



Art Gallery of Regina Lease - 2402 Elphinstone Street

Date	July 7, 2021
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Land, Real Estate & Facilities
Item No.	EX21-47

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Approve the City of Regina entering into an agreement for the lease of a portion of the City-owned property located at 2402 Elphinstone Street as outlined on the attached Appendix A to The Art Gallery of Regina, consistent with the terms and conditions stated in this report.
2. Delegate authority to the Executive Director, Financial Strategy & Sustainability or his or her designate, to negotiate any other commercially relevant terms and conditions, as well as any amendments to the Agreement that do not substantially change what is described in this report and any ancillary agreements or documents required to give effect to the Agreement.
3. Authorize the City Clerk to execute the Agreement upon review and approval by the City Solicitor.
4. Approve these recommendations at its meeting on July 14, 2021, following the required public notice.

ISSUE

The Art Gallery of Regina (AGR) has occupied the space at the Neil Balkwill Civic Arts Center (NBCAC) since 1984 at the request of the City of Regina (City) with the most recent lease expiring on March 31, 2021. Administration would like to continue this relationship to provide for art gallery exhibitions in this space.

When considering the lease of City-owned property, standard procedure for Administration is to ensure that the property is made publicly available and leased at market value. In this case, the space is being provided without a public offering and at less than fair market value, which requires City Council approval. Administration is also recommending that the operating costs charged to AGR related to the space be capped at \$13,000. Administration is asking City Council to approve the terms and conditions of the proposed lease agreement with the AGR for this space.

IMPACTS

Financial Impacts

The market value of the lease area is approximately \$19,596 annually. The proposed agreement would provide a \$1 lease to the AGR. The AGR will, however, pay \$13,000 annually for common area/operational costs. Costs are charged to AGR monthly. Over the past four years the average common area/operational costs were \$13,597 with 2020 being the highest at \$15,572. The City has paid the difference between what AGR paid and the actual costs and would continue to do so under this agreement. The AGR is not assessed annual property tax as they have been deemed an extension of City Services and are exempt under section 265(1.1) of *The Cities Act*. The estimated amount of this exemption is \$3,261 for the 2021 tax year.

The AGR also receives an annual grant via the Community Investment Grant Program. They have applied for and been approved for a Community Partner Grant – Core Operating 4-year agreement as follows:

Funding Year	Amount
2021	\$82,000
2022	\$82,820
2023	\$83,648.20
2024	\$84,484.68

The AGR has also recently been approved for the New Initiative Grant for 2021 – 2022 for wall renovations in the amount of \$15,657.

Policy/Strategic Impacts

The lease of the subject property to the AGR is consistent with the OCP Section D8: Culture by supporting cultural development and heritage, fostering and promoting inclusion via the exhibits promoted and encouraging and supporting accessibility to cultural resources, learning opportunities and activities by providing for free admission to all exhibitions and affordably-priced public workshops.

The lease of the subject property also aligns with Section 10: Economic Development, Goal 3, Clause 12.7.3.

“Consider leasing or selling City-owned properties for use as live-work spaces, studio space and offices for arts organizations.”

Environmental Impacts

City Council set a community goal for the City of achieving net zero emissions and sourcing of net zero renewable energy by 2050. In support of this goal, City Council asked Administration to provide energy and greenhouse gas implications of recommendations so that City Council can evaluate the climate impacts of its decisions. The recommendations in this report have limited direct impacts on energy consumption and greenhouse gas emissions.

OTHER OPTIONS

Option 1

The City could provide the lease free of charge including the common area/operational costs. This is not recommended as the City already provides substantial grants to the AGR as outlined above in the Financial Impacts. The City does not typically cover the costs beyond providing space for community groups in our facilities, with the exception of the four community association offices where the City does pay the common area/operational costs.

Option 2

The City could agree to the \$13,000 base cost and provide an annual reconciliation process that would see the AGR billed annually for actual costs over and above the \$13,000. This is not recommended as it could cause undue hardship to the AGR given the current COVID-19 pandemic.

COMMUNICATIONS

Public notice is required for City Council to approve the lease of City-owned property without public offering and below market value. Notice regarding this proposal has been advertised in accordance with public notice requirements.

The AGR will be informed of any decisions of the Executive Committee and City Council.

DISCUSSION

The AGR (previously known as the Rosemont Art Gallery) has operated the subject space since 1984 at the request of the City. Administration values the dedicated work carried out by the AGR and would like to continue the relationship.

The subject area is 1,633 sq ft and is located within the NBCAC. The AGR has developed an excellent working relationship with the NBCAC staff.

The proposed lease is for an initial term of five years commencing on April 1, 2021. The lease will also provide for one option to renew for an additional five-year term. At the time of renewal, a review of the current operating costs incurred will be reviewed and the amount charged to the AGR may be renegotiated.

While the estimated operating costs of \$15,572 are higher than the \$13,000 recommended by administration, it does represent an increase from their previous operating cap of \$11,839. The AGR expressed concern about increasing their operating costs to actuals as the majority of their funding comes from fundraising which has been unavailable due to the pandemic. As a result, administration is recommending that the annual common area/operational costs be capped at \$13,000 for the initial five-year term.

DECISION HISTORY

On March 26, 2012 City Council considered item CR12-31 and approved the existing lease agreement which is due for renewal.

Respectfully Submitted,

Respectfully Submitted,



Shaun Bzdel, Director, Land, Real Estate & Facilities

6/16/2021



Barry Lacey, Exec. Director, Financial Strategy & Sustainability

6/29/2021

Prepared by: Sherri Hegyi, Real Estate Officer

ATTACHMENTS

Appendix A Map