of knowledge and advocacy for the project.
1.5	P1 vs P2 Capital priorities	P1 - \$138M / P2 - \$269M (2021) - Many of these projects will carry debt and will affect future decisions about the City's ability to fund future projects.
1.6	Internal Dept's championing other priority projects	PAC will not be seen as a priority by all City departments and will face competing pressures for inclusion into the capital budget.
1.7	Sports community vs Arts community	It is important that the City uses a balanced approach to developing capital priorities so all community interests feel served.
1.8	Differentiate between Purpose-Built space vs Multi-purpose	It is hard to operationalize a multi-purpose space. Focus should be on creating a purpose-built facility that can be effectively managed and operated.
1.9	Impact on staff.	Need to keep highly trained staff and have a clear plan for what happens to those staff during demolition, construction and operationalizing of new Performing Arts Centre.

1.10	Difference between KCT and PAC	KCT is still in operation and will continue to operate and need investments until a final decision is made on PAC. City needs to be clear on timelines and support the KCT as the preferred destination until a PAC is funded.
<b>2. Risk Category 2 - Arts Community</b>		<b>Risk</b>
2.1	Audience Uncertainty (Pandemic)	Uncertainty in the future of how the community will be able to attend in-person events and possible unwillingness.
2.2	Managing expectations	City needs to remain focused on developing a cost-effective solution that does not become a burden of the operations and finances of the City.
2.3	Communications and Engagement	The City needs to commit to a vision for a new PAC and develop a clear plan that can be communicated and acted on by both City staff and community supporters.
<b>3. Risk Category 3 – Fundraising</b>		<b>Risk</b>
3.1	Capacity & Sophistication of fundraising entities in the region.	Fundraising +/- \$30M would be one of the largest cultural campaigns in Canada and will require detailed analysis of the right approach or risk failure.
3.2	Community Engagement	Developing a clear plan that can be brought to the philanthropic community as a vision for the future will be required to get acceptance and buy-in from donors.
<b>4. Risk Category 4 - Funding &amp; Approvals</b>		<b>Risk</b>
4.1	Council Approvals & Alignment	The project should be well understood prior to bringing recommendations forward and will need to align with the Council priorities and major planning frameworks such as the OCP, Cultural Plan, Civic Precinct Plan, and Cultural Facilities Master Plan.
4.2	Prioritization of other Capital projects for grant applications	Council needs to identify the PAC as a priority or face the risk of competing funding applications within different departments across the City.
<b>5. Risk Category 5 - Electoral Borrowing</b>		<b>Risk</b>
5.1	Constraints on short- and long-term borrowing options	The City may reach its debt ceiling prior to the PAC becoming a P1 project, effectively delaying the project.
5.2	AAP could be defeated. What is the contingency plan if this does occur?	Traditionally the City used the AAP for borrowing. A contingency plan should be considered if this approach is defeated.
<b>6. Risk Category 6 - Planning &amp; Development</b>		<b>Risk</b>

6.1	Pressures with planning and schedules lead to community challenges regarding firm timelines	Complex project planning and community engagement make schedule planning difficult until the project becomes a P1 capital priority.
6.2	Tightly constrained site	The site is constrained and will need to claim additional off-site areas during planning & construction.
6.3	Adhoc and competing capital priorities	Facilities Master Plan should set the criteria for capital planning & approvals to provide greater visibility and certainty with the capital process.
6.4	Sustaining commitment of audience and community during venue closure and in preparation for new PAC	The PAC project is not just a bricks and mortar facility it is also the community and their support. This will need to be treated as a separate project.
<b>7. Risk Category 7 - Infrastructure Delivery</b>		<b>Risk</b>
7.1	Limited internal capacity for Infrastructure Delivery to manage current workload and a significant project such as the PAC	Planning needs to occur to develop resourcing capacity within the City for large project delivery.
7.2	Limited partnerships in place to assist with capacity for the delivery of City projects	Partnerships need to be developed to assist with capacity during the delivery of larger and more complex capital projects.

**Table 9: Risk Analysis for the PAC**

## 6.3 Closure and Operational Strategies

### 6.3.1 Closure & Operational Strategies

Rebuilding a performing arts venue on the site of an existing, utilized performance facility is **not a widespread experience**. However, there are several examples where renovation, expansion, or remediation work made a performance venue unavailable for a defined period. As a result, organizations that used the venue were tasked with utilizing alternate facilities and/or altering their operations for the project's duration.

