

**whynot**



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# **space project interim report**

June 28, 2021

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## 1. introduction

Space Project is an initiative by Why Not Theatre to activate temporarily vacant spaces across Toronto for cultural use (primarily rehearsal space for performing artists). Following a successful pilot in 2019, Why Not Theatre and the Canadian Urban Institute (CUI) received funding from the Metcalf Foundation to partner on research and development of a scalable, replicable business model for Space Project, in Toronto and potentially across Canada.

Between January and May 2021, the partners undertook the first phase of the project, which consisted of the following activities:

- A survey of performing artists in the cultural sector to better understand their needs and the nature of the demand for temporary, or “meanwhile” spaces for rehearsal purposes;
- A landscape scan of existing digital platforms for booking space to identify what already exists in the market and determine the potential for partnerships;
- A market scan of real estate vacancies in the retail, commercial and industrial sectors of Toronto to collect and analyze baseline data on the quantity, quality, location and cost of vacant spaces in Toronto;
- Interviews with a cross-section of key stakeholders from the real estate community; and
- A roundtable with real estate representatives, including those with holdings in major cities across Canada, to validate and further explore findings from our research and interviews.

Although not originally part of our project scope, we have also begun to convene arts organizations from across the country on a monthly basis, forming a National Meanwhile Use Network to share common issues and explore replicable models.

Through this research, we learned more about the kinds of space amenable to meanwhile uses, where they might be located, user demand characteristics, and key opportunities and challenges from the perspective of the real estate industry. This Interim Report summarizes our key findings to date and, based on what we have heard, charts the course for the remainder of the project.

## 2. key findings

### a) Landscape Scan

To help understand the types of digital space matchmaking platforms that are already available, Why Not Theatre conducted a landscape scan. We looked at 40 different platforms across the world in the hope of identifying potential partners in building and/or adapting a platform for matchmaking artists to meanwhile spaces.

We were looking for digital platforms that had some key functionalities, namely a navigable map, calendar availability, deposit and payment abilities, searchable criteria, and booking capabilities.

Of the 40 platforms identified in the landscape scan, five platforms met most of our required criteria:

- [Breather](#): A flexible workspace provider that helps users find office space on an hourly, daily, and monthly basis without a lease.
- [DropDesk](#): A platform that offers coworking software to monetize unused space. (Using this service would potentially mean not having to build and/or adapt an existing platform, but simply licensing their existing software).
- [Flexday](#): Toronto-based application that connects users with coworking spaces in the city and surrounding areas.
- [stusu](#): Allows users to sublet and rent studios worldwide.
- [upSpace](#): An online marketplace for the short term rental of commercial space.

One of the defunct platforms that we identified during our research was SpaceFinder, a national platform that helped artists locate space and helped organizations promote their spaces to users. The owner of SpaceFinder, Fractured Atlas, ceased support of this online tool and shut down all SpaceFinder platforms on October 1, 2020.

However, from the conversations we have had as part of the National Meanwhile Use Network (as indicated above), we have built a relationship with Calgary Arts Development Association (CADA), who were the key operators of SpaceFinder in Calgary. CADA is currently working with J5 Design in designing a new platform to replace SpaceFinder. We are assessing whether a partnership could be viable on this digital platform, as a way to save costs and test the platform in multiple markets.

Full findings from Landscape Scan are attached as **Appendix A**.

### b) Demand Survey

In order to assess the demand for temporary space, Why Not conducted an Arts Sector Survey. This survey was designed to identify:

- Space criteria that artists require for their rehearsal processes.
- The basis on which artists have historically been booking rehearsal space in Toronto.
- Barriers that Toronto-based artists experience in acquiring suitable rehearsal space.
- Artists' willingness to use meanwhile spaces for their rehearsal processes.

Of 100 artists surveyed, the most common artistic practices were theatre (65%) & dance (46%).

### Space Criteria

According to the survey, independent theatre artists seek rehearsal spaces that are a minimum of 500SF and a maximum of 2,400SF , although because artists rarely get to work in larger spaces (5,000+SF) that it may limit the scope of the work they will consider undertaking. The vast majority of Toronto-based artists are looking for space in central Toronto.

