Minutes - Executive Policy Committee – July 19, 2006

Minute No. 573
Report - Standing Policy Committee on Property and Development – July 13, 2006

Item No. 3 Rainbow Stage (1993) Inc. – One Year Lease Agreement
File FI-2.2(34)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submits the following to Council:

1. That the request to forgive the Rainbow Stage (1993) Inc. rent arrears of $15,681.00 for 2005 and to waive the rent for the Kildonan Outdoor Theatre for 2006 be denied.

2. That the terms and conditions for a new lease agreement between the City and Rainbow Stage (1993) Inc. as referenced in the report from the Director of Planning, Property and Development dated July 11, 2006, be approved, subject to the payment of all outstanding rent arrears.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Pursuant to Section 205(2) of The City of Winnipeg Charter, disposal of land owned or acquired by the City for park or cemetery purposes requires approval by two-thirds of all Members of Council.

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DECISION MAKING HISTORY:

Moved by Councillor De Smedt,
That the recommendation of the Standing Policy Committee on Property and Development be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On July 13, 2006, the Standing Policy Committee on Property and Development concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

RE: **Rainbow Stage – Proposed Terms and Conditions for a One (1) Year Lease Agreement With Rainbow Stage (1993) Inc.**
Lord Selkirk West Kildonan Community
Mynarski Ward

FOR SUBMISSION TO: Standing Policy Committee on Property and Development

ORIGINAL REPORT SIGNED BY: Director of Planning, Property and Development

REPORT DATE: **July 11, 2006**

RECOMMENDATION:

1. That the request to forgive the Rainbow Stage (1993) Inc. rent arrears of $15,681 for 2005 and to waive the rent for the Kildonan Outdoor Theatre for 2006 be denied.
2. That the proposed terms and conditions for a new lease agreement between the City and Rainbow Stage (1993) Inc. as referenced herein, be approved, subject to the payment of all outstanding rent arrears.
3. That the Proper Officers of the City be authorized to do all things necessary to achieve the intent of the foregoing.

Report Summary

Key Issues:

- Between 1993 and 2005, Rainbow Stage (1993) Inc. (hereinafter referred to as "Rainbow Stage") leased the outdoor theatre from the City for the production of outdoor musical shows. During 2005, the City and Rainbow Stage had been in negotiations for a new lease agreement. However, as a result of choosing an unknown show, the Tenant indicated that show attendance was only 17,000 as compared to an average summer show attendance of 30,000. In addition, the Rainbow Stage production of Miss Saigon fell 20% short of expected attendance. As a result, Rainbow Stage incurred an operating loss of $443,442 on sales of $2.126 million, leaving the entity with approximately $88,329 in cash and temporary investments.

- Rainbow Stage encountered financial difficulty and subsequently implemented a recovery plan, which included fundraising, payment of creditors, and a change in marketing strategy.

- Rainbow Stage Inc. wishes to enter into a new one (1) year lease agreement with the City for the use of the Kildonan Outdoor Theatre located in Kildonan Park in accordance with the proposed terms and conditions stated herein and have requested that the City waive the rent owing for 2005 ($15,681.00) and to reduce the rental rate to $1.00 for 2006. The Administration has reviewed the entire matter and is not supportive of waiving the 2005 rent arrears or to reduce the rental rate for 2006.

Implications of the Recommendation(s):

General Implications

( ) None

(x) For the organization overall and/or for other departments

(x) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

Rainbow Stage has been operating the Kildonan Outdoor Theatre facility since 1993. The Facility has operated at Kildonan Park since the 1950's and is an attractive amenity within the Park. The request to enter into a one-year lease agreement will provide for the continued operation of this amenity during 2006 and an opportunity for Rainbow Stage to execute its recovery plan with a view to moving forward with its stated direction in the future.