### 6.3.2 Confirming Mission and Priorities

For a venue's owner, a change like those surrounding the creation of a new performing arts centre and disruptions surrounding the transition are **optimal opportunities** to reassess the mission and objectives surrounding such a resource. For most municipalities like the City of Kelowna, these venues add to the quality of life for the region. They ensure artists and the creative class have the resources required for practicing or showcasing their artistic disciplines, and they add to the quality of life for the area's residents by providing a locale to convene, enjoy, and consume artistic offerings. While the requirements of a venue vary widely by artistic discipline, ensuring the availability of adequate performance spaces is critical to sustaining performing arts groups within a community. For most, performance opportunities and the resulting revenues are directly tied to the financial viability of maintaining organizational operations. The process of defining what, specifically, will be encompassed within a new PAC is an opportune time for the City to revisit and affirm the mission, vision and values it intends to uphold in establishing the physical resource. While it is likely that some sacrifices may have to be made to keep the project's scope within the financial reality, a clear understanding of the priorities for a facility can provide a framework upon which difficult choices can be made.

Regardless, a temporary closure of performance venue can impact varying stakeholder groups in different ways. **Mitigation strategies** cannot be fully developed until later in the process – once an actual timeline a magnitude of impact are known. Still, there are some high level considerations and examples to keep on the radar as the realities in this circumstance become increasingly defined.

### 6.3.3 A Challenge that Yields Opportunities

Cultural organizations navigating venue disruption can use the circumstances as a chance to produce unique or new experiences that maintain or possibly build interest in the group's work. As most cultural organizations have little discretionary resources or risk capital, dedicated support and financial resources to assist groups navigating such a path can be invaluable. It is critical to ensure the groups intended to occupy a new facility survive any disruption to inhabit it. Once open, things should begin to improve. At least initially, interest is nearly always heightened in activities occurring within a new facility. Maintaining that interest becomes a goal for producing and presenting groups. While many organizations can showcase new perspectives and expertise gained during a period of unusual operations, the emergence of a new, permanent reality can also provide a significant opportunity to celebrate those groups that have been dormant or less visible during the interim.

If possible, creating a **sense of stability** during a period of transition is important. Moving from location to location is a challenge for cultural organizations and audiences alike. This is true during a regular season and heightened during an interim period of change. Increased communication is key and can mitigate patrons deciding to "wait it out" until the new, permanent reality is established, a decision that can dearly cost producing organizations. If there is the opportunity to **establish a semi-permanent**

**locale(s)** for the period of any closure, this is preferable to ad hoc efforts or locations that continue to shift.

The ability to adapt and adjust, however, are often key factors of survival through transition. Tapping into other resources in the community, such as Film Commission expertise, can help to identify and analyze an inventory of potential temporary/pop-up locations for a wide range of performance and unique audience experiences. Other options for the City include issuing a call for proposals to the community to attract new ideas for **unconventional locations for performance opportunities**, as well as relaxing the regulatory environment (e.g. bylaws, licensing, zoning) so as to better support such experiences.

Nordicity's 2021 Central Okanagan Music Strategy and Industry Profile for Creative Okanagan reiterates the need for **'removal of red tape'** when it comes to supporting performance. Indeed, the need for a broader variety of spaces was identified as a strategic objective within the plan, along with building closer relationships with urban development initiatives and neighbourhood planning processes (e.g. arts-focused bylaw review, venue audit). A major finding of the research included a significant knowledge gap relating to spaces in the city (and region), including where unconventional spaces exist, what owners may be interested in hosting, and which neighbourhoods are currently underserved. There is also further 'how to' work identified by the strategy to better enable the City to support unconventional spaces in hosting performance.

Any focus on stability or continuity for Kelowna's cultural community can be a significant benefit on multiple fronts, enabling audiences to retain familiarity and comfort and organizations to retain revenue and patronage. Established parameters to the transition period allow producing and presenting organizations to plan better. In the case of an interim facility, operators may also gain the opportunity to learn, adjust and/or make refinements during the interim period that may benefit their ultimate permanent venue and operating model.

