

BUILDING BLOCKS:

New Tools and Strategies for Funding Bricks and Mortar in the Cultural Arena
... A Policy Makers' Forum



Held November 16, 2001
Gibraltar Point Centre for the Arts, Toronto

Transcript And Report Commissioned by:

Association of Artist-Run Centres & Collectives of Ontario
Dance Umbrella of Ontario
Orchestras Canada
Professional Association of Canadian Theatres
Theatre Ontario
Toronto Artscape Inc.
Toronto Theatre Alliance

Report Prepared by Janis A. Barlow & Associates

Illustration by Rick Fischer

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SUMMARY REPORT

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THE ONTARIO TRILLIUM FOUNDATION
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and very special thanks to our distinguished American guests

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Lee Dennison
Greg Handberg
Wendy Holmes Nelson
L. Kelley Lindquist
Clara Miller
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*The full transcript and appendices are available in electronic format
through Theatre Ontario at www.theatreontario.org
and Toronto Artscape Inc. at www.torontoartscape.on.ca*

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1.0 EXECUTIVE SUMMARY and CONSULTANT RECOMMENDATIONS FOR GOVERNMENT

1.1 PROLOGUE

Building Blocks was convened to discuss new ideas for funding bricks and mortar in the cultural arena. The Forum acknowledged that facilities are integral to many arts organizations, yet they are persistently regarded as peripheral by funders and the arts organizations themselves. The Forum also reminded us that the real building blocks of a successful arts organization are programs, operations and capital, and facilities are but a part of the capital picture.

The Forum taught us that, in order to maintain and develop successful cultural facilities, we need to change the way we think about arts organizations and their facilities. We can no longer compartmentalize programs, operations and capital, ignore capital needs, and expect a thriving cultural sector to be the outcome.

*A holistic approach is the key. Vibrant, welcoming and safe cultural facilities, which meet the needs of arts organizations and their audiences, are only possible in an environment where **all** the elements that comprise a healthy arts organization are understood and addressed. Working together, the arts community and its government and private sector funders need to evaluate and support the necessary balance between artistic mission and program, organizational capacity and operations, and capital structure. A holistic interpretation of income statements **and** balance sheets also will result in a much more effective and efficient allocation of funding in the long term.*

*Our aging cultural infrastructure, built over the past 40 years to provide Canadians from all walks of life with rich and varied cultural opportunities, **can** be revitalized – with creative thinking, a new coordinated approach, and a commitment to sustained and comprehensive action.*

1.2 DEFINITIONS

Programs – arts development and arts-related activities offered in service to the public interest

Operations – activities and resources that support the delivery of programs

Capital – money or property (land, facilities and/or equipment) owned or used in support of the business of the arts*

Facility – a building or space acquired through purchase or lease

Balance Sheet – statement of an organization’s finances (assets, liabilities and fund balances)

Income Statement (or statement of activities) – a summary of revenues, costs and expenses

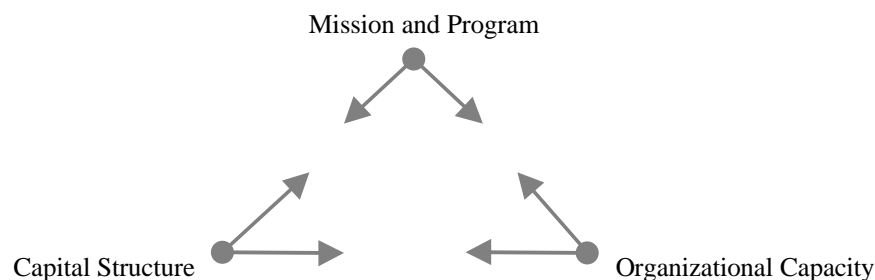
Assets (current and fixed) – anything owned that has exchange value (or something that works to one’s advantage)

Liabilities (current and fixed) – debt, the obligation to pay or return something, as in accounts payable, losses, surpluses, and capital stock (or something that works to one’s disadvantage)

Infrastructure – the basic installations and facilities on which the continuance and growth of a community and country depend

*The Nonprofit Finance Fund in the United States defines **capital** as “a permanent improvement or addition to the resources of an organization.” They define **capitalization** as “the nature, distribution and magnitude of organizations’ assets, liabilities and net assets. Adequate, well-structured capitalization is often overlooked as a primary contributor to success. Conversely, inappropriate capital structures can silently undermine nonprofits’ effectiveness more consistently than factors given far more attention.”

“The net impact of planned growth and a “holistic” approach to capital structure is a sustainable balance between programs on the one hand and financial and organizational capacity on the other. One useful way of thinking about this is as an “iron triangle” – a fixed relationship between these three elements (programs, capital structure, and organizational capacity), with any change in one inevitably having an impact, planned or unplanned, on the other. This general approach suggests that managed growth requires that a balance be struck between the pace of program on the one hand, and the pace at which organizational and financial capacity can grow on the other. The risks inherent to growth need to be taken into full account.”