Policy Implications

(x) No

( ) Yes

Comment(s):

Regulatory Implications

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(x) No

( ) Yes

Comment(s):

Human Resources Implications

(x) No

( ) Yes

Comment(s):

Financial Implications

(x) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s):

Report

REASON FOR THE REPORT:

The leasing of parkland requires a 2/3-majority vote of Council.

HISTORY:

At its meeting held on March 23, 1994, Council approved terms and conditions for a five (5) year lease agreement, including a five year renewal option, with Rainbow Stage (1993) Inc. (Rainbow Stage). The particulars of the property and terms of agreement are referenced in the attached Appendix "A". Between 1994 and the fall of 2005, Rainbow Stage operated and managed the Kildonan Outdoor Theatre facility.

At its meeting held on February 1, 2005, the Standing Policy Committee on Property and Development approved the terms and conditions for a one month term lease agreement with D. Schur for the production of "Strike", at the Kildonan Outdoor Theatre.

By letter dated December 2, 2005, Rainbow Stage notified the Planning, Property and Development Department that it was in financial difficulty and was formulating a recovery plan, which included: fundraising (benefit concert, lottery), payment of creditors, change in marketing strategy (advance ticket sales, producing a known show in 2006 – Wizard of Oz) and a request to enter into a One (1) Year Lease Agreement with the City for the use of the Kildonan Outdoor Theatre in 2006.

By letter dated January 16, 2006, the Planning, Property and Development Department requested additional information from Rainbow Stage regarding the operation of the Kildonan Outdoor Theatre facility.

By letter dated April 4, 2006, Rainbow Stage provided a response to the Planning, Property and Development Department's request for additional information.

By letter dated May 5, 2006, the Planning, Property and Development Department requested Rainbow Stage to clarify certain financial information and provided the proposed terms and conditions for a one-year lease agreement.

By letter dated June 2, 2006, Rainbow Stage provided additional information regarding 2006 Operations and written concurrence to the proposed terms and conditions for a one-year lease agreement.

DISCUSSION:

Rainbow Stage (1993) Inc. – 1993 - 2005

1. Background:

The Kildonan Outdoor Theatre is a covered stage facility located on Peguis Drive in Kildonan Park as shown on the attached Misc. Plan 11496. The facility is comprised of a 2,292 seat theatre, stage, orchestra pit, dressing rooms, workshop and backstage storage area.

Rainbow Stage identified a new direction for the Theatre in 1998 comprised of three development phases. Phase 1 consisted of identifying thirteen (13) musical plays to be remounted by Rainbow Stage and to mount new musicals that had not been produced previously. The performances were targeted to new audiences in select age groups in order to attract larger audiences to the summer productions. Phase 2 involved the need to establish a grassroots linkage with high school actors, singers, dancers, musicians and designers. Rainbow Stage established scholarships for students and awards to schools. It also provides scholarships through the Winnipeg Music Festival and Dance Manitoba Junior and Senior Musical Theatre Scholarships. Phase 3 involves the development of a Festival of New Musicals. This phase would emphasize Manitoba and Canadian works and is proposed to be an annual ten (10) day event at the Theatre.

Rainbow Stage has operated the Theatre for approximately twelve (12) years. In 2004, Rainbow Stage had revenue of $1.90 million and expenses of $1.76 million on operations resulting in a surplus of $143,256.00. A review of the 2004 financial statements indicates that it had assets of $952,964 and liabilities of $250,904 resulting in equity of $702,060.00.

2) Rainbow Stage - 2005 Operations and Changes to 2006 Operations:

In 2005, Rainbow Stage produced Miss Saigon and Good News. The Treasurer and Executive Producer reported that, as a result of staging of an unknown show (Good News) and competition from other productions in 2005 (“Strike” and “Mamma Mia”) and the newly opened MTS Centre, show attendance was only 17,000 versus a historical average of 30,000. In addition, the attendance for Miss Saigon was 20% lower than anticipated. As a result, Rainbow Stage is unable to continue the full implementation of its development plan and is in a financial recovery mode. As reported in the 2005 audited financial statements, Rainbow Stage incurred an operating loss of $443,442 on sales of $2.126 million and leaves the entity with approximately $88,329 in cash and temporary investments.

