



REPORT

Report Date: January 20, 2020
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VanRIMS No.: 08-2000-20
Meeting Date: February 25, 2020
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TO: Vancouver City Council
FROM: General Manager, Arts, Culture, and Community Services
SUBJECT: 2020 Critical One-time Cultural Grant for Red Gate Arts Society

RECOMMENDATION

- A. THAT Council approve a one-time critical grant of \$27,000 to Red Gate Arts Society source of funds to be the 2020 Cultural Grants Operating Budget.
- B. THAT the General Manager of Arts, Culture and Community Services be authorized to negotiate and execute agreements to disburse the grants described in this report on the terms and conditions generally set out below, and on such other terms and conditions as are satisfactory to the General Manager of Arts, Culture and Community Services and the City Solicitor.
- C. THAT no legal rights or obligations be created by the approval of Recommendation A unless and until the applicable grant agreement or letter of agreement is approved by the City in accordance with Recommendation B above and executed and delivered by both the grant recipient and General Manager of Arts, Culture and Community Services (or their designate).

Approval of grant recommendations requires two-thirds affirmative votes of all Council members under section 206 (1) of the *Vancouver Charter*.

REPORT SUMMARY

This report recommends a one-time grant to Red Gate Arts Society to provide critical support to prevent immediate displacement and to support progress on Vancouver's new culture plan, *Culture|Shift: Blanketing the City in Arts and Culture* ("Culture|Shift"), *Making Space for Arts and Culture* and the *Vancouver Music Strategy*.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On September 11, 2019, (RTS 13175) Council approved Vancouver's 10-year culture plan *Culture|Shift* including *Making Space for Arts and Culture* report, and the *Vancouver Music Strategy*.

On November 26, 2019, (RTS 13442) Council approved cultural grants totalling \$885,250 to 35 cultural organizations to seed and implement actions of *Culture|Shift*, *Making Space for Arts and Culture*, and the *Vancouver Music Strategy*. This report also included a critical one-time grant to Beaumont Studios to prevent displacements due to increasing taxes.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

Culture|Shift: Blanketing the City in Arts and Culture is the City of Vancouver's 10 year culture plan, addressing key challenges and opportunities in the cultural sector. *Culture|Shift* includes *Making Space for Arts and Culture*, and the *Vancouver Music Strategy*, which together equip the City to better support a more diverse cultural sector, cultural infrastructure, and music ecosystem.

Making Space for Arts and Culture examines the current state of Vancouver's arts and cultural spaces, and lays out the City's long term vision and commitment to address acute space challenges. Developed to optimize City policies, tools, programs and investment priorities to secure, enhance, and develop vibrant, affordable, and accessible arts, and cultural spaces.

Making Space for Arts and Culture has 26 arts and cultural space actions, including:

- Setting Vancouver's first cultural space target of 800,000 square feet of space over the next 10 years.
- Launching a \$300,000 annual Affordable Spaces Grant stream to support non-profit space operators that provide subsidized affordable space for professional artists and cultural organizations.
- Collaborating with the City's Long Term Financial Strategy & Planning team on their work with the Province to reduce the tax burden on underdeveloped commercial and industrial spaces.
- Developing policy to preserve and enhance non-profit space and ensure no net loss of existing cultural space.

Displacement and Development Pressures

Increasing demand for spaces through real estate pressure has resulted in increased land values and displacement of arts and cultural activities.

Over the past year, more than 21 studios in industrial spaces in Vancouver with approximately 400 artists have either been closed or are under threat of displacement due to dramatic property tax and rent increases, competition with higher-value land uses, and development pressure. Spaces such as Merge Studios, Duplex, Dynamo, Index, White Monkey, Creative Coworkers, and Toast Collective have closed or are under threat. Close to 400,000 square feet of artist studio spaces in the Eastside Culture Crawl catchment have been lost as a result of conversions and redevelopment over the past ten years (Eastside Culture Crawl 2019).

Property Tax

There is a lack of ownership of space in the cultural sector. Most cultural spaces in Vancouver are on monthly rentals. Through triple net leases, landlords pass on the tax burden to tenants, which results in tenants' obligation to pay taxes on the space they rent, as well as taxes on its development potential in underdeveloped properties.

In British Columbia, properties are assessed at "highest and best use" (or full market value) by BC Assessment, and property taxes are allocated based on those values. This results in inflated property taxes for under-developed sites or properties, exacerbated by active commercial real estate activities experienced in Metro Vancouver in recent years. It is extremely challenging for the arts, cultural, and other non-profit sectors to afford the high rents and taxes, and still provide important services and remain viable in their neighborhoods.