1.3 FORUM PARTICIPANTS AND SUBJECTS

*As a result of a recommendation from the facility report, **Spaced. . .Out?** (September, 2001), seven American experts on arts capitalization were invited to share their experiences and stimulate a discussion of potential Canadian solutions to the cultural infrastructure crisis in this country.*

American research and programs on arts education, comprehensive capitalization and using the arts as social problem solvers are 10-15 years ahead of Canada.

The invitation list included 100 senior policy makers from all levels of government, arts councils, foundations and private sector lenders, as well as representatives from the cultural field. There were approximately 80 people in attendance. The session briefly examined:

Tools for Capitalizing Arts Programming (apart from program and operating grants)

- *Coordinated Arts Real Estate Development*
- *Dedicated Capital Grants*
- *Endowments and Term Endowment Grant Programs*
- *Loans, Guarantees, Credit Enhancements*
- *Tax Credit Programs*
- *Working Capital Grants (Reward Grants for Successful Planning)*

Tools for Supporting and Evaluating Arts Applicants Seeking Capital Support

- *Arms Length, Peer Review Panels and Mentors or "Specialists"*
- *Management Audits*
- *Operational Planning Programs*
- *Organizational Development Analysis -- Mission, Market and Resource Review*
- *Professional Consulting Firms*
- *Technical Assistance Programs, Workshops, Communications*

Mechanisms for Delivering Programs and Capital

- *Independent, Nonprofit Finance Funds*
- *Government Departments at three levels*
- *Nonprofit Arts Real Estate Development Organizations such as Artspace*
- *Foundations*
- *Arts Councils*

Potential Sources of Funds

- *Public -- Governments and Arts Funding Agencies and Foundations*
- *Private -- Banks, Credit Unions, Foundations, Corporations, Individuals. (It is understood that public sector commitment levers private sector support.)*

1.4 WHY GOVERNMENTS INVEST IN THE ARTS

At an international gathering of arts providers -- arts organization executives, policy makers, funders and consultants -- the value of the arts to various communities and societies is assumed and mutually understood.

But it is worth repeating that the value of the arts is both intrinsic and measurable. While the not-for-profit arts providers are focussed on nurturing talent, giving voice to artists, and sharing the arts with their audiences, it is understandable that governments will look also for measurable benefits.

Measurable Benefits

Participation in the arts has been proven to improve conditions in every aspect of society's economic and service sectors. Participation in the arts promotes individual and collective self-esteem; it develops a more confident, creative and versatile work force; and it fosters superior communication skills. It also has proven to reduce school drop-out rates, delinquency, adult crime, racism and mental illness in our communities. The arts comprise our cultural legacy and, for today's global traveler, our culture is a marketable commodity. The maintenance of the arts infrastructure in Canada is indispensable to development of knowledge and innovation-based economies and healthy, caring communities.

Spaced . . . Out? *makes the case for public support of the capital needs of Ontario's small and mid-sized performing and visual arts organizations, (see **Spaced . . . Out?**, pages 45-49).*

Building Blocks *elaborated on that case with the following observations.*

Why do Small and Mid-Sized Organizations Need Infrastructure Support?

- 1. Most small and mid-sized arts organizations have no margins in their budgets for working capital to finance operating contingencies, cash reserves, endowments, capital maintenance and depreciation.*
- 2. Small and mid-sized arts organizations have limited public profiles and capacities for fund raising. In the U.S., it costs a small organization at least \$.40 to generate a philanthropic dollar and a large organization \$.05 to generate the same dollar.*
- 3. Comprehensive capitalization is a three-legged stool comprised of programs, operations and capital. Funders tend to offer ongoing support only for programs and operations (with the exception of facility maintenance). The arts in Canada are balancing on two legs.*
- 4. Erratic capital programs and emergency, bail-out grants are a costly and inefficient substitute for consistent and ongoing capital programs.*
- 5. The nonprofit arts are three times as asset intensive as the steel industry. A large capital investment is required to deliver "products" that generate a small amount of revenue. In the nonprofit arts, the "product" is a public service rather than a marketable commodity.*

1.5 WHAT INITIATIVES SHOULD BE UNDERTAKEN?

*In the short term, Ontario's arts service organizations have used the **Spaced . . . Out?** report to raise awareness of the issues by policy makers and public servants. They have also encouraged the Building Blocks policy makers' forum initiative. **Building Blocks** introduced several American perspectives on arts capitalization.*

Recommendation # 1 -- Embrace the Concept of Comprehensive Capitalization

- *Make the policy shift from the two-legged to the three-legged stool, in which buildings are but a part of an organization's overall health and capital needs*
- *Encourage asset building; evaluate balance sheets, not just income statements*
- *Support long-term institutional financing, such as a Smart Growth strategy leading to a more stable and sustainable sector*

Recommendation #2 -- Coordinate Policy and Strategy Development

- *Review and articulate the role and value of a subsidized arts infrastructure*
- *Identify the ways in which the arts infrastructure can serve the public interest and support or address current governmental policy and objectives*
- *Define "comprehensive capitalization" as it relates to the Canadian experience*