As at the period ending October 31, 2005, Rainbow Stage owed the following:

- Accounts Payable $186,000
- Pantages Theatre $39,000
- Assiniboine Credit Union Loan of $122,000

In order to discharge the short-term liabilities, Rainbow Stage set out to fundraise as follows:

- Organized a benefit concert resulting in net proceeds of $48,000;
- Implemented a lottery resulting in net proceeds of $37,000;
- Raised $35,000 in sponsorships and have ongoing discussions to raise additional funds up to $100,000;

- Rented out the Beauty and the Beast Sets and costumes resulting in $40,000 in rent proceeds; and
- Requested the City to waive the rent owing for 2005.

As a result, Rainbow Stage reduced its accounts payable from $186,000 to $95,000. The remaining balance is comprised of $50,000 owed to two creditors, who have agreed to wait until the end of 2006 season to be paid and $16,000 owing to the City for 2005 rent. The remaining balance of $29,000 is to be paid within the next three weeks to creditors, as reported in their letter dated June 2, 2006.

In 2006, Rainbow Stage made changes to its Operating Plan as follows:

- Assessed the theatre entertainment market for 2006 and determined that the Phantom of the Opera, in the fall, and the production of Chicago (targeted to an adult audience) will not compete with the market for a known show (Wizard of Oz) during the August 2006 period;
- Adjusted the percentage of total revenue from ticket sales to 65% (2006) from $95% (2005); and,
- Proceeded with a strategy of advance ticket sales which has resulted in sales of $110,000 and $40,000 in reserved accredited group sales;

The Projected Financial Statements for 2006 are attached as Appendix “B” and are summarized as follows:

- Projected revenue is $1.12 million and expenses of $854,900 resulting in a surplus of $252,900;
- Ticket sale revenue comprises 65% of total estimated revenue;
- Includes new revenue from corporate sponsorship $100,000; benefit concert $48,000; lottery revenue of $60,000; and rental of sets $40,000; and,
- Promotion costs have been reduced from $354,000 (2005) for three shows to $125,000 for one show (2006).

The Department has reviewed the above and provided observations relative to Rainbow Stage revenue and expenses for the years 2004, 2005, and projected 2006. Based on the limited financial history available, the results of this analysis are that the projected net profit of approximately $250,000 is not unreasonable. A profit margin of 21% compared to 8% in 2004 (2005 is considered an anomaly) suggests that Rainbow Stage may not need the financial concessions they are requesting. Of course, there are risks inherent in predicting future results and a word of caution should be made that actual results may vary from the information presented and the variation may be material in nature.

Departmental Comment:

Based on current results, Rainbow Stage appears to be implementing operational changes, which have resulted in the ability to discharge outstanding debts in an orderly manner and to produce a show in 2006.

3) Proposed One Year Lease Agreement with Rainbow Stage (1993) Inc.

The Department has reviewed the request from Rainbow Stage (1993) Inc. dated April 4, 2006 and identified several issues, which require consideration.

As part of their request, Rainbow Stage has asked that the City replace the dimmer switches. The Department advises that although the City was responsible to maintain same in the former Lease Agreement, which expired on September 7, 1998, it does not have the financial resources to maintain or replace this equipment. The estimated cost to replace the dimmer switches is $150,000.00. It has been further determined that it is not feasible to repair the existing lighting and dimmer switch system. As such, it does not support the request to maintain the switches.

In regards to the request to waive the 2005 rent owing of $15,681.00 and the proposal to rent the theatre facility in 2006 for $1.00, the Administration advises that it does not support the request as Rainbow Stage had agreed to pay the stated rent for 2005 and that the payment of annual rent is intended to offset the City's costs for maintaining the stage. With respect to 2006 Operations, the Administration reports that Rainbow Stage is projecting a surplus of $252,900 from which the rent may be paid.