The most essential criteria for rehearsal space included public transit accessibility, access to drinking water, WIFI, and noise friendly space. Factors that would prevent an artist from using a rehearsal space include unfinished space and a lack of privacy. The majority of dance artists listed sprung floors as essential, with hardwood flooring being an acceptable substitute and concrete and carpeted flooring being prohibitive.

smallest space need (sf)			prohibitive features		
Mean <b>657</b>	Median <b>500</b>	Mode <b>600</b>	Unfinished Space <b>65%</b>	No Privacy <b>57%</b>	Dirty <b>6%</b>
largest space need (sf)			prohibitive flooring		
Mean <b>2409</b>	Median <b>1800</b>	Mode <b>1500</b>	Concrete <b>38%</b>	Carpets <b>31%</b>	
desired locations (toronto)			essential criteria		
Downtown <b>78%</b>	West End <b>67%</b>	East End <b>58%</b>	Access to Transit <b>82%</b>	Drinking Water <b>77%</b>	WIFI <b>73%</b>
Uptown <b>33%</b>	East York <b>29%</b>	Etobicoke <b>21%</b>	Noise Friendly <b>70%</b>	Outlets <b>66%</b>	Sound System <b>58%</b>
York <b>15%</b>	North York <b>15%</b>	Scarborough <b>11%</b>	Privacy <b>57%</b>	Temp Control <b>54%</b>	Sprung Floor <b>33%</b>

### Booking Space & Space Related Barriers

The vast majority of artists surveyed look for space in the afternoon and evening, with the majority booking rehearsal space on an hourly basis.

Access to affordable rehearsal space is a major barrier to the creation of new works. The vast majority of artists surveyed (87%) have not pursued an artistic project because of either a lack of affordable rehearsal space, a lack of available space, or both.

time of day artists book space			
12am-6am <b>11%</b>	6am-12pm <b>55%</b>	12pm-6pm <b>85%</b>	6pm-12am <b>75%</b>
booking basis			
Hourly <b>75%</b>	Daily <b>42%</b>	Weekly <b>47%</b>	Monthly <b>7%</b>
barriers to creating work			
Lack of Available Space <b>6%</b>	Lack of Affordable Space <b>15%</b>	Lack of Both <b>66%</b>	Neither <b>13%</b>

*Willingness to Use Meanwhile Space*

In general, artists working in the performing arts are willing and interested in accessing non-traditional spaces for their creative practices, especially if those spaces are offered for free or at highly discounted rates.

Furthermore, most artists would be willing to offer their artistic services in return for access to free non-traditional rehearsal space, including services such as workshops, classes, installations, and performances.

Even with some of the limitations of accessing meanwhile space, artists still seem willing to use these spaces if offered for free or at highly discounted rates. Artists on average would be willing to pay \$15-\$17 per hour to access non-traditional rehearsal space on a meanwhile basis.

The majority of respondents would still consider booking meanwhile space, even with the possibility of losing that space with 2-4 weeks notice. Most artists would also consider purchasing their own liability insurance to access these spaces. Furthermore, the majority of artists would consider rehearsing in any non-traditional type of space.

\$ willing to pay (hourly)			offer artistic services				
Mean <b>\$17</b>	Median <b>\$15</b>	Mode <b>\$15</b>	Willing <b>80%</b>		Not Willing <b>20%</b>		
\$ willing to pay (daily)			purchase liability insurance				
Mean <b>\$88</b>	Median <b>\$100</b>	Mode <b>\$100</b>	Willing <b>67%</b>		Not Willing <b>33%</b>		
\$ willing to pay (weekly)			risk losing space				
Mean <b>\$481</b>	Median <b>\$500</b>	Mode <b>\$500</b>	Willing <b>69%</b>		Not Willing <b>31%</b>		
\$ willing to pay (monthly)			non-traditional space				
Mean <b>\$1,136</b>	Median <b>\$1,200</b>	Mode <b>N/A</b>	Community <b>93%</b>	Industrial <b>83%</b>	Institutional <b>78%</b>	Retail <b>74%</b>	Office <b>72%</b>

Full findings from the Arts Sector Survey are attached as **Appendix B**.