## IMPACTS ON ARTISTS

As noted previously, artists function on minimal margins or risk capital. It is important to provide them and the cultural organizations of which they are a part the maximum lead time possible to plan for known changes in the performance parameters, resources, and schedules. Different artistic disciplines work on different planning horizons and are exposed differently to the global marketplace. For example, a soprano capable of singing a specific role in an opera may be **booked 3 or 5 years in advance**. A ballet company will need to develop its roster for a specific season based on the largest number of dancers required for a specific work to be produced. A theatre producer drawing solely on regional talent may have an ability to pivot and accommodate change more nimbly than an orchestra trying to assemble dozens of musicians contracted to perform a specific symphony. How each discipline's artists arrive prepared to perform or to rehearse and create a performance varies as does the way in which they are compensated. Some are paid per service, and some are compensated weekly. Some disciplines pay for rehearsal. Others do not. The calculations for determining potential costs and revenues across varying repertoire and schedules can fluctuate significantly. While any change is likely years away, many groups map out repertoire choices years in advance. Knowing that a specific set of restrictive circumstances might exist – even five years down the road – can impact when a performing arts group puts a work such as a Swan Lake, Beethoven's Ninth Symphony, or an Aida into the rotation. Such artistic opportunities can be used strategically in many different ways, but not knowing when to leverage them can be detrimental. Specificity and advance lead time enable local performing arts producers to plan most appropriately for their unique set of circumstances as well as to coordinate with other arts groups within their individual spheres of influence. As a consequence of cultural organizations having adequate lead times and understanding of the project's timing as well as any potential disruptions, they can be increasingly transparent with individual

artists. That positive flow of information and increased certainty about what the future will hold has the added benefit of ensuring more artists remain a part of the **region's cultural ecology**. It is easier for them to plan for a future where they can envision what avenues for engagement or creative opportunities will exist as opposed to waiting out a period of reduced or eliminated employment with uncertainty as to when circumstances will improve.

#### DIFFERENT IMPACTS FOR TOURING VS LOCAL PERFORMERS

As is typical for most municipalities, **touring groups** pay a premium to utilize performing arts facilities over those charged to local, **resident organizations**. As a result, for the City of Kelowna, touring productions provide the majority of the revenue associated with the current venue. The technical and facility requirements of such entities are also typically the most exhaustive. These parameters could make relocation of touring activities to temporary facilities a challenge. It may be that the City will be limited in its ability to attract or host touring entities during a period prior to the opening of the new PAC.

#### IMPACTS ON AUDIENCES

While each arts discipline has specific technical requirements for the safety of their artists and enjoyment of their audiences, communities are frequently more forgiving of temporary, adaptive environments to champion local efforts – especially when safety is knowingly addressed, and the long-term benefits of the temporary inconvenience are clearly articulated. The same courtesies are not typically extended to touring groups that continue to charge a premium for their performances regardless of what is occurring locally. However, audiences generally prefer predictability. Keeping the number of different venues for a specific discipline to a minimum is ideal. **Audiences** do not want to show up at venue A for the second production in their season only to find that this time the performance is at **venue B**. Regular arts attendees appreciate being able to have some consistency in venues across disciplines, but they are understanding that each producer has its own needs. Thus, dance might always be at **venue A**, but chamber music is consistently at venue B. Inevitably, some audiences will wait to rejoin any activities until a sense of permanence is restored.

#### IMPACTS ON VENUE OWNER/CITY OF KELOWNA

An investment in infrastructure like a new PAC is an opportunity to expand the region's cultural ecology. Depending on the specifications of the facility designed, Kelowna could position itself to attract a new level of performing arts organizations both locally and on tour. It could also use the opportunity to narrow the types of arts experiences that it wishes to accommodate. With recent changes in large gatherings, etc. as a result of the COVID-19 pandemic, the City could find itself able to plan and design a facility that is more flexible and accommodating to future needs or changes in audience behaviors. Still, on the path to that reality, it will likely navigate a period where limited venue availability may necessitate interim support for organizations to mitigate economic stresses from reductions in revenue. Similarly, as the venue owner and producer, it may experience its own reductions in revenues while there are not appropriate venues available for users that rent the facility. In looking at how to utilize other cultural and non-traditional infrastructure, the City may find that with minimal expenditures, it can **actually enhance the inventory overall** and have a legacy of the PAC project be increased capacity and innovation extending beyond the single building. With increased consultation and engagement of cultural stakeholders in preparation of a significant capital investment, the City will further establish itself as a municipality that is welcoming and supportive of the creative class. Along with that comes the benefit of citizens and corporations that choose to settle or establish themselves in communities where a strong cultural community is present – whether or not they choose to individually partake.