Rainbow Stage is still requesting that the outstanding 2005 rent be waived and that the 2006 rent be reduced to $1.00. Notwithstanding, the Administration and Rainbow Stage (1993) Inc. have reached an agreement on the above referenced leasing issues proposed terms and conditions for a new lease agreement as follows:

Owner:	City
Tenant:	Rainbow Stage (1993) Inc.
Location:	Kildonan Park
Description:	Outdoor Theatre as shown on Plan 11496
Purpose:	Outdoor Theatrical Performances
Commencement:	June 20, 2006
Term:	One (1) year ending June 19, 2007
Cancellation:	Upon default of covenants
Season:	June 20 to September 2, 2006
Rent:	$15,681.00 per annum plus 2005 CPI
Insurance:	To indemnify the City, provide Comprehensive General Liability Policy with City to be named as additional insured with cross liability and a minimum limit of $2,000,000.00 all-inclusive and an "All Risks" property insurance policy for full replacement cost insurance for all equipment, props, furnishings and other goods and materials owned by or for which the Tenant is responsible
Tenant Resp:	Responsible for all disbursements and revenues, set price schedule to ensure all persons in the community may attend, perform minor alterations and painting with consent of the Director of Public Works, right to offer non-food souvenir sales program, right to hold up to two fund raising events provided that provision of food services for such events is not in conflict with the terms of any existing food concession agreement, right to sell alcoholic beverages.
City Resp:	To make Rainbow Stage available for the rehearsal and presentation of musical productions; responsible for maintaining Rainbow Stage in a fit condition excepting the sound and lighting equipment used by Rainbow Stage (1993) Inc.; to pay utilities and to be responsible for facility booking outside of season dates.

Given that Rainbow Stage has developed and implemented a recovery plan, a new operating plan, alternative entertainment venues, productions and timing of same, and produced financial projections, which appear to be conservative with some limited risk associated with new revenue sources, the Planning, Property and Development Department is supportive of recommending that the City enter into a new one year lease agreement with Rainbow Stage (1993) Inc.

Financial Impact Statement

Date: July 5, 2006

Project Name:
Rainbow Stage (1993) Inc.

First Year of Program 2006

	2006	2007	2008	2009	2010
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	15,681	-	-	-	-
Net Cost/(Benefit)	$ (15,681)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(15,681)	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The proposed rental rate does not include CPI or GST.

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

Public Works Department

Corporate Finance Department

Legal Services Division as to legal issues

External Consultation With:

Rainbow Stage (1993) Inc.

THIS REPORT SUBMITTED BY:

Department: Planning, Property and Development
Division: Real Estate
Prepared by: D. Armstrong
PPD File No.: 4273

