Report - Standing Policy Committee on Property and Development - June 26, 2007

Item No. 25 Rainbow Stage (1993) Inc. - Terms and Conditions for Two-Year Lease Agreement
(Mynarski Ward)
File FI-2.2(34)

STANDING COMMITTEE RECOMMENDATION:

On July 11, 2007, 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 terms and conditions for a new two-year lease agreement between the City and Rainbow Stage (1993) Inc., as outlined in the report from the Acting Director of Planning, Property and Development dated June 18, 2007, be approved.

2. That the long term negotiating framework, as outlined in the report from the Acting Director of Planning, Property and Development dated June 18, 2007, be approved.

3. That the Proper Officers of the City be authorized to do all things necessary to achieve 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.

Report - Standing Policy Committee on Property and Development - June 26, 2007

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 11, 2007, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On June 26, 2007, 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 Two (2) 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: June 18, 2007

RECOMMENDATION:

1. That the proposed terms and conditions for a new two (2) year lease agreement between the City and Rainbow Stage (1993) Inc. as referenced herein, be approved.
2. That the proposed long term negotiating framework, as referenced herein, be approved.
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:

- Rainbow Stage Inc. wishes to enter into a new two (2) 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. In addition to the rent in the amount of $16,410.48, an additional payment of $1.00 per patron will be paid to be used to fund capital repairs to the facility. Based on last year's attendance, this could add an additional rental amount of approximately $33,000.00 per year in 2007 and 2008.

- Rainbow Stage was constructed in 1951 and renovated in 1976. In 2005, the Public Works Department obtained a detailed inspection of the Rainbow Stage Facility from Vanderwell Facility Advisers (VFA) and determined that it requires approximately $1.07 million in repairs over the next five years. In 2006, the Public Works Department completed the life safety work outlined in the facility assessment at an approximate cost of $95,000.

- As part of negotiating a new lease agreement, the Department approached Rainbow Stage (1993) Inc. to ascertain its willingness to participate in generating external funds to complete the required repairs. The Tenant has agreed to enter into discussions with the City and to develop a ten (10) year business plan for the management, development, repair and operation of the facility and to subsequently formulate and develop a capital campaign to raise funds for capital repairs and other financial campaigns to sustain operations to be set out in a business plan.

- As a result, the Public Service has developed proposed principles for a long-term negotiating framework to guide the discussions as referenced herein to obtain public good objectives, regional park enhancements, management autonomy, facility maintenance and self sufficiency and by this report, is seeking approval of same. It should be noted that a long-term agreement would be subject to Council Approval.

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):
The Facility has been operated at Kildonan Park since the 1950's and is a valued amenity within the Park. Rainbow Stage (1993) Inc. has been operating the Kildonan Outdoor Theatre facility since 1993 and has requested a two-year lease agreement to provide for its continued operation in 2007 and 2008. In addition, Rainbow Stage (1993) Inc. has agreed to enter into discussions with the City regarding a long-term lease.

Policy Implications

(x) No

( ) Yes

Regulatory Implications

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Environmental Implications

(x) No

( ) Yes

Human Resources Implications

(x) No

( ) Yes

Financial Implications

(x) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Report

REASON FOR THE REPORT:

In accordance with the Council Order of July 18, 1979, the Standing Policy Committee on Property and Development shall authorize the leasing or rental of City properties for which the Director of the Planning, Property and Development Department has no authority. In this regard, the Department has negotiated a proposed lease in favour of Rainbow Stage (1993) Inc. for the use of Rainbow Stage identified as "Leased Area" on the attached Misc. Plan No. 11496. This report seeks the Committee's approval of the lease as negotiated and a proposed long term negotiating framework.

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). Between 1994 and the fall of 2005, Rainbow Stage operated and managed the Kildonan Outdoor Theatre facility.

At its meeting held on July 13, 2006, the Standing Policy Committee on Property and Development approved the proposed terms and conditions for a one year lease agreement with Rainbow Stage (1993) Inc.

DISCUSSION:

1) Background Rainbow Stage (1993) Inc. – 1993 – 2006:

Rainbow Stage 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 has operated the Theatre for approximately fourteen (14) years. For the period between January 1 through March 31, 2007, Rainbow Stage had revenues of $208,976 and expenses of $250,619 on operations resulting in a deficit of $41,643. A review of the Financial Statements ending March 31, 2007 indicates that it had assets of $617,593 and liabilities of $216,250 resulting in equity of $401,343.

2) Rainbow Stage – 2006/7 Operations:

In the winter of 2007, Rainbow Stage (1993) Inc. ran the Grease production at the Pantages Theatre and is planning to produce the Sound of Music at Rainbow Stage in summer. This production plan is based on its strategic plan to expand its market share by implementing a winter production at the Pantages Theatre and a summer classical at the Rainbow Stage.

