



ADMINISTRATIVE REPORT

Report Date: September 15, 2014
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VanRIMS No.: 08-2000-20
Meeting Date: October 14, 2014

TO: Vancouver City Council

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

SUBJECT: 141 - 2050 Scotia Street - Artist Production Studio: Long-term Lease to Dusty Flowerpot Cabaret Society

RECOMMENDATION

- A. THAT Council approve Dusty Flowerpot Cabaret Society ("Dusty Flowerpot") as the not-for-profit tenant (the "Tenant") of the City-owned strata lot at #141 - 2050 Scotia Street, Vancouver, legally described as *PID 024-037-117, Strata Lot 34, District Lot 200A, Group 1, New Westminster District, Strata Plan LMS3101, together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form 1* (the "Premises").
- B. THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease agreement (the "Lease") with Dusty Flowerpot, as the not-for-profit cultural tenant of the Premises on the following terms and conditions and as set out in the basic lease terms attached as Appendix B, and upon such other terms and conditions as are satisfactory to 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: Three (3) years, with three (3) options to renew each for a further term of five (5) years, for a total tenure of eighteen (18) years;
- ii) Basic Rent: Nominal Rent of One Dollar (\$1.00) per year for the term or any renewal term payable in advance, inclusive of an amount in lieu of property taxes, as if levied, plus applicable sales taxes.
- C. THAT no legal rights or obligations be created or arise by Council's adoption of these Recommendations until the Lease 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 lease agreement with Dusty Flowerpot Cabaret Society for the City-owned production studio at 141 - 2050 Scotia Street.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On July 25, 1997, Council approved (RTS 4663) the acceptance of the gift of an artist studio #141 - 325 East 5th Avenue (now #141 - 2050 Scotia Street) from the Aragon Group to be held as a Capital Asset in exchange for a municipal Income Tax Receipt to the Aragon Group.

In 2008 Vancouver's Culture Plan was adopted by Council, outlining the City's vision, goals and priorities for arts and culture in Vancouver. In the same year Council adopted a New Cultural Facilities Priorities Plan that articulates goals and strategies for cultural space development. On October 23, 2013, an updated *Culture Plan: Strategic Directions for the Next Five Years* was presented to Council providing policy directions and a framework to support our diverse, thriving cultural ecology.

In November, 2013, Council approved a temporary short-term lease agreement for the Scotia Street Studio at #141 - 2050 Scotia Street, Vancouver, to Dusty Flowerpot Cabaret Society.

Pursuant to Section 206 (1) (j) of the Vancouver Charter, not less than two thirds of all members of Council must approve a resolution for a grant to any organization deemed by the Council to be contributing to the culture, beautification, health, or welfare of the city. A lease of City-owned property at less than market rent is considered to be a grant.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

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

REPORT

Background/Context

In 1997, Council accepted from Aragon Group the donation to the City of Vancouver of an artist production studio in the form of a strata lot, for use by a non-profit cultural organization. The studio was to be made available for a nominal rent of \$1 per year plus payment of monthly strata fees, currently \$612.00 per month. The studio is a ground floor unit comprised of 2,254 square feet including a mezzanine level, located in The Artiste, a mixed-use building consisting mostly of artist live/work units with

some retail and office use at grade level, situated at the corner of East 5th Avenue and Scotia Street in the Brewery Creek district in Mount Pleasant (as shown in Appendix A).

In November of 2013, long-term tenant of the studio, Public Dreams Society - producer of the highly successful *Parade of Lost Souls* festival - ceased operations. Dusty Flowerpot Cabaret Society, as a co-producer of *Parade of Lost Souls* since 2013, was granted a 6-month lease of the studio by Council to ensure the on-going production of the festival, and to ensure occupancy of the Premises during the time required for the City to issue a Request for Proposals for long-term tenancy of the studio. Since the expiry of that lease, Dusty Flowerpot has continued to occupy the Premises on a month-to-month basis.

Strategic Analysis

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 of the updated Culture Plan is to support affordable, sustainable long-term facilities for Vancouver's arts and cultural community.

In accordance with Real Estate and Cultural Services leasing policies and practices with respect to non-profit cultural tenants, when space becomes available a call for Request for Proposals ("RFP") is issued and a new lease is required. In July of 2014, Cultural Services issued an RFP for this production studio.

Fifteen proposals were received and evaluated by a blended staff/peer assessment committee against a set of criteria that included financial and operational sustainability as well as creative programmatic use of the space. Through the evaluation process, the submission from Dusty Flowerpot Cabaret Society was determined to best meet the RFP requirements and align with the selection criteria. The selection process is outlined in Appendix C.