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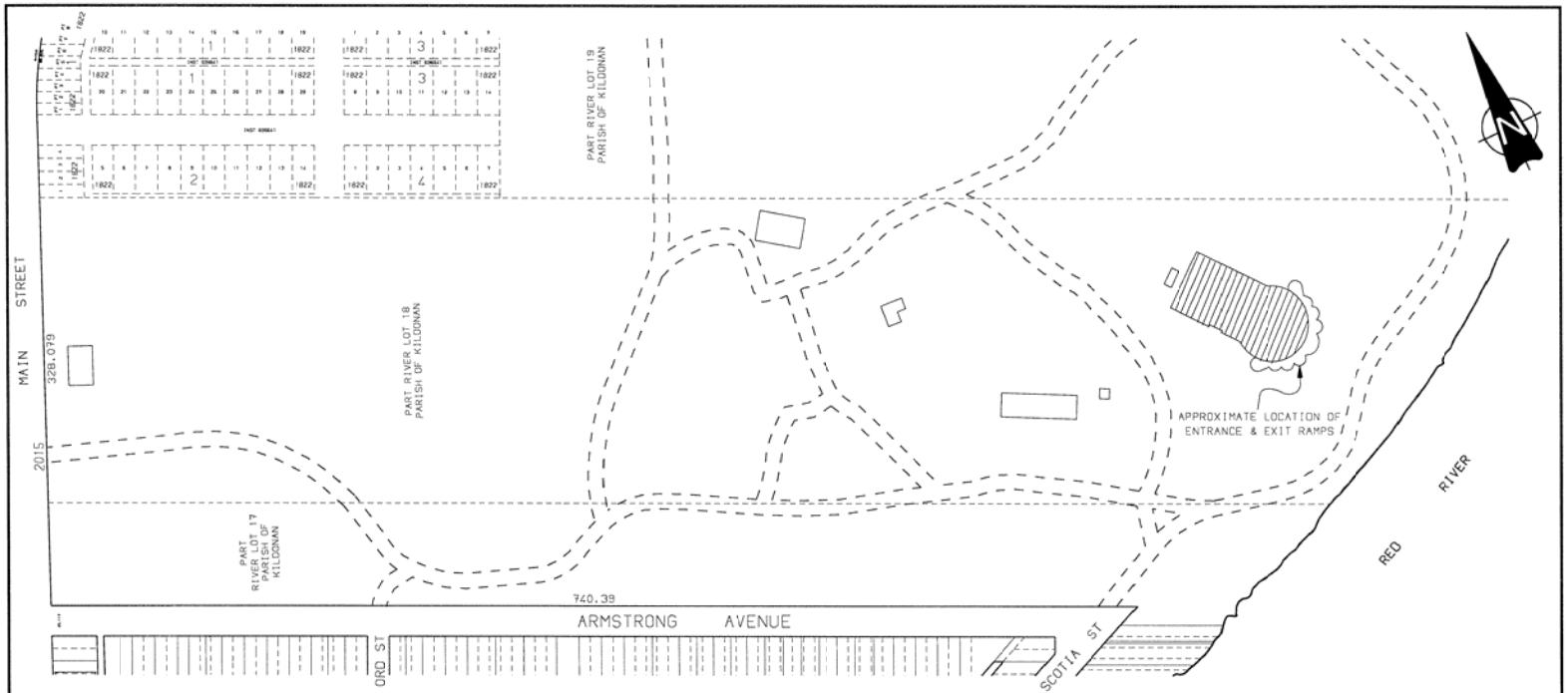
Appendix "A"

Owner:	City
Tenant:	Rainbow Stage (1993) Inc.
Location:	Kildonan Park
Description:	Outdoor Theatre as shown on Plan 10703
Purpose:	Outdoor Theatrical Performances
Commencement:	May 1, 1994
Term:	5 years ending September 7, 1998
Renewal:	one (1) – five year term commencing May 1, 1999 and ending on Labour Day Monday 2003
Rent:	$12,000.00 per annum plus annual CPI
Insurance:	To indemnify the City and provide CGL with City to be named as additional insured with cross liability and a minimum limit of $1,000,000.00 all-inclusive
City Resp:	To make Rainbow Stage available for the rehearsal and presentation of musical productions; responsible for maintaining Rainbow Stage in a fit condition excepting the sound and lighting equipment used by Rainbow Stage (1993) Inc.; to pay utilities; right to book exclusive use on four Mondays in each production season
Tenant Resp:	To pay an annual user fee of $12,000.00 plus CPI; responsible for all disbursements and revenues, to set price schedule to ensure all persons in the community may attend, to perform minor alterations and painting with consent of the General Manager, right to offer non-food souvenir sales program, right to hold up to two fund raising events provided that provision of food services for such events is not in conflict with the terms of any existing food concession agreement, right to sell alcoholic beverages.



NOTES
Area calculation of lease is based on aerial photography.
Location of entrance and exit ramps are approximate based on aerial photography and would require a legal survey to determine exact locations.
All dimensions are approximate.
No warranty is expressed or implied regarding the accuracy of such information.

