Presentation to the Standing Committee on Finance and Economic Affairs regarding the Culture and Heritage sector by Jordan Grant and Margi Taylor on behalf of Headwaters Arts and the Alton Mill Arts Centre
June 29, 2020, 9:00 am

Who are we and what do we do

Thanks and good morning. To place us, the Alton Mill Arts Centre is in Caledon, which is part of Peel Region. Headwaters Arts (which I'll refer to as HA) is a non-profit that promotes the arts in Caledon, Erin and Dufferin County.

I'll mention that in addition to her role as president of HA, Margi also has a studio at the mill, where she creates art and runs an event management business. She's asked me to make the initial presentation, but she will be available during the question period.

The Alton Mill is a unique *"Social Enterprise"*. Originally a knitting mill built of stone in the 1880s, the property is privately owned. The vision of turning it into a regional Arts Centre was developed jointly with Headwaters Arts when the building was still derelict.

Completed a decade ago with ⅓ federal and provincial funding and ⅔ from the private sector, Headwaters Arts now has a permanent home, and in addition to its traditional fall arts festival, runs a year-round co-op gallery at the mill, does other arts and educational programming and administers a youth scholarship program.

Not having the population to survive on local patronage alone, we must continuously promote the mill as a year-round destination. We work closely with Central Counties Tourism and other partners and appreciate their invaluable efforts.

Central Counties' surveys confirm that just over half our visitors come from within a 30km radius and the rest are mostly from an arc running from Kitchener to Barrie to Bowmanville with a smattering of international guests.

It has worked - the Alton Mill is a hub of creative activity and one of this rural area's top cultural attractions.

The final piece of the picture is that a big part of what keeps the mill afloat is the rental in the off hours, of our grounds and common spaces for private functions, particularly weddings.

COVID impact and Response

Alton Mill shut to the public in mid-March and a limited reopening began this past weekend (June 27). Some artists continued working alone in their studios during the shutdown and we established a sanitation regime to make this possible. Some tried to pivot to on-line activities, including some who were able to teach classes remotely. HA moved its gallery shows online, and organized an online auction to benefit Headwaters Health Care. But for most, all commercial activity ground to a complete halt.

Most problematic for us, all our summer 2020 weddings have been either cancelled or deferred and the fall is iffy. Deferred weddings are mainly eating into next years' revenue and cancelled weddings are an actual cash drain, since our policy is to refund ½ the deposit. Private functions represent approx. ⅔ of our revenue, most of which is irretrievably lost this year.

Comments on Existing Government Programs

Thanks largely to the government support programs and our own quick response on rent relief, we only lost one monthly tenant directly due to COVID-19 - at least so far.

The Alton Mill has availed itself of all of:

- the CECRA rent subsidy program,
- the 75% CEWS wage subsidy,
- the CEBA $40,000 interest-free loan,
- Deferral of Realty Taxes, HST and mortgage payments

Combined, these kept us afloat during the shutdown. Kudos to the Federal and Provincial governments for arranging all that!

But now we still face extreme financial distress. Our underlying operating costs actually did not drop very much. This week, the deferred Realty and HST tax payments come due, the CECRA rent support expires, and we are still awaiting receipt of payments for both the rent and wage subsidies.

The rent relief program was slow rolling out and the criteria kept changing. With 23 individual tenants, some eligible, some not, and some flipping back and forth, and each eligible tenant requiring an individual rent relief agreement and attestation form it was a nightmare. Remember, I'm dealing with artists, not accountants here. Since all documentation had to be submitted at once, our application is only now just being completed. I hope payment will come quickly following submission.

Also with CECRA, several of our artists found they were ineligible for the rent subsidy because they couldn't demonstrate a 70% drop in revenue even though they were completely shut down and unable to sell. Because they work for extended periods of time on single works of art, their sales are "lumpy". If last year they happened to sell their works outside of the 3-month reference period, they were out of luck. We decided to give the ineligible tenants a ⅓ rent break from our own pockets.

Other than online, HA basically just shut down for the three months, keeping all expenses to a minimum. For HA, COVID's impact is primarily forward-looking - how soon will gallery sales and cultural events resume, and how will the changed environment affect regular fundraising activities.

Finally, a general comment: Arts and Cultural activities, even if not very profitable in their own right, do generate tremendous economic spin-offs as well as bind the community together. Special attention is needed to support our creators and makers.

Recommendations

1. Support for ongoing COVID Response and Adaptation
   Most arts businesses are either non-profit or marginally profitable, requiring public support (eg. marketing support) at the best of times. As we re-open, higher costs and lower revenues may easily mean the difference between survival and shut-down. Therefore a continuation and gradual phasing down of the existing programs, instead of a hard stop, is warranted.

2. CECRA Rent Relief Program
   a. Should have allowed interim applications to be submitted, with partial payment coming swiftly. Final documentation could have followed with the ability to add or delete tenants.
   b. A better baseline for measuring tenant revenue reductions would be the average quarterly sales from the whole of the previous year. Or simply take it as *prima facie* that if the business is shut down, it must be experiencing a catastrophic revenue loss.
   c. CECRA left out owner-operated event venues. They've been extremely hard hit and some kind of support should be considered.

3. Municipalities Need Support to Pprovide Realty Tax Relief
   As a “bricks and mortar” destination, our third largest expense after wages and mortgage payments is realty taxes. Deferral only pushes the cash flow crunch into the future. Actual tax relief is needed. We recognize that municipalities' costs didn't drop that much and they aren't allowed to run deficits. So local governments need support from the senior levels in order to offer realty tax relief.

4. Redirect Tourism Marketing
   There is an opportunity to make up for lost business from afar, by focussing on the local market. We support a move to redirect tourism marketing dollars to local business promotion.