Recommendation #3 -- Evaluate and Support Program Implementation, such as:

- *A Nonprofit Finance Fund*
- *Tax Credit Programs*
- *Enhanced Technical Assistance Support*
- *Consolidated Real Estate Evaluation, Acquisition and Development*

Recommendation #4 -- Develop Well-Coordinated, Multi-Tiered, Integrated Strategies to:

- *Adjust funding programs to conform to a comprehensive capitalization strategy*
- *Evaluate and stabilize organizations with facilities in need of repair*
- *Evaluate and stabilize existing organizations and facilities in need of an upgrade*
- *Evaluate organizational growth plans and support successful applicants*

1.6 HOW SHOULD POTENTIAL INITIATIVES BE IMPLEMENTED?

- *As a public-private partnership led by the three levels of government and including the agencies of government, arts service organizations, banks and credit unions.*
- *As a holistic strategy that examines programs, operations and capital.*
- *As consistent, ongoing and long-term initiatives led and shared by governments.*
- *As a means of leveraging private sector support according to the individual arts organization's ability to attract private investment.*
- *With technical assistance from peer group mentors and experienced consultants.*
- *With the knowledge and resources of property managers like Toronto Artscape Inc.*
- *With recognition that time truly is of the essence.*

2.0 INTRODUCTION

2.1 Background

Premise

Many theatres, galleries and other cultural facilities across Ontario are crumbling. Even our "new" facilities look tired. We are failing to maintain the very buildings that should be our greatest source of pride.

In September, 2001 a study of facility needs of small and mid-sized performing arts and visual arts organizations in Ontario was released. *Spaced . . . Out?* by Sandra Tulloch and Catherine Smalley discussed the deteriorating state of small and mid-sized arts facilities.

The study noted that our American neighbours have experienced some of the same cultural infrastructure issues and have developed a number of programs to address a similar decline.

One of the recommendations of *Spaced . . . Out?* was to initiate a policy makers' forum on new models for arts infrastructure development for Ontario. The resulting *Building Blocks* forum convened in November, 2001. Seven American experts were invited to share their experiences in five different program areas and stimulate a discussion of potential Canadian solutions to this cultural crisis.

American Guests

- Lee Dennison, National Endowment for the Arts, Washington, DC
- Kelley Lindquist, Greg Handberg, and Wendy Holmes Nelson, Artspace Projects, Inc., Minneapolis, MN
- Clara Miller, Nonprofit Finance Fund, New York, NY
- Susan Nelson, Technical Development Corporation, Boston, MA

In addition, a paper on Tax Credits by Sebastian Corradino of Mission First Capital Advisors, Washington, was circulated.

Funders

The one-day forum was generously funded by the federal government through the Department of Canadian Heritage and the Canada Council for the Arts; by the Government of Ontario through the Investment and Development Office and the Arts and Cultural Industries Branch of the Ministry of Tourism, Culture and Recreation; the Ontario Trillium Foundation; and by the City of Toronto.

Client Group

The Forum was a response to a groundswell initiative by several Arts Service Organizations and was coordinated by Theatre Ontario (Jane Gardner, Executive Director) and Toronto Artscape Inc. (Tim Jones, Executive Director).

The Arts Service Organizations are:

- Association of Artist-Run Centres & Collectives of Ontario
- Dance Umbrella of Ontario
- Orchestras Canada
- Professional Association of Canadian Theatres
- Theatre Ontario
- Toronto Theatre Alliance

Forum Planning Committee

Jane Gardner, Theatre Ontario
Tim Jones, Toronto Artscape Inc.

Invitation List

The invitation list included 100 senior policy makers from all levels of government, arts councils, foundations and private sector lenders, as well as representatives from the cultural field. There were approximately 80 people in attendance. The complete list of attendees is appended together with biographies of guest speakers, coordinators, facilitators and consultants.

Subjects

Discussions and break-out sessions focussed on five program areas:

- **Nonprofit Finance Funds**, facilitated by Catherine Smalley, Independent Project Manager
- **Tax Credit Programs**, facilitated by Alida Stevenson, Ministry of Tourism, Culture and Recreation
- **The Role of Arts Councils**, facilitated by Steven Campbell, Ontario Arts Council
- **Capital Development and Technical Assistance Programs**, facilitated by Tim Jones, Toronto Artscape Inc.
- **Leveraging Private Sector Support**, facilitated by Claudia Buckley, Canada Council for the Arts

2.2 Objectives of the Forum

- To develop an understanding of the American approach and determine whether American programs could be adapted to serve Canadian cultural infrastructure needs.
- To determine what issues must be addressed in the adaptation of these programs, how they might be addressed and who could take the lead in developing these programs.
- To identify the next steps in the development of these programs and to ascertain an order of priority in the development of these programs.

2.3 Objectives of the Building Blocks Report

- To provide a comprehensive and accurate record of the programs, potential programs, issues and case studies discussed during the forum.
- To provide contextual research, comparative analysis and/or editorial comment to facilitate a complete understanding of the potential programs and support a decision-making process.
- To synthesize the discussions and research into an executive summary of findings and recommendations regarding the next steps.
- To provide a source list for further information and investigation.