In 2019 staff reviewed property taxes for 11 arts studio sites over the past five years, and found that the average total property tax increase (Municipal General Levy and Other Taxing Authorities such as the Province, Metro Vancouver and TranLink) for those sites was over 77% due to a combination of factors including market value escalation, and actual and perceived development potential. For one studio surveyed, the result was a rent increase of over \$60,000 per year.

To address this, the City is participating on an Intergovernmental Working Group (IWG), composed of CFOs from 9 Metro Vancouver municipalities as well as senior staff from the BC Ministry of Municipal Affairs and Housing, Ministry of Finance and BC Assessment. In May 2019 the Intergovernmental Working Group submitted a recommendation to the Province for Split Assessment through a New Commercial Sub Class to reduce the burden on underdeveloped commercial and industrial space.

On Friday January 17th, 2020 the Province [announced](#) that it is working on legislation to implement interim property tax relief measures that would allow municipalities to grant permissive exemptions to certain commercial properties. The proposed legislation is not what was put forward by the IWG in its May 2019 recommendation to the Province. The City is reserving comment until details are available to analyze the impacts of the proposed tax relief measures, including an assessment of how the proposed measures affect and compare with the City's existing targeted land averaging program and to ensure there are no unintended consequences.

Strategic Analysis

Overview

Red Gate Arts Society (Red Gate) is a cultural centre dedicated to providing affordable artist production studios, gallery, performance, and gathering space for the local experimental and non-commercial arts and music sector. They have over 30 years of history in Vancouver, and are an inclusive, accessible, and LGBTQ2+ friendly space hosting a significant volume of events, artists, musicians, and culture-makers.

Red Gate has a unique profit-sharing model to support the marginalized layer of Vancouver's cultural ecosystem to ensure their staff and performers are paid fairly. Red Gate offers 6,500 square feet of studio, rehearsal, production, performance, and exhibition space at their 1965 Main Street location, which is co-operatively shared by 70-80 artists in disciplines of music, theatre, visual arts, media, community arts/social practice, and multidisciplinary works.

Most recently, Red Gate has been grappling with significant escalating costs as a result of commercial property tax increases, putting the society in a precarious operational situation.

History

Red Gate Society was founded in 2012 after 28 years of operation as a for-profit organization in 36 Powell St (1984-1992), 47 W Hastings (1992-2004), and 152 W Hastings (2004-2011). The organization found inspiration for its name from the brightly painted red security gate at 152 W, paying tribute to the eclectic and varied arts and culture uses of that space by local and international talent. Red Gate developed a relationship with the City in an attempt to create a permanent cultural centre; however, in 2011 Red Gate closed its doors due to escalating rent.

In 2012, Red Gate Society moved into a former food processing industrial building at 855 E Hastings, hoping to create a permanent home. At this time, Red Gate worked with the City to design and pilot the Arts Events License program and hosted a series of workshops for the community. After five years Red Gate was once again priced out of their venue with a steep rent increase during lease negotiations. They moved to their current location at 1965 Main St., previous home to arts and cultural organizations, VIVO Media Arts and Vancouver Art and Leisure, and have been running at full capacity since.

Current Situation

Red Gate has been at their current location for 18 months, on a triple-net lease until July 31 2023, with two renewal terms of five years each. Red Gate's taxes have increased \$18,000 since last year, pushing them beyond their financial capacity to operate the space.

In advance of a longer term solution, staff recommends critical one-time funding of \$27,000 to assist Red Gate to prevent displacement of this significant organization, and ensure the continuance of affordable space for the artists who rely on this venue to support their living, and for marginalized communities who create and demonstrate their culture here. These are emergency funds to alleviate the impact of the tax increase over 18 months until December 2020. At that time it is hoped policy changes to the tax system will be moving forward allowing Red Gate to run more sustainable operations in the future.

Next Steps

Affordable Spaces Grant

Later this year, Cultural Services staff will be launching the new Affordable Cultural Spaces Grants to support non-profit space operators providing subsidized affordable space for professional artists and cultural organizations. In the short term, this new grant stream is intended to also provide critical one-time funding to assist arts and cultural non-profit organizations in crisis due to escalating land values.

Financial

The total recommended grant allocation of \$27,000 is drawn from the new *Culture|Shift* funds approved in the 2020 Cultural Grants Operating budget, specifically the \$300,000 of new funding to support the Affordable Spaces Grant, as part of *Making Space for Arts and Culture* report.

Table 1: 2020 Affordable Spaces Grant Budget

Program Stream	2020 Budget	Rec'd in this Report	Balance
Affordable Spaces Grant	\$300,000*	\$27,000	\$273,000

**part of the new Culture|Shift funds for 2020 (\$475,000)*

CONCLUSION

The one-time, critical funding to Red Gate, recommended in this report address urgent space needs in Vancouver's arts and culture community, and is in accordance with the priorities outlined in *Culture|Shift*, *Making Space for Arts and Culture*, and the *Vancouver Music Strategy*.

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