### 6.3.4 Alternative Venues

In looking to mitigate disruption of programming by addressing **alternate venues** for performance opportunities during a forecasted period of closure of the Kelowna Community Theatre, the examples tend to fall into one of three categories:

1. Relocating to existing, traditional performance venues and/or adapting them to serve different artistic disciplines;
2. Establishing a venue by adapting an existing, non-traditional space; or
3. Creating a temporary venue.

#### TRADITIONAL PERFORMANCE VENUES

One of the easiest options – though still with its challenges – is to **relocate everything** to another existing venue set up for comparable performances. In this circumstance, there does not appear to be a circumstance to swap like for like. In Kelowna, the closest alternative might be the Rotary Centre for the Arts (RCA). However, there are three significant drawbacks that directly impact artists and user groups. The performance space is not suitable for all artistic disciplines. Plus, with approximately 500 fewer seats in the audience chamber, the variation in capacity significantly alters the economic model for most user groups, particularly those that compensate artists on a per-service model.

Still, in its current configuration, this facility may offer suitable technical capacities to some local producers and touring shows. Using this facility could mitigate excising certain categories of performances altogether during a prolonged construction period. There are examples of smaller productions and chamber works that fit the scale of the performance space as is. However, reducing the audience capacity and earned revenue potential from the larger house by over 60% may mean the economics of the situation are less viable. A final drawback may be availability within the schedule. As a venue operator in its own right, the RCA's calendar with its own clients may likely prevent being able to accommodate the full demand of other groups seeking a performance space.

It may also be possible to adapt the performance space to suit an expanded array of performance disciplines, but this likely comes at the cost of further reducing the audience chamber. For example, at the Queen Elizabeth Theatre in Vancouver, the Vancouver Opera removed the first several rows of seating in the audience to build an expanded stage that extended in front of the proscenium and beyond the orchestra pit. Doing so allowed for additional performance space. The audience chamber is large enough that a reduction in total capacity was still financially viable, but this approach is an illustration of overcoming architectural constraints – particularly for performance space – when the rest of the required technical and ancillary services are present.

In Sacramento, California, the city determined that significant work was required to update and establish the SAFE Credit Union Performing Arts Center. The closure would take a year. That meant most performances during the construction period occurring in the Sacramento Community Center Theater would be relocated to Memorial Auditorium. In advance of the shift, the City chose to invest in permanent upgrades to the Auditorium that would improve the facility's functional and technical capacities. The improvements endure beyond the reopening of the Performing Arts Center and provide the City with an overall increase in amenities. Opportunities to do something similar with spaces such as RCA, Island Stage or Trinity Church could generate similar legacies.

## ADAPTING VENUES FOR PERFORMANCE

A prevalent occurrence is the **adaptation of venues** to be temporarily suited for various performances. It is commonly seen with large scale concerts and road shows that occupy stadiums, but there are modest examples as well.

In Kamloops, BC, some touring productions have occurred on a stage assembled in the middle of the Sandman Centre, an arena constructed for hockey. In situations such as this, venues can choose to utilize the stadium seating or place the audience on the floor of the arena. Kamloops recently experienced a circumstance requiring performing groups to relocate temporarily. Ceiling joists in the Sagebrush Theatre were found to be damaged, and the building was closed for several months. Western Canada Theatre and other groups relocated performances to a theatre-style space at the Coast Hotel and Convention Centre. Should such an alternative be needed, the City of Kelowna's relationship with **Prospera Place** may enable similar arrangements.

Performing groups at the Kennedy Center in Washington DC had to relocate for their seasons as venues in the arts center were renovated. For the Washington National Opera, that meant relocating to the Daughters of the American Revolution Hall. Notably, given the absence of an orchestra pit, the company crafted a special thrust stage that extended beyond the proscenium located in the hall's far wall. The company used the new stage for the performance space and placed the orchestra behind the singers on the existing stage. Audiences and artists understood the arrangement was for the period the company performed outside of their traditional venue.