2.4 Agenda for the Forum

- Welcoming Remarks by Hosts and Funders
- Guest Speakers' Papers
- Facilitated Break-Out Sessions
- Reports on the Break-Out Sessions
- Concluding Remarks

2.5 Methodology for the Forum and Transcript

- To ensure that the presentations are relevant to the Canadian experience, the guests were provided with discussion papers and recent reports. A presentation was also provided noting some of the differences and similarities between the American and Canadian approach.
- The forum was taped and transcripts were produced for all plenary sessions.
- To ensure an accurate record of the highlights of break-out session discussions, consultants were assigned to act as scribes for each session and to assist facilitators in the presentation of session summaries. The consultants were chosen on the basis of their expertise in policy making and the program area to which they were assigned.
- To further ensure that the transcripts will be an accurate and complete source for further reports and research, the guest panelists, client group, facilitators and session editor/consultants had an opportunity to review and comment on the transcripts.

2.6 Consulting Team Members

Janis Barlow of Janis A. Barlow & Associates was invited to moderate the forum and, subsequently, to coordinate a transcript of the event and prepare supplementary material relating to the forum. Her research and editorial associate is Kevin Harper of Janis A. Barlow & Associates.

The following individuals provided expert support and consulting advice to the transcription and reporting process:

- Jini Stolk, Nonprofit Finance Funds
- Jenny Ginder, Tax Credit Programs
- Nancy Hushion, The Role of Arts Councils
- Susan Wright, Capital Development and Technical Assistance Programs
- Rob Lamb, Leveraging Private Sector Support

For the break-out sessions, the guest resources, facilitators and consultants/scribes were assigned to the various session topics accordingly:

Session Topic	Guest Resource	Facilitator	Consultant/Scribe
Nonprofit Finance Funds	Clara Miller, Nonprofit Finance Fund, NY	Catherine Smalley, Independent Project Manager	Jini Stolk, Independent Project Manager
Tax Credit Programs	Greg Handberg, Artspace Projects, MN	Alida Stevenson, Ministry of Tourism, Culture and Recreation	Jennifer Ginder, Independent Arts Consultant
The Role of Arts Councils	Lee Dennison (Ms.) National Endowment for the Arts, DC; Susan Nelson, Technical Development Corporation, MA	Steven Campbell, Ontario Arts Council	Nancy Hushion, N.L. Hushion and Associates
Leveraging Private Support	Wendy Holmes Nelson, Artspace Projects, MN	Claudia Buckley, Canada Council	Rob Lamb, Genovese Vanderhoof & Associates
Capital Development and Technical Assistance	L. Kelley Lindquist, Artspace Projects, MN	Tim Jones, Toronto Artscape	Susan Wright, Toronto Arts Council

3.0 BUILDING BLOCKS FORUM SUMMARIES

3.1 Summary of Preliminary Observations by Consultants

The Tip of the Iceberg

The presence of American expertise was indispensable to briefing policy-makers on potential mechanisms and programs. To thoroughly understand and explore the relevance of American programs to Canadian institutions, more time with American leadership may be required. Two hours with each guest allowed us to barely scratch the surface of each subject.

Valuable Lessons to be Learned

The range of financing programs (and especially tax-related funding of the arts) in the United States is much more extensive and varied than it is in Canada. These kinds of programs are also further ahead in the United States. Our American counterparts have a much bigger sample to study and they have invested in studying the implications of their programs. As a result, there are valuable lessons to be learned from the U.S. experience.

Canadian Models are Valued

American guests expressed admiration and even some degree of envy for existing and past Canadian programs and comparatively progressive attitudes toward cultural funding. Canada's levels of government support for the arts falls between Europe and the United States. The comment was made that our approach seems "refreshingly rational."

American Research Points to Comprehensive Capitalization Strategies

The U.S. programs provide greater professional scrutiny and support to their clients to ensure that they have an opportunity to develop the appropriate, custom-tailored, comprehensive business and organizational development plans. To ensure organizational balance between program, operating and capital, the U.S. models all point to ***comprehensive capitalization strategies*** for the arts.

In Canada, we still divide and compartmentalize the analysis of projects and access to funding for programs, operations and capital. Arts organizations concentrate on generic, grant-driven business planning practices that, by their nature, do not sufficiently address specific capital planning issues. Inconsistent and inadequate funding programs promote destabilization in the arts and result in costly socio-economic losses.

Specific Cultural Policies are Desirable

Our ability as an arts sector to assist in the development of cultural capital programs can be hampered by a lack of specific cultural policies, goals and objectives to guide us. Without clear guidelines spelling out each government's perception of the role of the arts in society, it is difficult for the arts community to offer relevant measurements of its value and cost-benefits, and to propose programs that respond to a government's specific goals for that sector.