In addition, the Tenant is planning to market unused capacity at Rainbow Stage to smaller productions in 2007 and beyond.

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

Following the completion of the 2006 season, the Public Service and Rainbow Stage (1993) Inc. initiated discussions for a new lease agreement. Agreement on the proposed terms and conditions for a new two (2) year lease agreement has been reached as referenced below:

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, 2007
Term:	Two (2) years ending June 19, 2009
Cancellation:	Upon default of covenants
Season:	June 20 to September 2, 2009
Rent:	(2007) - $16,410.48. per annum plus $1.00 per ticket (estimated at $33,000) (2008) – $16,410.48 per annum plus 2007 CPI plus $1.00 per ticket
Realty Taxes:	Exempt under By-law 89/2005
Insurance:	To indemnify the City, provide Comprehensive General Liability Policy with City to be added as additional insured, to include cross liability, and a minimum limit of $2,000,000.00 inclusive and other endorsements deemed appropriate, as well as, 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.

4) Required Facility Maintenance:

In 2005, the Public Works Department (Building Services and Parks and Open Space Divisions) obtained a Facility Assessment of Rainbow Stage from the Vanderwell Facility Advisers (VFA).The major findings of the Report were as follows:

- The Facility has a replacement value of $4.9 million;
- Approximately $1.07 million in repairs are needed;
- The Facility Condition Index (FCI) is 0.19 (ratio of deferred maintenance over replacement) The closer to 1.0 the more economical it is to replace the building;
- Identified the most immediate requirements as being life safety issues including: fire egress, refurbishing aged fire alarm and safety systems*;*
- With respect to the remaining maintenance items, Rainbow Stage (1993) Inc. indicated that additional repairs would be beneficial to the operation of the Theatre including repairs to the plumbing, showers, toilets in the 2nd and 3rd floor west tower, dressing rooms, air conditioning for the east and west towers as well as the main floor dressing rooms, painting of the proscenium walls (stage perimeter walls) and sides, as well as the maintenance and extension of the catwalks, extension of the passer ella (wall separating the orchestra pit and stage) as well as the orchestra pit, steel decks, for both sides of the lower bowl, purchase and installation of lighting and dimmer switches, and extension of the mezzanine floor in the carpentry shop.

As a result, there is a deferred maintenance gap of approximately $1.06 million plus the cost of the additional repairs as referenced by Rainbow Stage (1993) Inc.

5) Proposed Long-Term Negotiating Framework:

Since 1993, the City has been supporting Rainbow Stage (1993) Inc. in the operation of Rainbow Stage in Kildonan Park as follows:

- provided annual cultural grant through Winnipeg Arts Stabilization Fund;
- entered into various lease renewals and short-term lease agreements;
- completed annual facility maintenance;
- paid utility costs; and,
- provided security.

After considering the nature of this ongoing support and the need for capital repairs at the facility, the Public Service is of the opinion that the City needs to change its relationship with Rainbow Stage (1993) Inc. from the traditional landlord/tenant to a more contemporary style wherein the Tenant migrates to an operating partnership position. By changing the relationship, it will provide increased autonomy to the Tenant and the basis for securing capital funding for repairs and operations.

Coincident with the discussions for a two year lease agreement, the Public Service initiated preliminary discussions with Rainbow Stage (1993) Inc. regarding the long-term. The Tenant indicated a willingness to develop a new relationship with the City, wherein, they would assume the responsibilities for the management, planning, operation, repair and financing of the repairs and operations of the facility.

In this regard, the Public Service is requesting approval to enter into formal negotiations with Rainbow Stage (1993) Inc. for the development of a ten (10) year lease agreement to commence in 2009 or earlier within the following parameters:

- Public Good and Access

  To market and operate the Rainbow Stage Facility in such a manner so as to obtain the greatest amount of public benefit to all citizens of Winnipeg by providing a cultural and entertainment venue, which is accessible to all as part of the programs, services and activities available in Kildonan Park and an opportunity for the development of local actors and musicians in local theatre production.

- Regional Park Enhancement

  To improve the profile and image of Kildonan Park within the regional park system by enhancing the outdoor theatre concept and the overall attractiveness of the park as a destination within the existing physical carrying capacities of the park systems.

- Management Autonomy

  To be given the authority and responsibility to manage and develop the Rainbow Stage Facility over the next ten years, including the ability to establish endowments and reserves and to implement fund raising campaigns and this would be subject to Council Approval.

- Facility Repair

  To formulate a maintenance plan to complete all outstanding facility maintenance and to obtain the required financing.

- Self Sufficiency

  To complete a business plan to guide the orderly management and operation of the Rainbow Stage Facility with a view to becoming self-sustaining and to establish the appropriate endowments and reserves to fund future operations and facility repairs.

Financial Impact Statement

Date: June 1, 2007

Project Name:

First Year of Program **2007**

Rainbow Stage – Proposed Terms and Conditions for a Two (2) Year Lease Agreement with Rainbow Stage (1993) Inc.