RAINBOW STAGE FACILITY
AREA = 3800± SQ.M. (40990± SQ.FT.)

This is the Plan referred to as SCHEDULE 'A'

Planning, Property and Development Dept.

METRIC

CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.

SCALE: 1:3200	DATE: 02-MAR-18	DISTRICT: LSWK
ATLAS: C13D4	FILE: 4273	

MISC. PLAN No.: 11496

BXR (LIB9)

Rainbow Stage (1993) Inc
Cash Flow, Revenue and Expense, and Net Worth- January 1, 2006 to October 31, 2006

	Jan. 1	January	February	March	April	May	June	July	August	September	October	Nov-01	Total
Cash on hand, start	15,000	6,600	17,100	80,000	35,900	72,900	181,200	253,620	100,920	90,320	94,920	94,920	
Accounts payable- Pantages	-39,000	-39,000	-39,000	-39,000	0								
Accounts payable-all other	-186,000	-178,000	-170,000	-118,100	0								
Capital Assets	334,000	327,000	320,000	313,000	306,000	299,000	292,000	285,000	278,000	271,000	264,000	264,000	
Loan- Ass Credit Union	-122,000	-122,000	-122,000	-122,000	-122,000	-119,000	-116,000	-113,000	-110,000	-107,000	-104,000	-104,000	
Net worth	2,000	-5,400	6,100	113,900	219,900	252,900	357,200	425,620	268,920	254,320	254,920	254,920	
Revenue:													
Province of Manitoba						35,000							35,000
WAC			12,000			28,000							40,000
Corporate Sponsorships		5,000			20,000	25,000	25,000	25,000					100,000
General Donations				3,000	2,000	5,000							10,000
Norwood Beef on a Bun		1,200	500	2,000	2,000								5,700
March 9 concert, net			15,000	33,000									48,000
Lottery				10,000	50,000								60,000
Sale/Rental Beauty sets					40,000								40,000
Ticket sales-Wizard				80,000	20,000	20,000	180,000	260,000	180,000				740,000
Guaranteed ticket sales- Previews								44,000					44,000
Royalties				-9,600	-2,400	-2,400	-21,600	-36,480	-21,600				-94,080
50/50									6,000				6,000
Program sales									16,000				16,000
Program ads							5,000	5,000	6,000				16,000
Encore										10,000	23,200		33,200
Songs of Remembrance				8,000									8,000
Total Revenue		6,200	27,500	126,400	131,600	110,600	188,400	297,520	186,400	10,000	23,200		1,107,820
Expenses:													
Staff- Production activities		2,400	2,400	3,000	6,000	8,000	9,000	9,000	8,000	5,500	5,500		58,800
Staff- Box office				2,000	500	500	6,000	6,000	6,000	2,000	0		23,000
Staff- Support for show and office					6,000	6,000	6,000	6,000	6,000	6,000	6,000		42,000
Interest		600	600	600	600	600	600	600	600	500	500		5,800
Insurance		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		10,000
Rent		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500		15,000
Phones and other office		1,100	1,100	1,100	2,000	2,000	2,000	2,000	2,000	1,100	1,100		15,500
Administrative contingencies					1,000	1,000	1,000	1,000	1,000				5,000
Depreciation		7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000		70,000
Production costs-Wizard						30,000	30,000	160,000	270,000				490,000
Promotion costs-Wizard			2,400	2,400		20,000	20,000	20,000					64,800
Production contingencies									20,000				20,000
Promotion contingencies									5,000				5,000
Program costs								10,000					10,000
Front of House								5,000	15,000				20,000
Total Expenses		13,600	16,000	18,600	25,600	77,600	84,100	229,100	343,100	24,600	22,600		854,900
Net income		-7,400	11,500	107,800	106,000	33,000	104,300	68,420	-156,700	-14,600	600		252,920

Appendix "B"