Canadian and Ontario Models Need to be Clarified

Another related barrier to evaluating American programs for potential adaptation to Canadian realities is that the federal and provincial policies are not consistently defined or understood. In the United States, Great Britain and France, the policy objective, funding mechanism and artistic standards are consistent across the boards. The same cannot be said of Canada and Ontario.

International Models for Supporting the Arts (ACA, 1989)

Role	Country	Policy Objective	Dominant Funding	Artistic Standard
Facilitator	U.S.A.	Diversity of activity	tax expenditures (donors)	Random (market)
Patron	U.K.	Excellence	arm's length, peer jury	Professional
Architect	France	Social welfare	Ministry of Culture	Community

3.2 Summary of Programs Discussed

Nonprofit Finance Fund

The Nonprofit Finance Fund (NFF) is a loan and granting fund that has been established in seven different regions in the United States through the mechanism of the Community Reinvestment Act that requires banks to reinvest in their communities. Because there is no equivalent legislation in Canada, start-up funds for a Canadian Nonprofit Finance Fund may have to come from other public sector sources. The funds serve all nonprofits as a rule. The Massachusetts Cultural Facilities Fund had start-up financing and advisory services from the Massachusetts Cultural Council.

It was noted that these funds are successful because they are not political. They are consistent and ongoing. Some variation on this form of funding is highly recommended.

Tax Credit Programs

Tax credit programs are used extensively in the United States. They are complex, can be expensive to access, and although never intended for the cultural sector, have been used successfully to develop artists' housing and live/work space. The Ontario government is favourable to tax credits as an economic instrument as witnessed by the tax credits currently being used in a number of sectors, including the cultural industries. It is also worth noting that precedents do exist in Ontario for the transfer of tax credits.

Given political will and these precedents, the range and application of tax credits could be expanded to encourage investment in communities in areas such as culture, recreation, and affordable artists' housing. This would be in line with the Ontario government's agenda for Smart Growth, and its interest in development projects which generate growth and economic return, while deferring the cost to government, through tax credits, over a multi-year period.

Capital Development and Technical Assistance

Technical and project assistance are required on arts projects from pre-pre-development through implementation and post-opening. Arts organizations lack the resources to assume the additional burden of capital planning and management, and it is neither particularly efficient nor reasonable to expect each small or mid-sized organization to invent their own briefing process and map out their own learning curve.

A number of specific recommendations for program development and management emerged from the discussion, and further exploration of the Artspace and Technical Development Corporation models are recommended; this may require the enhancement of the mandate and structure of Artscape, Canada's flagship cultural facilities development organization.

3.3 Summary of Program Delivery Discussions

Leveraging Private Support

The most effective way to leverage private sector support in both the United States and Canada is through comprehensive plans, credible partners and a significant investment of government funds, loans or matching dollars. The private sector looks to governments and their agencies to provide professional scrutiny to analyze the viability of nonprofit arts projects, reduce the risks of participating in a nonprofit capital project and being "the first in." If the potential private partner understands that an organization has been receiving government funding for programming and operations, but that its capital needs are not acknowledged by an equivalent program for capital development, it reflects poorly on the project and the perception of the government commitment to the arts.

On both sides of the border, it has been concluded that public sector funds lever private support.

The Role of Arts Councils

Most Arts Councils concentrate on funding arts activities in the form of direct grants to artists, and providing programming and operating funding to organizations. They also fund audience development, and some fund technical assistance. There has not been a focus on long-term institutional sustainability or capitalization. The emphasis has been on evaluating programs and income statements, often to the exclusion of balance sheets.

Artists and arts organizations see themselves as the primary customer of the Arts Councils. They expect the Councils support their current mandate, to advise them, to coordinate program, operating and capital funders at all three levels of government and to play a more visible role as advocates for the arts. They expect accountability from their Arts Councils, an endorsement of the comprehensive capitalization strategy and some leadership in the development of coordinated programs.

3.4 Summary of Forum Findings

Building Blocks challenged all of those in the audience to reach a new level of creativity in our approach to meeting infrastructure needs. This one-day session has the potential to have a profound impact on the arts in Canada.

Our American guests showed us how their arts community used a tax credit program developed to encourage affordable housing to finance artists' live/work studios; how a banking regulation aimed at ensuring loans to neighbourhood business initiatives could be used to finance a wide range of non-profit and cultural facilities; how programs could be developed that effectively "challenged" the private sector to invest in community arts activity; and how an endowment funding program could use its own assessment process to transform itself midstream, in response to a new understanding of the needs of the community it was designed to serve.

It showed us how to rethink the way we look at capital and sustainability issues, and how to help companies prepare long-range plans that tie programmatic, organizational and financial goals together to move an organization forward. *Comprehensive capitalization strategies* ensure organizational balance between program, operating and capital.

Capital projects are a means to an end. They must be program-driven. They must be thoroughly analyzed and it takes a knowledgeable, inspired and competent group of artists, consultants and board members to pull them off.