	2007	2008	2009	2010	2011
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	$ 16,500	$ 33,000	$ 16,500	$ -	$ -
Less: Incremental Revenue/Recovery	24,705	49,902	25,205	-	-
Net Cost/(Benefit)	$ (8,205)	$ (16,902)	$ (8,705)	$ -	$ -
Less: Existing Budget Amounts	(8,205)	(16,902)	(8,705)	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Revenues in 2007 consist of rent of $16,410 prorated by 50% to reflect the late June commencement date + $16,500 in funds collected to pay for capital repairs (i.e. $33,000 per annum prorated by 50%). Revenues in 2008 include the $16,410 in rent increased by 3% for inflation (i.e. $16,902) + the full $33,000 collected for capital repairs while 2009 includes $16,902 increased by 3% for inflation and prorated by 50% to reflect the late June expiration of the lease and $16,500 collected for capital repairs. Direct costs each year represent the transfer of funds collected for capital repairs to a reserve account.

"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

Internal Services 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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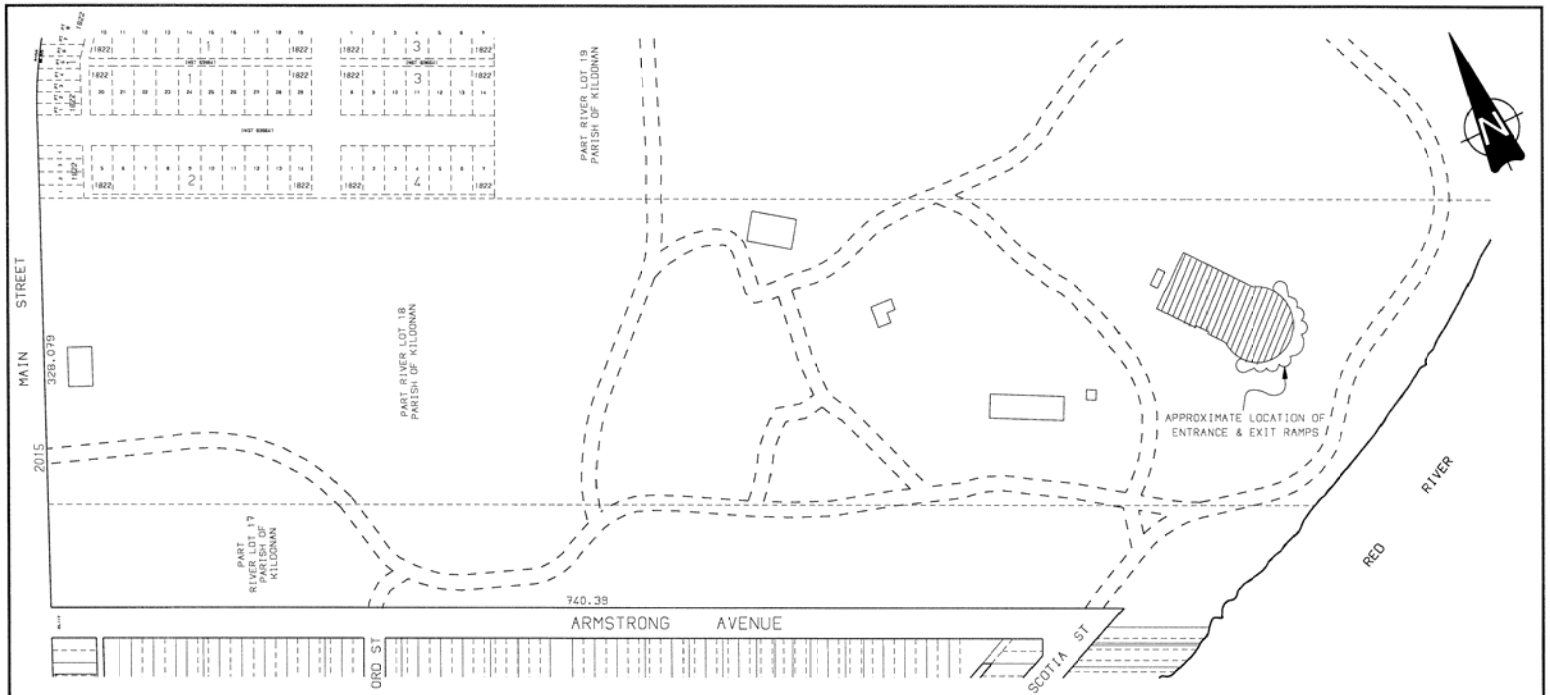

NOTES
Area calculation of lease is based on aerial photography.
Location of entrance and exit ramps are approximate based on aerial photography and would require a legal survey to determine exact locations.
All dimensions are approximate.
No warranty is expressed or implied regarding the accuracy of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

BAR (L189)