Dusty Flowerpot's mission is to create and present multi-disciplinary arts events with a focus on community engagement and artistic excellence. Their mandate involves the creation of eclectic and original arts events of a high quality and therefore a high impact on the public. Producing the *Parade of Lost Souls* festival involves utilizing oversized puppets and other fragile props that are developed and constructed in this studio and which require careful handling and a large on-going storage space. The scale of Dusty Flowerpot's performance work varies from intimate roving performance to the production of festivals and theatre works that reach thousands of people.

Subsequent to the committee's recommendation, the financial circumstances of Dusty Flowerpot were reviewed by the City's Finance Department. During the short-term leasing arrangement, Dusty Flowerpot proved to remain in good standing throughout, with regards to their financial obligations to the City, utilization of the space, outreach to the other occupants of The Artiste, cooperation with the strata and positive relationship with the Resident Manager.

The Scotia Street Studio, and the work of Dusty Flowerpot Cabaret Society contribute to a diverse local cultural ecology by increasing public participation and engagement in arts and culture, contributing to a healthy, vibrant, livable city.

Terms of the Lease

Should Council approve Recommendations A and B, staff recommend entering into the Lease at nominal basic rent with Dusty Flowerpot, for an initial term of three (3) years, with three (3) subsequent five (5) year renewal options, for a total tenure of up to eighteen (18) years. The basic key lease terms are attached as Appendix B.

Financial

CAPITAL COSTS

Tenant Improvements, Fixtures & Equipment - The Premises will be leased to the Tenant on an as-is basis, and any tenant improvements to be made will be at the expense of the Tenant. The Tenant will be responsible for the acquisition of all tenant equipment, machinery, appliances, trade fixtures, furnishings, chattels and the like.

Capital Maintenance & Life Cycle Replacement - The City and the Strata Corporation, as applicable, will be responsible for the maintenance and life cycle replacement of major systems. These obligations will be set out in a Service Level Agreement ("SLA") which will form part of the Lease. Funding requirements will be determined and prioritized as part of the Capital Planning and budgeting processes.

OPERATING COSTS

Facility Costs - As owner of the strata lot, the City is responsible for monthly strata fees (2014 - \$612.00/month). The Tenant will be responsible for these fees and make payments to the City beginning three months after the commencement of the Lease in consideration of the fixturing period. The first three months of strata fees will be funded from existing REFM Operating Budget.

The Tenant will also be responsible for the operating, routine maintenance, minor repairs, liability and contents insurance, utilities, and janitorial costs for the Premises; as well as the operation, repair, maintenance and replacement for all specialized equipment and furnishings required for the Tenant's occupation and operation of the Premises. These obligations will be set out in the SLA which will form part of the Lease.

Total costs for strata fees, utilities and routine maintenance are estimated to be in the range of \$900 to \$1,000 per month (2014\$).

Programming Costs - The Tenant will be responsible for the administration, programming and operation of the Premises. The City will not provide further operating subsidies to the Tenant.