Our guests pointed out that arts organizations lack the resources to assume the additional burden of capital planning and management, and it is neither particularly efficient nor reasonable to expect each small or mid-sized organization to invent their own briefing process and map out their own learning curve. U.S. organizations provide professional scrutiny and support to their clients to ensure that they have an opportunity to develop appropriate, custom-tailored, comprehensive business and organizational development plans. Our guests also reminded us that technical and project assistance are required on arts projects from pre-pre-development through implementation and post-opening.

In the States, we learned, arts organizations are almost continually in a capital campaign. They may take a year off but that's a year when they are already planning their next capital campaign. Capital campaigns also encompass costs that are not capital; they fold in the costs of keeping the organization going while the capital campaign is running, and maintaining the facility once it is built. Capital campaigns are no longer limited to bricks and mortar.

Our country has both an immediate need to upgrade and renovate the existing arts infrastructure, as well as the need to develop more flexible, smaller arts spaces for artists who work independently or as collectives.

In assessing the challenges ahead, our guests reminded us of Canada's own huge advantage; they expressed admiration and even some degree of envy for existing and past Canadian programs and comparatively progressive attitudes toward cultural funding.

And, we were told, the most effective way to leverage private sector support in both the United States and Canada is through comprehensive plans, credible partners – and a significant investment of government funds, loans or matching dollars. The public sector has a large role in leveraging private sector support, in helping arts capital projects come to fruition. Government's role is up to 50% of the cost of a project in the States (taking into consideration tax incentives and not simply grants). The private sector looks to governments and their agencies to provide professional scrutiny to analyze the viability of projects, and reduce the risks of participating

But in Canada we are obviously missing some critical tools that will allow us to develop a broad range of funding and financing options that reach far beyond traditional granting mechanisms. We must work together in new ways to find new solutions.

Luckily the case for reinvestment in arts facilities has never been stronger than it is today. When there is a downturn in the economy, what better place could you invest money to stimulate the economy? Everyone is beginning to recognize the importance of the arts to quality of life and attracting businesses to our cities and provinces. The links between the arts and a knowledge-based economy have never been clearer.

We need to develop a strong vision to drive reinvestment, but that is an area where the arts community has a leg up on many other communities. In Canada we have tended to think that structure and organizational changes will fix things. We don't always know what we are doing or why we are doing it, so sometimes we concentrate on how to do it. We should think more like artists: great artists break the mold; they don't accept quick Band-Aid™ solutions.

Those of us lucky enough to attend *Building Blocks* left the conference with apprehension and relish; the opportunities are abundant. We sampled only a few items from a vast menu of opportunities, but we *can* do this -- one step at a time. What we have in common is that we, as individuals coming together, have accepted the awesome and humbling responsibility of articulating and promoting the role and the needs of artists in our communities. Fortunately we have many artists, many arts workers and arts advocates from whom we can draw much inspiration and pride.

The following findings, conclusions and advice were offered repeatedly on the following themes:

1. *A Holistic Approach*
2. *A Coordinated Approach*
3. *Optimal Capitalization Models*
4. *Leadership of Governments*
5. *Stable Programs*
6. *Arts Facility Financing*
7. *Private Sector Investment and Involvement*
8. *Technical Assistance*
9. *The Artspace Model*
10. *Arts Facility Maintenance*

1. A Holistic Approach

Comprehensive capitalization requires the creation of capital programs, endowment programs and operating funding programs that strengthen and facilitate the artistic mission. The bricks and mortar needs cannot be separated from the overall capital needs of an organization for sustaining program quality and long-term growth.

ACTION STEPS:

1. Assist organizations to understand their capital needs in a broader context. Help them to answer questions such as “What forms of capital resources do we need to support our growth and artistic vision over time?” “If our need is for a building, what sort of building will best support our growth and artistic vision?” and “Is building an endowment appropriate for our company, in this phase of its life?”
2. Abandon “one size fits all” approaches – the right solution must be found for each organization.

2. A Coordinated Approach

The importance of a coordinated approach was emphasized by all speakers and participants. A coordinated approach represents the most effective use of limited resources with the maximum service to constituents.

ACTION STEPS:

1. Coordinate programs. Utilize the Facilities Strategy Subcommittee of the Intergovernmental Committee on the Arts to coordinate programs, especially those addressing capital needs. These will not be met by one group or one level of government, but by all working collectively.
2. Tri-level meetings between all levels of government: federal; provincial; and municipal need to put this subject on the agenda.
3. Government initiative should be complemented by the work of the service organizations and the community itself, to keep this forward movement going.

3. *Optimal Capitalization Models*

Comprehensive capitalization requires an inclusive approach to each arts organization's need for appropriate annual operating funding, and a mix of working capital, facilities, facilities reserves and permanent endowment models.

ACTION STEPS:

1. Assist arts organizations in developing working capital funds; the endemic lack of working capital in the arts community inhibits stability, innovation and responsiveness to social, artistic and economic change.
2. Assist arts organizations in understanding the implications of their balance sheets, and in analyzing and developing a strategy to meet their overall needs.

4. *Leadership of Governments*

Government must take the lead. Even in the United States, where the role of the private sector in funding the arts is much more significant, they have found that private funders look to the government for leadership, endorsement and early commitment.