When the Louisville Ballet found itself in need of a venue for its chorographic showcase, the largest of the company's studios was adapted to become a performance space. Portable seating and risers were purchased. Then, flats were constructed to provide masking for entrances and exits. Enhanced theatre lighting was added to the space. The intimate venue has since **become a favourite** among audiences and artists alike. Many dance companies have outfitted their studios similarly, and most new dance facilities are constructed with the potential for hosting audiences – particularly when space is not required for large musical ensembles to accompany the dancers. Still, such arrangements may restrict the kinds of repertoire that is produced.

Houston's Alley Theatre had to vacate their venue for a period of 18 months to accommodate an extensive renovation to the facility. They worked with the University of Houston to arrange a partnership that enabled utilization of a theatre on the campus and created an opportunity that was mutually beneficial. The university, theatre company, students and audiences benefitted. At the University of British Columbia's Point Grey campus, the opera program annually uses a symphonic hall in the Chan Centre for one of its staged productions. They have adapted wings to mask backstage views from the majority of the audience chamber and to facilitate how entrances and exits are executed from the stage. It is another example of how a performance space specifically designed for one art form has been adapted to serve another.

The Canadian Senate's chamber being moved to Ottawa's old railway station is additional example of a non-traditional space being adapted for temporary, new use. While the budgets for outfitting the interim location and renovating the Centre Block of Parliament Hill are extensive, the concept is similar.

Many performing arts groups have adapted warehouses, retail spaces, airplane hangers, parkades, movie theatres, cinema spaces and even aquatic centre swimming pools for use in live performance. Cities, like Vancouver, regularly inventory their holdings and review whether they may be utilized in alternative fashions for pressing issues. However, in many instances, these potential venues are owned or operated by commercial entities that work on shorter time horizons. If a period of potential closure looms, creating

an inventory of large spaces such as vacant big box stores, retail outlets, underutilized sports facilities, etc. will be prudent. Owners may be eager to partner with the City in an effort to be both a good corporate citizen and familiarize the public with a locale that could be leveraged following the opening of a new PAC. If ample parking is in close proximity and if the appropriate patron services such as restrooms can be supplied, these alternative locales may be outfitted to provide a place to decant performances for a defined period.

## ESTABLISHING TEMPORARY VENUES

For many communities, this can flow out of adapting a non-traditional locale and may provide an easier option. Of course, for most this involves leveraging the outdoors and scheduling offerings into timeframes or seasons that have weather patterns that are more optimal.

Regina's Globe Theatre is undergoing a \$30 million renovation of its facility. While much of the work and closure has overlapped with the COVID-19 Pandemic, they are soon to be announcing plans for plays occurring at a variety of other locations. While the company will make use of another arts centre for part of its dislocation, the company has also leveraged an area park for an outdoor festival.

In 2019, the City of Vancouver and Vancouver Parks Board erected a temporary orchestra shell at Sunset Beach to offer outdoor concerts. They worked to present the Vancouver Symphony Orchestra in Symphony at Sunset, and thousands of people attended. This was a temporary effort that was more suitable and appropriate for the intended purpose. It was erected in addition to the permanent asset they have in Malkin Bowl, which was built in 1934. This permanent Stanley Park locale has been in use for Theatre Under the Stars for over 60 years.

In 1980, the City of Kamloops created a permanent band shell in Riverside Park. They now present 60 days of concerts at the Rotary Band Shell each summer. The shell, which has the capacity to close itself from the elements, is utilized in different ways at various times throughout the year – including in the dead of winter for the Kamloops Art Gallery's bi-annual Luminato Festival exhibition. The City of Kelowna could establish the **Island Stage at Waterfront Park** as a desirable and more hospitable destination in the lead up to a new PAC. The result could be a legacy of the PAC effort and ultimately yield an increase in the City's cultural inventory. Investments in the technical capacity, back of house amenities, ability to shelter artists, technicians and or audiences from the elements along with enhancements to the stage size or surface can each have profound impact on the venue's suitability and flexibility to support a variety of performance opportunities.

