



## ADMINISTRATIVE REPORT

Report Date: January 22, 2014  
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Meeting Date: February 5, 2014

TO: Standing Committee on City Finance and Services

FROM: General Manager of Community Services in consultation with the General Manager of Real Estate and Facilities Management

SUBJECT: Tenancy for Non-Profit Cultural Space - CBC Building

### RECOMMENDATION

- A. THAT Council approve PuSh International Performing Arts Festival Society (“PuSh”) as a not-for-profit subtenant, along with Touchstone Theatre Society, The Documentary Media Society, and Music on Main Society as not-for-profit sub-subtenants (the “Sub-subtenants”), of the City-leased CBC Cultural Amenity Space having a civic address of #110 - 750 Hamilton Street, Vancouver (the “Premises”). The Premises comprise a portion of the lands having a PID of 027-197-891, with a legal description of: *Parcel A, District Lot 541, Group 1, New Westminster District, Plan BCP32114 Except Part in Air Space Plan BCP32115.*
- B. THAT Council authorize the Director of Real Estate Services to negotiate and execute a sublease (the “Sublease”) at a nominal rate with PuSh as a not-for-profit cultural subtenant of the Premises on the following terms and conditions and as set out in the basic lease terms attached as Appendix A, and upon such other terms and conditions to the satisfaction of the Director of Legal Services in consultation with the General Manager of Real Estate and Facilities Management and the Managing Director of Cultural Services:
  - i. Term: Ten (10) years, with four (4) options to renew each for a further term of five (5) years, for a total tenure of thirty (30) years;
  - ii. Basic Rent: Nominal Rent of Ten (\$10.00) dollars for the term or any renewal term payable in advance, plus applicable taxes.
- C. THAT no legal rights or obligations be created or arise by Council’s adoption of these Recommendations until the Sublease has been executed by all parties.

Recommendation B authorizes a grant requiring eight affirmative votes of Council.

## **REPORT SUMMARY**

This report recommends that Council authorise staff to enter into a nominal sublease agreement with PuSh, as the lead subtenant within the CBC Cultural Amenity Space at #110 - 750 Hamilton Street that is leased by the City pursuant to a head lease made as of December 1, 2009 (the “Head Lease”), to be developed for use as a performing /media arts cultural hub.

## **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

Pursuant to Section 206(1) (a) of the Vancouver Charter, not less than two-thirds of all members of Council must approve a resolution for a grant to a charitable institution. A lease of City-owned property at less than market rent is considered to be a grant.

In October, 2006, Council approved (RTS 06250), the securing of 8,500 square feet of shell-only ground floor space within the CBC complex at 700 Hamilton Street for the purpose of a community cultural amenity at a nominal rent for the life of the building.

The General Manager of Community Services RECOMMENDS approval of the foregoing recommendations.

## **REPORT**

### ***Background/Context***

In 2008 Vancouver’s Culture Plan and Cultural Facility Plan were adopted by City Council outlining the City’s vision, goals and priorities for arts and culture in Vancouver. Cultural facilities are essential to every community, and ensuring access to appropriate and affordable facilities in Vancouver’s rapidly developing real estate market is a challenge, particularly for the non-profit sector. A key priority is to actively build partnerships to support affordable, sustainable long-term facilities for Vancouver’s arts & cultural community.

## **DISCUSSION**

### ***Strategic Analysis***

In August 2013, a Request for Expressions of Interest (“RFEOI”) PS20130784 was issued seeking applications from Vancouver based non-profit cultural organizations qualified to lease and operate the 8,500 square foot CBC Cultural Amenity Space at 700 Hamilton Street.

Through the evaluation process, the submission from PuSh was determined to best meet the RFEOI requirements and alignment with the selection criteria. The selection process is outlined in Appendix B.

As the lead subtenant for the CBC space, PuSh will enter into a sub-sublease(s) or similar agreement(s) with the Sub-subtenants. PuSh and Touchstone Theatre Society will partner in the governance, operation and management of the Premises. For two years, PuSh and Touchstone Theatre Society have been working together to realize a co-location project including completion of several feasibility studies. The co-location of these four organizations will deliver a strong, synergistic, collaborative and sustainable performing /media arts centre.

### ***Terms of Sublease***

Under the Head Lease with CBC, the City is required to obtain prior written approval of any proposed sub-tenant or sub-subtenant leases for the Premises. The CBC has provided written consent for PuSh as the subtenant and the other three Sub-subtenants to occupy the Premises. Should Council approve Recommendations A and B, staff recommend entering into the Sublease at a nominal rate with PuSh, for an initial term of ten (10) years with four (4) subsequent five (5) year renewal options, for a total tenure of up to thirty (30) years. The three Sub-subtenants sharing the Premises with PuSh will not have an agreement or legal relationship with the City; however any subsequent change of a sub-subtenant will require the prior written consent of both the City and the CBC. The basic key lease terms are attached as Appendix A.