**c) Market Scan**

The School of Cities at the University of Toronto was commissioned to undertake a market scan in order to establish a baseline of data that provides key information about vacancies in the commercial, retail and industrial space sectors in select geographies across Toronto. This data will be used to inform the development of a business model for Space Project, as well as to provide reliable evidence to support policy and advocacy efforts around meanwhile uses of space in general. Together with the demand study, our intention is to find the “sweet spot” of the kinds of spaces most amenable to meanwhile uses, as illustrated in Figure 1 below.

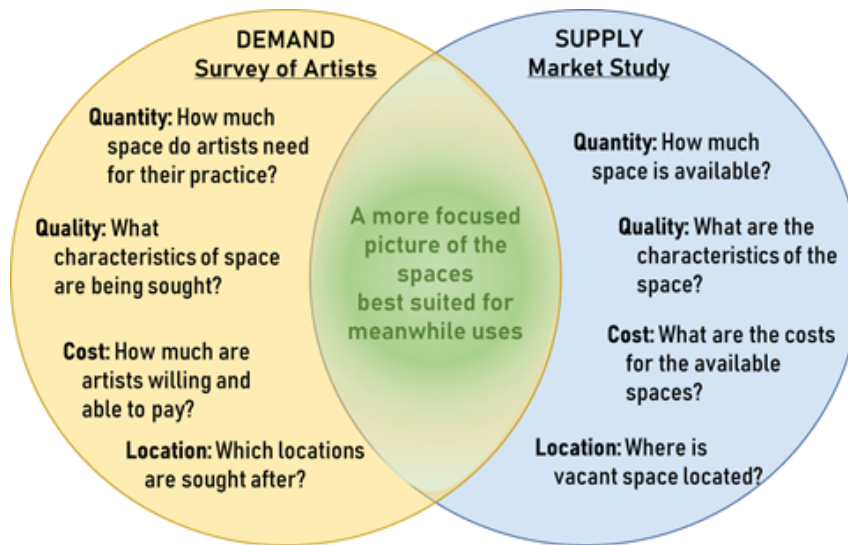


Figure 1: Purpose of the market scan

The market scan was comprised of three parts: a literature review to identify the economic, social and community advantages of activating underused spaces in cities; a real estate market scan, to identify the spaces most appropriate for meanwhile uses in Toronto; and space profiles, to demonstrate examples of spaces appropriate for meanwhile uses, based on the desirable attributes identified in the demand survey. The School of Cities also provided recommendations on the best approaches and strategies to securing meanwhile uses in the city, based on their research.

#### *The literature review*

Case studies and literature reviewed from around the world confirmed that activation of vacant spaces help fight economic decline, enhance the vibrancy of the local community, and can help curb depressed property values. They are seen as useful in particular for the retail sector, helping respond to the decline of main streets and the rise of ecommerce.

The literature also noted that landlords and developers believe that activating empty spaces makes the units more attractive to long-term tenants, though we are continuing to search for empirical evidence of this proposition.

Challenges identified included the notion that successful meanwhile uses can be beneficial in the short term, in particular to artists, but can actually help drive gentrification and displacement over the longer term. Further, it was clear that success relies on an intermediary/broker who has the capacity and connections to establish partnerships and negotiate deals.

#### *The market analysis*

Data for the Toronto market from a variety of real estate investment firms, municipal sources and research institutes were compiled and, pursuant to the scope of work, compared where possible for the periods of Q4 2018 (pre-pandemic) and Q4 2020.

Of interest, the office market has remained relatively stable even throughout the pandemic, despite high vacancy rates in 2020, due in part to landlords offering incentives and flexible terms to tenants. Net asking rents increased and while there was significant subleasing in 2020, it was deemed that prime downtown office space is not the best candidate for meanwhile leases due to high cost. However, potential spaces were identified in the Central East submarket, located just east of the downtown and midtown submarkets. Where opportunities do exist, they are likely to be in Class B and C buildings outside the downtown core (i.e. older buildings with lower rents).