The benefits of such an investment have been realized in the Commonwealth of Kentucky. In Louisville, Kentucky, the Louisville Metro Government and the Louisville Department of Parks and Recreation operate the Iroquois Amphitheater located in one of the Metro's parks. The facility was built in 1938 and accommodates an audience of 2,400. In 2000, the government undertook an ambitious project to modernize the theater's technical capabilities, improve audience amenities, and worked with architects to construct a roof that sheltered those on stage and most of the audience from the elements. The result has dramatically improved the appeal of the venue and the types of performances that it can support.

The village at Vancouver's Bard on the Beach is a temporary facility that has a greater sense of permanency, but each season it is erected and dismantled in its entirety. Bard has invested heavily over the decades to acquire its inventory of tents, pavilions, seating, and technical equipment. Still, countless shelters, mobile stages, and technical resources are available for rent.

With a suitable location and budget, many sites, indoors or out, can be outfitted to be a performance space. Knowing the type(s) of performances the space is intended to support will be essential in determining the requirements for safety and enjoyment of artists and audiences alike.

#### PHASING CONSTRUCTION

Another approach that has been conceived is to reduce any period of closure by **phasing construction** around the existing facility and delaying significant demolition. This concept necessitates consideration of the known physical barriers and comparing them to any proposed footprint for a new facility or its components. There may be parameters requiring degazetting to make full use of the property in order to ensure such an option is feasible, and the city would have to determine whether such an approach is possible. Similarly, whether any type of modular construction or off-site pre-construction could be undertaken to minimize downtime has also been suggested as something to be examined. Any of these approaches are reliant upon an agreed to structure with design and engineering requirements that can be examined. While phased construction adds **complexity and cost**, the merits of such an approach cannot be fully explored without more specifics confirmed about the facility to be constructed. With more details, a better calculation of the expenses for any such approach can be paired against projected costs associated with a prolonged closure to ascertain the net financial impact.

## 7.0 Charting a Course for Future Progress

### 7.1 Community Consultations

**The time is ripe** for the City of Kelowna to support the ongoing efforts by the community of cultural sector stakeholders and Kelowna residents in mounting interest, excitement, and intrigue with the plans for a Performing Arts Centre (PAC). While realizing a new facility is still several steps away, positioning the project in the mind of both Council and community members means engaging with key voices throughout the life of the campaign (before, during, after). If the vision is compelling enough, it can be driven further and longer by political leadership, cultural champions, and community frontrunners.

We know that Kelowna's Cultural Plan, which highlights the potential development of new facilities that respond to the community's needs and supports the growth of Kelowna's creative sector, has already gained the approval of City Council and the community. Goal 4 of the plan indicates a commitment to actively planning and seeking opportunities for the advancement of new cultural facilities. Within this, Action 4.4 specifically includes increasing available production space for local artists by creating opportunities to host artists and fulfil their space requirements.

Best practice highlights in community consultation for cultural infrastructure gleaned from both primary and secondary research highlights the following:

- The need for transparency on the **vision and scope** of a new build, allowing for citizens to be 'brought along the journey' of awareness raising, visioning, and capital campaigning. Being upfront with what is known versus not known was relayed as critical in developing community buy-in.
- Supporting deep **community engagement** through a public education campaign driven by cultural organizations that can rally and lead advocacy (beyond what a local authority can do).
- Pairing up City engagement staff with local community stakeholder representatives at key public events and presentation opportunities (e.g. Lions Club) to relay plans for the Centre and **galvanize support**.
- Supporting in-person outreach with brochure mail-outs.
- Proactively reaching out to naysayers before they mobilize – e.g. connecting with groups and offering to present materials so as to disarm any pushback or counter momentum.
- Encouraging **hyper-local advocacy**. Members of the community are often most influenced by those in their neighborhood, meaning that different areas may require different advocacy messaging.
- Illustrating what similar communities already have in place (i.e. known comparable) can be a strong **motivation for action**.
- Encouraging strong Indigenous partnerships. In the case of Kelowna, consulting with representatives of the **Syilx Nation** will help to ensure that the PAC is honouring the land and is representative of **Indigenous values**, proving a step forward in making the PAC a space that is open and accessible to all those who wish to use it.

## 7.2 Parallel Paths

Critically, the success of capital projects relies on a series of steps which, combined, create momentum, realistic understanding, and enthusiasm for proposed cultural infrastructure. Rather than a linear timeline, it becomes critical for the City of Kelowna to consider a range of processes that may overlap and intersect at different points along the journey.