ACTION STEPS:

1. Government must declare a commitment to cultural infrastructure through the creation of funding programs, and the training of program staff who have a broad understanding of the community's needs, and the expertise to assist arts organizations in developing viable capital projects.

5. *Stable Programs*

Stable program funding and tax initiative programs need to be consistent, ongoing, long-term and stable.

ACTION STEPS:

1. Develop a nonprofit capital finance fund, with initial investment through SuperBuild and the federal infrastructure program, which provides loans, start-up financing and advisory services to capital projects.
2. This fund should not be political, but should be administered at arm's length.
3. Facilitate a working group of people who are committed to making it happen, including potential funders and potential users of the fund.
4. Look for a hero – an advocate or perhaps an angel – whose vision and passion for the idea can be used to stimulate, involve and excite a wide range of people.
5. Develop a strategic plan that might involve more than just the non-profit arts. Consider a fund that might involve, or partner with, a range of other non-profit organizations.

6. Arts Facility Financing

The *Building Blocks Forum* in combination with *Spaced. . .Out?* reviewed old and new concepts and programs for financing the arts. Many of these ideas should be explored in further depth, together with other current strategies.

ACTION STEPS:

1. Explore the viability of tax credits as a tool for financing cultural infrastructure. Tax credits currently are available to Ontario's cultural industries.
2. Examine existing programs in Ontario offering transferability of tax credits with a view to their applicability for cultural infrastructure.
3. Research the Banking Act to determine whether the Capital Tax could be directed to funding of community infrastructure (as is the case in the U.S.).
4. Explore other government programs that encourage investment in communities, and that may help develop "quality of place", including those that fit the Ontario government's Smart Growth strategy.
5. Investigate other U.S. program models such as Venture Philosophy and those detailed in N.E.A. reports as well as European models such as Banking on Culture.
6. Make use of the widest possible range of mechanisms to make projects possible, involve different levels of government and different departments and ministries, encourage investment as well as contribution by the private sector.

7. Private Sector Investment and Involvement

The private sector looks to the government for leadership, to be the "first in" on arts projects, particularly those of the small and mid-sized arts organizations.

ACTION STEPS:

1. Matching programs or challenge programs are effective as a way to leverage private support; they should be continued and expanded.
2. Smaller organizations and projects will always be limited in their ability to attract private support and their special needs should be considered.

8. Technical Assistance

Facilities development is complicated, difficult, and has the potential to be profoundly disruptive, moving organizations away from their artistic mission rather than further towards achieving it. Organizations need to be helped in understanding, analyzing, and planning a capital campaign.

ACTION STEPS:

1. Technical assistance support is important to counter the lack of skills, lack of time, and pressure of fragile finances that prevent the kind of planning that makes a capital campaign successful.

2. There should be further exploration of the Artspace and Technical Development Corporation models, including conferences and training workshops.
3. It is important to look at funding for additional staff to allow for simultaneous program maintenance and project planning and implementation, or funding the transition when programming may have to be minimized.
4. Funders should offer staff expertise, contracted consultants and workshops on financial planning and project pre-planning to help serve the sector better.
5. Funders could bring together specialists, mentors and consultants for training and information-sharing sessions, provincially and nationally.

9. The Artspace Model

Artspace in the United States and Toronto Artscape have been great models for nonprofit arts-oriented property development and management. They have proven to be extremely cost-effective. The Artscape model can help those groups that are not big enough to be undertaking a capital project for their own owner-occupied use. If it is a collective enterprise or live-work space for the individual artist, an Artscape is almost essential.

ACTION STEPS:

1. Support Artscape in its efforts to serve arts community needs.
2. Consider Artscape as a cost-effective arts property ownership/management option.
3. Support Artscape in its efforts to convene an international conference on ART Growth and Urban Competitiveness.
4. Support Artscape in its efforts to undertake research to measure and promote the impact of its capital projects -- not just the impact on the arts organization, but the community impact, and the economic development impact.

10. Arts Facility Maintenance

In order for buildings and equipment to remain long term assets, they must be maintained. Maintenance funds are the hardest funds to find but it is much more cost-efficient to finance sinking funds and depreciation than emergency repairs. In fact, it's startlingly more economically efficient. U.S. consultants have found that for the amount their agencies were spending in three years for emergency grants, they could fund all of their sinking fund matching needs over ten years.

ACTION STEPS:

1. Capital reserves should be facilitated and encouraged. Instead of providing grants for emergency capital needs, programs should be developed that match contributions to a sinking fund in order to fund depreciation.