The industrial market saw a growth spurt in 2018 and despite turbulence, finished strongly in 2020. Vacancies are at record lows, likely because of the impact of e-commerce. Most spaces are located in suburban areas. While the characteristics of the space and overall lower rents may be attractive for larger performing arts companies, the locations and low vacancy rates make industrial spaces less likely candidates for meanwhile uses at this point in time.

The most compelling case for meanwhile uses was determined to be in the retail sector. The report noted that even prior to the pandemic, main street retail was feeling the impacts of e-commerce, and rising rents and property taxes. The tax subsidy that had previously existed for commercial property landlords who held vacant retail properties was repealed in 2018, meaning there is no longer an incentive to keep a space empty. Vacant spaces are found throughout the city, including in the downtown core, and the average square footage of these spaces (800-3000 square feet) aligns well with artists' needs. Moreover, activation of retail spaces has a high impact on the neighbourhood and presents opportunities for partnerships with BIAs and other local partners.

The report also highlighted alternative partnership opportunities, including:

- Partnerships with owners assembling properties for redevelopment or demolition, which can take as much as 5-10 years
- Malls and power centres, and the retail spaces within them
- Faith-based spaces
- Evening and weekend uses of spaces that may be occupied during the day

The report concluded with recommendations for securing spaces for meanwhile use, including to approach individual landlords directly; to approach property owners of large or multiple sites; and to integrate this work with existing initiatives underway at the City of Toronto.

A copy of the market scan report is attached as **Appendix C**.

#### **d) Interviews and convenings**

In April and May, interviews were held with 12 different representatives of the real estate industry, including developers, asset managers and brokers. On June 2, a round table was held to validate and further explore the following key learnings:

- **Developers and property managers consider meanwhile uses for a variety of reasons**, including but not limited to: community-building; bringing activity to a building or neighbourhood to drive interest from potential long-term tenants; creating a sense of destination; building value and supporting neighbouring tenants in a development; mitigating risk (by keeping an eye out for any issues with the space and by building positive relationships with the community ahead of new development) and marketing,



promotion and brand building. While receiving some revenue, even just to cover utilities, is helpful, that was not the primary motivation of most of those we interviewed.

- **Make it easy to say yes** by having or entering into a turn-key license (not a lease) with an insurance binder and flexible termination rights. Have one organization that acts as a broker between the landlord and nonprofit groups to lend credibility. Provide assurances that the space will be turned back in good condition and that there will be liability insurance coverage.
- **The most common barrier cited was time and energy required on the part of the owner**, followed by liability concerns (especially with rough/unfinished space), concerns about cleanup, safety and security, and compatibility of use with respect to other tenants in the building. Other concerns included forgone rent, the lack of fit-up for first generation spaces, wear and tear, and the uncertainty of dealing with nonprofit organizations.
- **Many identified opportunities for meanwhile uses, including** properties being assembled prior to development / slated for demolition; unusual, undervalued, “shoulder” or “compromised” spaces that can be difficult to lease (e.g. basements, empty mall spaces, former schools, party rooms in condos); evening and weekend potential for sales/presentation centres or office lobbies; and places outside of downtown core.

Some interviewees noted that public companies in particular are being pressured to meet environmental, social and governance (ESG) goals, and that allowing arts organizations to use empty spaces is an easy way to help fulfill them. We were also advised to work to find the shared value proposition with the owner, whether that be a vibrant street, a longer term partnership, or brand-building opportunity.

The notion of policy incentives received mixed responses. Interviewees made some suggestions for incentives that the city could provide – for example, a requirement that owners of underutilized commercial spaces consider meanwhile uses for artists; tax abatements/credits; or trying to make Toronto’s creative colocation tax classification applicable to interim uses. But overall, consensus by industry members at the round table was that policy incentives were “nice to have” but likely not worth the work for individual owners to access. Rather, they suggested that educating owners about the value of meanwhile leases and building relationships with the real estate community were more fruitful avenues.