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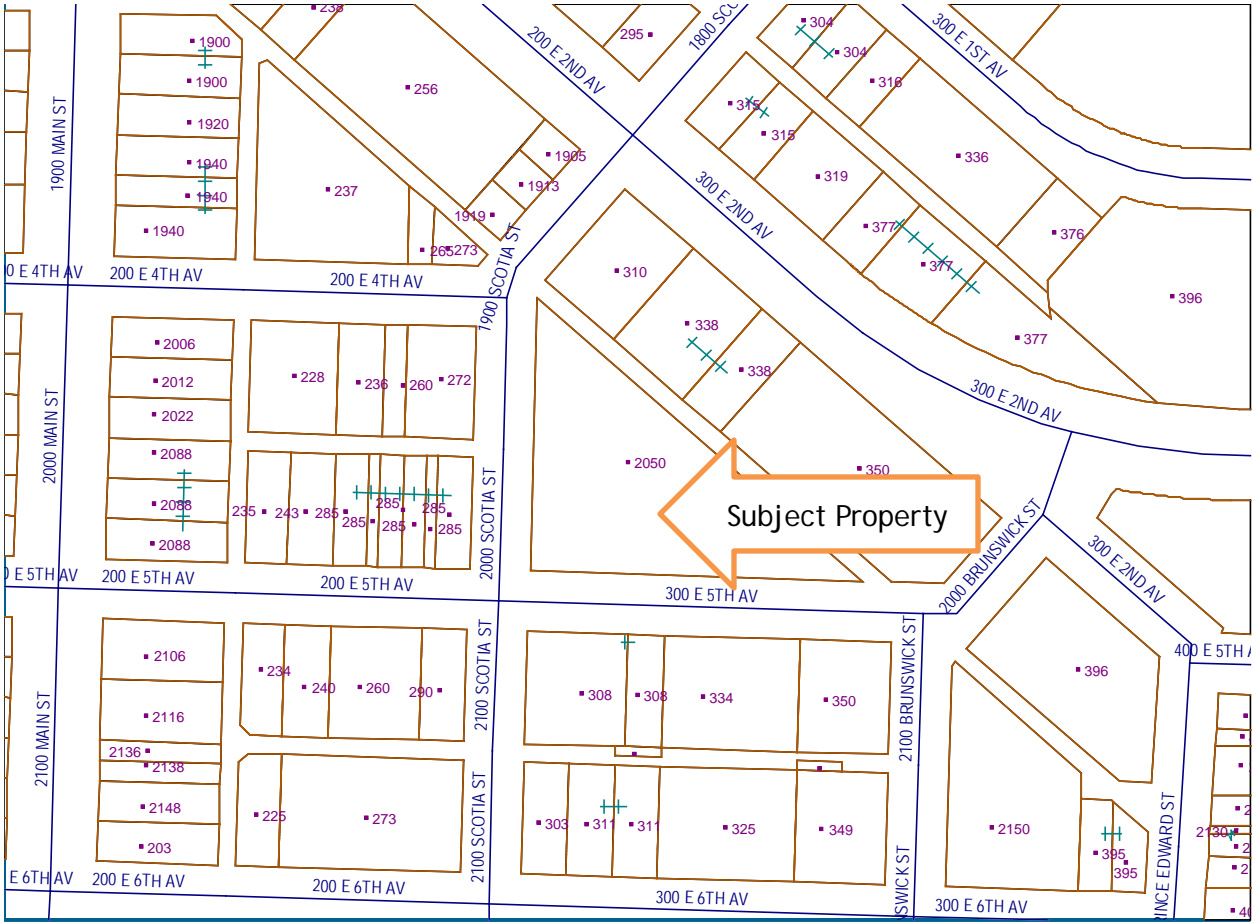
Basic Rent - The Premises will be leased to the Tenant at a nominal basic rent of one dollar (\$1.00) per year for an initial term of three (3) years, with three (3) renewal options of five (5) years each. The current comparable annual net market rental value for basic rent (not including property taxes) for the Premises is estimated at approximately \$47,000 per annum.

Property Tax - Recommendation B provides for the nominal basic rent of \$1/year which is inclusive of an amount in lieu of property taxes as if levied.

CONCLUSION

Encouraging the affordable, sustainable long-term facilities for Vancouver's arts and culture community is a key strategic direction for the City. Staff, therefore, recommends entering into a nominal long-term lease agreement with Dusty Flowerpot Cabaret Society.

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BASIC LEASE TERMS FOR THE ARTIST PRODUCTION STUDIO
AT
#141 - 2050 Scotia Street (the "Premises")
BETWEEN
THE CITY OF VANCOUVER (The "Landlord")
AND
DUSTY FLOWERPOT CABARET SOCIETY (the "Tenant")

Term and Renewal Options - Initial term of three (3) years, plus three (3) renewal options each for a term of five (5) years, for a total tenure of eighteen (18) years.

Rentable Area - 2,254 square feet.

Parking - Two (2) surface parking stalls.

Rent - Nominal basic rent of One Dollar (\$1.00) for the term or any renewal term, payable in advance, inclusive of an amount in lieu of property taxes as if levied, plus applicable taxes.

Additional Rent - All amounts payable by the Tenant other than basic rent will be treated as Additional Rent.

Directly Metered Utilities - The Tenant shall pay all directly metered services and utilities provided to the Premises (and which are not included in the monthly strata fees), including water, electricity, heat, light, telephone, cable, internet, and security systems.

Strata Corporation Fees & Levies - Commencing on the first day of the third month after the commencement date of the Lease, the Tenant shall pay to the Landlord an amount equivalent to the monthly strata fees as levied by the Strata Corporation, currently \$612.00/month (plus applicable sales tax of 5% GST, total \$642.60/month), subject to change as approved annually by the Strata Corporation, as well as all fines and levies assessed by the Strata Corporation on account of breaches of Strata By-laws by the Tenant; excludes any special assessments or major capital costs.

Operating Costs and Administrative Costs - All costs and obligations related to the operating expenses and administrative costs for the Premises shall be the responsibility of the Tenant.

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 Tenant.

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 Lease and otherwise as specifically provided for in the Lease, all on terms and conditions satisfactory to the Landlord. The

Landlord and the Strata Corporation, as applicable, will maintain responsibility for the life cycle replacement of major systems and maintenance of these systems.

Tenant Improvements - All costs associated with leasehold improvements including finishing, fixturing, furnishing and equipment shall be the responsibility of the Tenant. Tenant improvements are subject to prior approval of the Landlord and, if applicable, the Strata Corporation.