The content of this report represents a foundational feasibility assessment. Articulating the vision and confirming the City's commitment to the project can be achieved through:

- **building momentum** and raising awareness on **potential impact**;
- identifying risks and strategies to **mitigate risks**;
- better understanding what the **potential build means for the City**;
- elevating the project in the **capital plan**;
- understanding how **other borrowing** will impact its prospective access to borrowed funds
- honing the City's **internal perspective** on the opportunity.

With a confirmed vision and commitment in place, a conversation with the community can commence to build out a more robust understanding of impacts, mitigation strategies and functional needs both in the new facility, and during a transition period, all of which contributes to a more detailed business plan.

## 7.3 Closure and Operational Strategies

Recommended next steps for building knowledge of sectoral gaps, requirements and desires include:

- **Assess specific needs** for performing groups requiring the largest footprint. Pair those against known, existing venues and develop a set of specifications to overlay against potential alternate venues at a time closer to a potential closure or disruption. Smaller arts groups can usually fit within the identified parameters and make use of a facility crafted to serve the more challenging producers.
- Aim to **understand the impacts of disruption** and specific timelines to minimize negative outcomes via maximizing lead times, certainty and transparency. It nurtures stakeholder groups' ability to move into a new performing arts centre in the healthiest fiscal state. It maximizes preservation of the artistic and technical expertise present within Kelowna's cultural ecology.

Recommended next steps for confirming civic intentions to support cultural infrastructure include:

- Strive to further define what will be encompassed within a new performing arts centre.
- **Nurture relationships** with elected officials at both the provincial and federal levels. They need to be apprised of intentions for and updates with the project to best advocate for funding within their spheres of influence. This applies whether the focus is on channeling support through a known or existing program or where financial assistance may potentially be made available through opportunities that do not currently exist.

### BUILD KNOWLEDGE AND AWARENESS.

The City's role in an awareness raising campaign should include supporting the development and distribution of pertinent information – communicating an opportunity to learn, engage and participate – while allowing other cultural organizations and other related community groups to carry out more direct

advocacy. For example, several community groups and cultural organizations have already come together in support of a new PAC, including the Kelowna Citizens for a New Performing Arts Centre, a volunteer organization formed to support the creation of a new centre, as well as the former Mayor of Kelowna, Walter Gray. Having vocal advocates who can speak to different sections of the community regarding specific strengths of the proposed PAC will minimize opposition and build wider support. Citizens' groups are often well positioned to support a wider, visionary, campaign that encourage residents to imagine a bright future home for the arts in their city.

## Appendix 1   DISCLAIMER

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Comments, conclusions, and recommendations within this report represent our opinion, which is based on an examination of the documents provided, the analysis of the Consortium and our combined past experience. This report is limited to the items identified in section 3.0 of this report. Design calculations have not been undertaken, nor were they part of the project scope. Our best commercial efforts to provide accurate analysis and meaningful advice are consistent with the care and skill ordinarily exercised by management consultants in Canada with the same scope of work and same source materials. This report has been subjected to our internal review and practices of our Quality Management System. No other representations, and no warranties or representations of any kind, either expressed or implied, are made.

This report is based on information that was made available and provided to Colliers Project Leaders (Colliers) on or before August 15, 2021 by the City of Kelowna and its representatives. Colliers has not verified or audited provided information and relies on the validity of the information as supplied by the City of Kelowna. Should additional information be provided to Colliers after the final draft issuance of this report, Colliers reserves the right (but will be under no obligation) to review this information and adjust its comments accordingly. It is understood and agreed that all decisions in connection with the implementation of advice and recommendations as provided by Colliers during this engagement shall be the responsibility of, and made by, the City of Kelowna.

Colliers is in no part a party to the operations of the Client's facilities and as such are considered an independent third party and are acting objectively in the formulation of recommendations. Opinions reflected in this report are not intended to be or interpreted as legal advice or opinion.

## Appendix 2 SOCIAL IMPACT BONDS

A Social Impact Bond (SIB) is an innovative financing mechanism in which governments or commissioners enter into **agreements with social service providers**, such as social enterprises or non-profit organizations, and investors to pay for the **delivery of pre-defined social outcomes**. More precisely, a bond-issuing organization raises funds from private-sector investors, charities or foundations. While there is little precedent of leveraging this mechanism for a performing arts centre, the case could be made for its applicability in view of the social, cultural and educational impacts of the arts.