### ***Capital***

The basic capital improvements required in the Premises include: expanding washroom capacity, upgrades to HVAC and electrical systems, installation of flooring, ceiling and major demising walls, security and data. The spaces created will serve the cultural non-profit organizations and will consist of: offices/work stations, meeting rooms (for educational, operational, governance purposes), a small rehearsal/public assembly space and support spaces such as reception, kitchen and small scale storage. Design/construction professionals have been engaged by the PuSh team to develop high level plans and costing. These preliminary plans and costing have been reviewed by the City's Cultural Services and Facilities Planning and Development departments and are consistent with City and CBC's goals for the amenity space.

### **Financial Implications**

#### ***Operating***

The Head Lease with CBC restricts the ability to sublease to Vancouver-based non-profit organizations with a cultural or artistic mandate. In addition, the Head Lease places a restriction on the amount of rent, to a nominal amount of ten (\$10.00) dollars over the term of any sublease. The Premises will be subleased to PuSh at a nominal rent of ten dollars (\$10.00) for an initial term of ten (10) years. As such, there is no rent revenue being foregone. PuSh will be responsible for their program, administrative and facility-related costs. The City will not provide any operating funds for the Premises.

As a tenant under the Head Lease with CBC, the City is responsible for a proportionate share of costs attributable to the Premises for all common building operating costs and additional utilities costs (2014 = approximately \$46,000 per annum or roughly \$6.00 per sq ft per annum). The City will continue to fund these costs until the capital improvements have been completed and PuSh and the Sub-subtenants have received approval to occupy the Premises, at which time full responsibility for these costs will be transferred to PuSh. Source of funds for 2014 will be the 2014 City Operating Budget.

#### ***Capital Life Cycle Replacement***

The City will maintain responsibility for the life cycle replacement of major systems and maintenance of these systems. As with all capital assets, capital maintenance will be proposed as needed as part of the Capital Planning and budgeting process. The responsibility for all capital costs associated with the Premises will be as set out in a Service Level Agreement to be attached to and forming part of the Sublease and otherwise as specifically provided for in the Sublease, all on terms and conditions satisfactory to the City.

***CONCLUSION***

Building partnerships to support affordable, sustainable long-term facilities for Vancouver's arts and cultural community is a key strategic direction for the City of Vancouver. By approving the recommendations in this report, Council will support the Subtenant in its efforts to develop and operate a sustainable collaborative hub for performing and media arts.

Staff recommends entering into a nominal sublease with PuSh International Performing Arts Festival Society for the Premises.

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**BASIC SUBLEASE TERMS FOR THE CULTURAL AMENITY SPACE  
AT  
#110 - 750 Hamilton Street (the "Premises")  
BETWEEN  
THE CITY OF VANCOUVER (The "Sublandlord")  
AND  
PUSH INTERNATIONAL PERFORMING ARTS FESTIVAL SOCIETY (the "Subtenant")**

**Term and Renewal Options** - Initial term of ten (10) years; four (4) renewal options each for a term of five (5) years, for a total tenure of thirty (30) years.

**Rent** - Nominal rent of Ten (\$10.00) dollars for the term or any renewal term, payable in advance, plus applicable taxes.

**Directly Metered Utilities** - All costs for directly metered utilities and services to the Premises assumed by the City in the Head Lease are passed on to the Subtenant. The Subtenant shall be responsible for all costs and obligations associated with directly metered utilities serving the Premises.

**Operating Costs, Additional Utilities Costs and Shared Building Costs** - All costs and obligations related to the operating expenses and additional utilities costs for the Premises and shared building expenses as set out in the Head Lease shall be the responsibility of the Subtenant when the capital improvements have been completed and the Subtenant and Sub-subtenants have received approval to occupy the Premises. Common building operating costs and additional utilities costs are currently approximately \$6.00 per square foot per annum for 2014.

**Repairs and Maintenance** - All costs, obligations and expenses related to the operation, regular repairs and routine maintenance and any required preventative maintenance of the Premises will be the responsibility of the Subtenant commencing no later than the date on which the Subtenant commences construction.

**Capital/Life Cycle Replacement Costs** - The responsibility for all capital/life cycle replacement costs associated with the Premises will be as set out in a Service Level Agreement to be attached to and forming part of the Sublease and otherwise as specifically provided for in the Sublease, all on terms and conditions satisfactory to the City.

**Tenant Improvements** - All costs associated with leasehold improvements including finishing, fixturing, furnishing and equipment shall be the responsibility of the Subtenant (tenant improvements are subject to City and CBC approval).

**Insurance** - The Subtenant and the Subtenants shall be responsible for maintaining commercial general liability insurance and all risk (broad form) tenant's legal liability insurance, as well as insuring all leasehold improvements, equipment, fixtures and furniture, all in the amounts and types to the satisfaction of the City. The Head Landlord (CBC) and the Sublandlord (City) shall be named as additional insured's.