Insurance - The Tenant shall maintain insurance coverage, in the amounts and types of coverage to the Landlord's satisfaction, for: Commercial General Liability, including All-Risk (Broad Form) Tenant's Legal Liability insurance equal to the full replacement cost of the Premises; and Contents Insurance, equal to 90% of replacement cost. The Landlord and the Strata Corporation shall be named as additional insured's.

The Strata Corporation is responsible for insuring the building against fire and certain other perils.

Use - The Premises may be used primarily for the purpose of an artist production studio, in the production of art and/or cultural festivals and the administrative support of these cultural activities as reflected by the Tenant's community-based mandate. The Premises may not be used for performance or public presentation/event purposes except as permitted under the City of Vancouver Arts Event License regulations.

Public Service Objectives - The Tenant shall operate the Premises for the benefit of the citizens of Vancouver and the advancement of performing, festival and/or media arts in Vancouver. The Tenant 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 use (meeting/board/rehearsal or other such spaces appropriate for community use).

Third Party Use - The Tenant shall not assign, sublet, grant a mortgage or license to another party, save and except as set out in an Occasional Third Party Use Policy to be attached to and forming part of the Lease.

Naming Rights - The Tenant shall follow the City of Vancouver Naming Rights policy 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 - The Tenant will not be required to pay real property taxes.

Termination - Upon demolition or destruction of the Premises or the building in which the Premises are situated, or expiring of the term.

Early Termination - The Tenant may terminate the Lease upon 180 day's written notice to the Landlord.

The Landlord may terminate the Lease upon 180 day's written notice to the Tenant if the Landlord's elected council, by a resolution approved by a simple majority, is not satisfied with: (i) the Tenant's performance and/or service required of the Tenant in respect of the Use of the Premises including use by third parties, or (ii) if the Tenant is otherwise in default under the Lease.

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.

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SITE HISTORY AND TENANT SELECTION PROCESS

Site History

In 1997, Council accepted from Aragon Group to the City of Vancouver the donation of an artist production studio in the form of a strata lot, for use by a non-profit cultural organization. The studio was to be made available for a nominal rent of \$1 per year plus payment of monthly strata fees, currently \$642.60 per month. The studio is a ground floor unit comprised of 2,254 square feet including a mezzanine level, located in The Artiste, a mixed-use building consisting mostly of artist live/work units with some retail and office use at grade level, situated at the corner of East 5th Avenue and Scotia Street in the Brewery Creek district in Mount Pleasant.

Public Dreams Society was awarded the original tenancy and occupied the studio from 1998 to 2013, out of which they produced the highly successful festivals *Parade of Lost Souls* and *Illuminares*. In November of 2013, Public Dreams ceased operations. Dusty Flowerpot Cabaret Society, as a co-producer of *Parade of Lost Souls*, was granted a 6-month lease of the studio by Council to ensure the on-going production of the festival, and to ensure occupancy of the space during the time required for the City to issue a Request for Proposals for long-term tenancy of the studio. Since the expiry of that lease, Dusty Flowerpot has continued to occupy the space on a month-to-month basis.

Selection Process

In July 2014, the City issued a Request for Proposals ("RFP") seeking applications from Vancouver based non-profit cultural organizations qualified to lease and operate the 2,254 square foot cultural amenity space in The Artiste. The RFP was advertised on VanCulture and was circulated via the cultural network, including by the Alliance for Arts and Culture. Two mandatory site visits and information sessions were held in August for interested potential applicants.

Selection criteria included assessment of vision for the space, administrative and financial viability, service delivery and programming, collaborations and partnerships, and fundraising ability.

A Selection Committee/jury consisted of representatives from the cultural community, as well as City staff from Real Estate and Cultural Services. Community representatives included:

- Rohit Chokhani, General Manager, Touchstone Theatre
- Kathy Gibler, Director, Dr. Sun Yat Sen Chinese Classical Garden
- Caitlin Jones, Executive Director, Western Front

Proposals were received from fifteen non-profit cultural organizations. The Selection Committee reviewed the submissions, shortlisted and ranked four of the fifteen proposals. After requesting further financial clarifications from the top candidate, and subsequent review by the Finance Department, it was determined that the submission from Dusty Flowerpot Cabaret Society best met the RFP requirements and was most closely aligned with the selection criteria.

Dusty Flowerpot's mission is to create and present multi-disciplinary arts events with a focus on community engagement and artistic excellence. Their mandate involves the creation of eclectic and original arts events of a high quality and therefore a high impact on the public. The scale of Dusty Flowerpot's performance work varies from intimate roving performance to the production of festivals and theatre works that reach thousands of people.

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