Social debenture funding is distributed to service providers to cover their operating costs. If the measurable outcomes agreed upfront are achieved, the government or the commissioner proceeds with payments to the bond-issuing organization or the investors. In reality, the term “bond” is more of a misnomer. In financial terms, SIBs are not real bonds but rather **future contracts on social outcomes**.<sup>3</sup>

The proceeds of the social debentures are allocated to **eligible capital projects** that have positive social outcomes which include, but are not limited to<sup>4</sup>:

Social and affordable housing new development and/or capital repair projects

Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transit)

Access to essential services (e.g. long term care, senior services, emergency shelters)

Socioeconomic advancement and empowerment (public libraries and community hubs).

For each capital project, the funding source has to be approved by Council. Proceeds of a debenture are usually used to provide **permanent financing** to capital projects, as per funding source allocation approved by Council, that have been paid by City's working capital temporarily.

The **City of Toronto** is the first municipality in Canada to undertake a social debenture program. Its social debenture framework is developed in accordance with the International Capital Market Association's (ICMA) 2018 Social Bond Principles. Following the release of the Social Debenture Framework, the City of Toronto successfully issued the **\$100 million bond with a 10-year maturity** in June 2020. Investors paid a price of \$99.98 to yield 1.602 per cent from the bond, which is the **lowest borrowing cost** the City of Toronto has ever secured. Expressions of interest were in excess of \$400 million for this bond, with strong interest from the environmental, social and governance (ESG) community. The proceeds from this issuance will be used to help fund Shelter, Support and Housing Administration's George Street Revitalization and 1,000 New Shelter Beds projects<sup>5</sup>.

Social debentures have also been used for different purposes across the world. In countries like **Ecuador and Guatemala**, sovereign social bonds were used to finance Covid-19 response efforts. The **African Development Bank** also launched a \$3 billion “Fight COVID-19” social bond, becoming the world's largest dollar-denominated social bond transaction to date.<sup>6</sup>

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<sup>3</sup> <https://www.oecd.org/cfe/leed/UnderstandingSIBsLux-WorkingPaper.pdf>

<sup>4</sup> [https://www.toronto.ca/wp-content/uploads/2020/05/8df2-Toronto-Social-Bond-Framework-2020\\_AODA.pdf](https://www.toronto.ca/wp-content/uploads/2020/05/8df2-Toronto-Social-Bond-Framework-2020_AODA.pdf)

<sup>5</sup> <https://yhoo.it/3niuZJX>

<sup>6</sup> <https://www.cnbc.com/2020/06/23/social-bonds-are-surging-as-conscious-investing-turns-mainstream.html>

## Appendix 3 INTERVIEWED ORGANIZATIONS

Organizational notes from interviews held in early 2021 and pertaining to institutional conditions and future facility needs were reviewed for the following organizations:

■ Alternator Centre for Contemporary Art	■ Dolyna Ukrainian Cultural Society
■ Arts Council	■ Festivals + Special Events Dev Society
■ Ballet Kelowna Society	■ Kelowna Art Gallery
■ Central Okanagan Heritage Society	■ Kelowna City Concert Band
■ Centre Cultural Francophone de L'Okanagan	■ Okanagan Chinese Canadian Association Immigrant Collective
■ Chamber Music Kelowna	■ Kelowna Community Theatre
■ Cool Arts	■ Kelowna Museums Society
■ Creative Okanagan Artist + Event Development Society	■ Kelowna Community Music School Society
■ Kelowna Opera Society	■ Ki-Lo-Nah Friendship Centre
■ New Vintage Theatre Society	■ Okanagan Symphony Orchestra
■ Rotary Centre for the Arts	■ Theatre Kelowna Society
■ BC Old Time Fiddlers	■ Inspired World Café/Fat Cat Festival
■ Federation of Canadian Artists – Central Okanagan Chapter	■ Okanagan Regional Library – Downtown Kelowna Branch
■ Global Citizens Event Society	■ Living Things Festival
■ Kelowna Pride Festival	■ Kiwanis Music Festival
■ Okanagan Festival Singers	■ Okanagan Historical Society – Kelowna Branch
■ OSIF	■ Studio 9
■ Kasugai Sister City	■ Kelowna Pipe Band Society