The Head Landlord shall be responsible for insuring the building against fire and certain other perils.

**Use** - The Premises may be subleased, with the consent of the CBC and the City, by a Vancouver based non-profit organization with a cultural or artistic mandate in good standing with the BC Registrar of Companies. The Premises may be used for community cultural amenity purposes which includes, without limitation, the administrative support of cultural activities including office, board/meeting/education rooms, reference/research, small scale rehearsal and public assembly (30 - 40 people), and other support activities. Ineligible uses include presentation or large scale storage, rehearsal or production. Additional uses could include spaces to serve the public such as a box office or resource/library room.

**Public Service Objectives** - The Subtenant non-profit operator and any Sub-subtenants shall operate the Premises for the benefit of the citizens of Vancouver and the advancement of performing, festival and media arts in Vancouver. The Subtenant operator will be asked to articulate and follow a set of *public service objectives* including minimum hours of operation; type and range of services; and availability for community and public use (meeting/board/rehearsal or other such spaces appropriate for community and public use).

**Third Party Use** - The Subtenant shall not assign, sublet, grant a mortgage or license to another party, save and except that the Subtenant operator may act as a head sublandlord on behalf of smaller eligible organizations in a collaborative/incubator model of operation. Prior City approval of the sub-subtenants will be required, however the City will not intervene into the day to day operations and relationship between the non-profit operator and its subtenants. The Subtenant may charge a modest rent on a cost-recovery basis to Sub-subtenants to cover administration costs (by operator). All Sub-subtenants must be Vancouver-based non-profit cultural organizations.

**Naming Rights** - The Subtenant shall follow the City's Naming Rights policy and the terms of the Head Lease with the CBC including potential restrictions on the right to name the Premises (including any portion of the Premises) or the building in which the Premises are situated.

**Property Taxes, if any** - In the event that property taxes become payable for the Premises in the future, these will be payable by the Subtenant as additional rent.

**Termination** - Upon demolition or destruction of the building or expiring of the term.

**Early Termination** - Either party may terminate the Sublease upon 180 day's written notice to the other, or such other minimum time period as agreed to by the parties.

**Additional Operating Covenants** - All other terms and conditions as required by the Director of Legal Services in consultation with the Managing Director of Cultural Services.

## SITE HISTORY AND TENANT SELECTION PROCESS

### Site History

The CBC Cultural Amenity Space was secured in 2006 for the purpose of leasing the space to a community cultural non-profit organization at a nominal rent for the life of the CBC building. In December 2009, the City entered into a 100 year head lease with CBC for the Premises, at which time it was delivered to the City in the form of a shell space requiring additional capital infrastructure improvements at an estimated cost of approximately \$800,000. Both the original proposed tenants led by Coastal Jazz and Blues Society, and a subsequent call for tenants in 2010-11 found the cultural nonprofits were unable to raise the required funds for the capital improvements.

### Selection Process

In August 2013, the City issued a Request for Expressions of Interest (“RFEOI”) seeking applications from Vancouver based non-profit cultural organizations qualified to lease and operate the 8,500 square foot cultural amenity space in the CBC complex at 700 Hamilton Street.

The RFEOI was advertised on the City’s Supply Management website, on BC Bid and on VanCulture. Two site visits and information sessions were held in August and September for interested potential applicants.

Selection criteria included assessment of vision for the space, administrative and financial viability, service delivery and programming, collaborations and partnerships, fundraising ability and programming synergy with the CBC’s activities.

A Selection Committee/jury consisted of representatives from the CBC and the cultural community, as well as City staff. CBC and community representatives included:

- Johnny Michel, Managing Director, CBC English Services
- Sue Porter, Associate Director, Ceremonies and Events, SFU (former Executive Director of the Greater Vancouver Professional Theatre Alliance)
- Emma Hendrix, General Manager, ViVo Media Arts
- Jane Heyman, Artist/Past President and Founder of Performing Arts Lodge (PAL)

Expressions of Interest were received from four non-profit cultural organizations: PuSh International Performing Arts Festival Society; Full Circle: First Nations’ Performance Society; The Pride in Art Society; and The Vancouver Folk Music Festival Society. The Selection Committee reviewed the submissions, shortlisted two of the four proposals, sought and received further information, and made a final recommendation of the most suitable subtenant. Through the evaluation review process, it was determined that the submission from PuSh International Performing Arts Festival Society best met the RFEOI requirements and was most closely aligned with the selection criteria.

PuSh is a registered non-profit society, and a charitable organization registered with the Canada Revenue Agency. As the presenting organization of the annual PuSh International Performing Arts Festival, PuSh presents ground breaking work in the performing arts, expanding the horizons of Vancouver artists and audiences with work that is visionary, multi-disciplined, showcasing acclaimed international, Canadian and local artists.