3.5 List of Attendees

Miriam Aiken, *Public Affairs Coordinator, Toronto International Film Festival Group*
Brian Arnott, *Brian Arnott Associates*
Laura Astwood, *Manager, Gibraltar Point Center for the Arts, Toronto Artscape Inc.*
Maxine Bailey, *Member, Toronto Artscape Inc.*
Ted Bairstow, *Director, Arts Development Programs, Department of Canadian Heritage*
Mara Bakic, *Senior Policy Advisor, SuperBuild Corporation*
Diane Beasley, *Policy Officer, City of Toronto*
Rob Berry, *Culture Division, City of Toronto*
John Brotman, *Executive Director, Ontario Arts Council*
Peter Brown, *Brown Studies*
Zan Chandler, *Department of Canadian Heritage*
Ray Conlogue, *The Globe and Mail*
Allan Corenblum, *Department of Canadian Heritage*
Rita Davies, *Managing Director, Culture Division, City of Toronto*
Pierina De Carolis, *Assistant to Caroline Di Cocco, Liberal Critic for Culture, Heritage and Recreation*
Caroline Di Cocco, *MPP and Liberal Critic for Culture, Heritage and Recreation*
Ken Doherty, *Manager, Culture and Heritage Division, City of Peterborough*
Noreen Dunphy, *Manager, Public Affairs, Ontario Non-Profit Housing Association*
John Dutton, *Economist, Ministry of Finance*
Patricia Else, *Director of Grant Operations, Ontario Trillium Foundation*
Jessica Fraser, *Executive Director, Toronto Theatre Alliance*
Lorraine Gandolfo, *Area Manager, Province-Wide Grants, Ontario Trillium Foundation*
Jane Gardner, *Executive Director, Theatre Ontario*
Jim Garrard, *Executive Director, Toronto Arts Council*
Warren Garrett, *CCI*
Yann Girard, *Senior Development Consultant, Ministry of Tourism, Culture and Recreation*
Jim Grace, *Director of Finance and Administration, Ontario Arts Council*
Gary Hall, *President, Association of Artist-Run Centres and Collectives of Ontario*
Lisa Hayles, *Social Investment Organization*
Sue Harvey, *Cultural Planner, City of Vancouver*
Tom Hendry, *Playwrights Union of Canada and Toronto Arts Council*
Annie Hillis, *Wychwood Barns Project Manager, Toronto Artscape Inc.*
Julia Howell, *Program Manager, Province-Wide, Ontario Trillium Foundation*
Stephen Kobryn, *Policy Analyst, Ministry of Tourism, Culture and Recreation*
Liz Kohn, *Marketing and Development Coordinator, Toronto Artscape Inc.*
Douglas Lawson, *Vice-Chair and Board Member, Ontario Arts Council*
Andrew Lee, *Cultural Affairs Officer, City of Toronto*
Denis Lefebvre, *Arts Programme Manager, Laidlaw Foundation*
Jonathan Leigh, *Policy Advisor, Ministry of Tourism, Culture and Recreation*
Frank Lewinberg, *Member, Toronto Artscape Inc.*
Marion Lewis, *Arts Consultant, Town of Collingwood*
Catherine Longfield, *Arts Consultant, Ministry of Tourism, Culture and Recreation*
Jane Marsland, *Arts Consultant*

Lori Martin, *Senior Cultural Affairs Officer, City of Toronto*
Colette Naubert, *Program Manager, Toronto-Central, Ontario Trillium Foundation*
Terry Nicholson, *Manager, Cultural Affairs, City of Toronto*
Beverley O'Connell, *Senior Consultant, Programs and Policy, Department of Canadian Heritage*
Jane Perdue, *Public Art Coordinator, City of Toronto*
Robert Plitt, *Manager, Buildings and Properties, Toronto Artscape Inc.*
Malka Rosenberg, *Arts Consultant, Ministry of Tourism, Culture and Recreation*
Bruce Rosensweet, *Manager of Tenant Services, Toronto Artscape Inc.*
Albert Sarthou, *Business Manager, Toronto Artscape Inc.*
Dan Schneider, *Heritage and Libraries Branch, Ministry of Tourism, Culture and Recreation*
Susan Serran, *Manager, Arts Programs and Services, Toronto Artscape Inc.*
Kathleen Sharpe, *Member, Toronto Artscape Inc.*
Terry Smith, *Assistant Deputy Minister, Culture, Sport and Recreation, Ministry of Tourism, Culture and Recreation*
Diane Stevenson, *Economic Development, Culture and Tourism, City of Toronto*
George Taylor, *Board Member, Ontario Arts Council*
Steven Thomas, *Collingwood All Arts Centre*
Peter Tomlinson, *P. Tomlinson Consulting*
Sandra Tulloch, *Independent Project Manager*
Joe Verdirame, *Planner, Ministry of Municipal Affairs and Housing*
Speros Vlassopoulos, *Department of Canadian Heritage*
Katherine Watson, *Dance Officer, Canada Council for the Arts*
Myles Warren, *Executive Director, Dance Umbrella of Ontario*
Antoinette Wells, *Director, Arts and Cultural Industries Branch, Ministry of Tourism, Culture and Recreation*
George Wheeler, *Manager, Enterprise Toronto*
Ana White, *Director of Development, Toronto International Film Festival Group*
Lucy White, *Executive Director, Professional Association of Canadian Theatres*
Jude Wong, *Project Manager, Corporate Services, City of Toronto*