The interviews and round table served the dual purpose of providing insight into the opportunities and barriers to meanwhile uses from the perspective of the industry, and building Why Not Theatre’s network of connections. Following the round table, one of the developers present reached out to Why Not to offer the use of two spaces in their portfolio, and many of the attendees suggested that further education of developers about meanwhile uses would be appropriate and effective.

A list of those who were interviewed and those who attended the round table is attached as **Appendix D**.

### **3. conclusions that will inform our work going forward**

We learned a great deal through this research. For example, there was a high degree of interest in activating empty space through the arts, but “activation” meant different things to different people. For some, it meant a window display; for others, it meant foot traffic or even public performances. There was interest in having arts groups provide something in exchange for free or discounted space, whether that be classes, performances, or displays.

Interviewees also showed keen interest in the potential for visibility through brand building opportunities and many saw an affiliation with arts groups as positive for their brand. One noted that providing space could help public companies, in particular, reach environmental, social or governance performance goals. It was clear that it will be important to build relationships as the value proposition will differ between owners.

We were repeatedly told that time is the main barrier to participation, so the need to make it easy/turn key is essential. Using simple license agreements - which do not carry the legal implications of a lease - is easiest for landlords, and it turns out that many large property owners have specialty leasing teams and use short form licenses on a regular basis. Finally, we learned that from an insurance perspective, liability was a greater concern than property damage or business interruption.

We were surprised by some of our learnings. For example, developers were not that interested in policy incentives that would save them money (e.g. tax abatements/refunds), primarily because it would entail more time and work than it would be worth. Any such incentives therefore should either be dealt with by the broker (i.e. Why Not), or be simple to access.

Our original thinking was that we would create an online platform which would be self-sustaining to some extent; but it is clear that the success of this project, at least initially, will depend on cultivating personal relationships. Accordingly, the online platform may be a supporting, rather than the main, element of the project, at least in the next phase. Similarly, we realized that scaling and replicability of this model may be less about technology and more about a toolkit to help organizations build resources and help educate the industry. Educating the real estate industry on the value of meanwhile arts use will be a key aspect of this toolkit.

Finally, we were surprised at the strength of the office space market - it appears that, contrary to our initial thinking, most office space is not viable or affordable, and in general there was a lower vacancy rate than expected, coming out of the pandemic. On the other hand, we were interested to see developers suggest we consider residential spaces, specifically condo event spaces, rooftop spaces, and even empty units as well as off-hours use; these had not been part of our original consideration.

Moving forward, we will take advantage of the National Meanwhile Space Network to build resources and relationships across the country. We are now embarking on the policy development stage of our project. While we recognize, based on our learnings from Phase I, that the real estate industry may not require policy incentives to participate, we believe nonetheless that it is worthwhile to explore as it can add to the value proposition if the broker does the legwork. Similarly, focussing on policy beyond tax incentives, such as funding opportunities for temporary arts spaces and adjustments to existing municipal space programs (e.g. Toronto’s Community Tenancy Policy), might yield further opportunities for space acquisition.

## 4. next steps

The CUI has created a [page](#) on its website that collects resources for this project so that they can be publicly accessible. Why Not Theatre is in the process of updating its Space Project page to reflect the learnings of this project.

The CUI is now undertaking a series of jurisdictional scans to inform the policy phase of our work. This entails:

- identifying policies and programs in other major cities, in Canada and internationally, that incent or encourage meanwhile uses by artists
- examining policies in Canadian cities that could be adapted or extended to apply to meanwhile uses
- reviewing cultural policies in place at the provincial and federal levels to explore how those might assist companies interested in meanwhile uses.

Following this research, we will set up a limited number of one-on-one interviews with municipal, provincial and federal government staff members, as appropriate, potentially to be followed by a round table later in the summer. Assuming that we identify desirable policy interventions, we will then shape an advocacy strategy to move them forward.

As originally forecast, the final phase of this work will be the development of a sustainable business plan and model, slated for the fall.