

Summary Report on Phase One



Potential Mixed-Use Redevelopment of the GSAC Site at 455 River Avenue

For Gas Station Arts Centre Inc.

October, 2013

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I. INTRODUCTION

Early in 2013, McKay Finnigan and Associates were invited by the Gas Station Arts Centre (GSAC) to put together a proposal to undertake a study, or perhaps rather an “action plan”, to help identify potential partners to assist in the redevelopment of its property at 445 River Avenue into a mixed-use, pedestrian-oriented complex. The intent was for this project to build upon “A Preliminary Feasibility Study for the Gas Station Arts Centre” which was completed in the fall, 2012 by Andrea Spakowski, University of Manitoba Master of City Planning student, under the guidance of Harry Finnigan. Among other things the latter study concluded that the time seemed to be right for a complete redevelopment of the site in a manner which would both meet the future needs of the GSAC as well as some of the needs/desires of the broader community.

The GSAC recognizes that it is not a developer per se, and that it needs to continue to focus its energies and resources on its core mandate - to build a national reputation as an innovative home for multidisciplinary artistic development. It supports and facilitates innovation and creativity in the arts, guided by the vision of artists from all mediums and at all stages of their respective careers; with a special focus on being an artist’s “first stage”.

While the GSAC first and foremost is an arts organization, it also is a property owner, whose land at the corner of River and Osborne is now ripe for redevelopment. At the outset it was understood that this property could potentially be redeveloped in a much more intensive manner than its current state with a one storey building dominating the site. Indeed, the 2012 preliminary feasibility study concluded that a building of from 4 to 7 storeys potentially could be developed and, depending upon its design, receive the support of the surrounding community.

The overall goal of this project is to assist GSAC in identifying potential partners in the redevelopment of its property. GSAC intends to spearhead a denser development which would be structured in such a way as to:

1. provide a much improved performing arts facility for the GSAC and its tenants;
2. provide the GSAC with a new source of on-going revenue to be allocated toward its operations; and
3. ensure that any future partner(s) and use(s) within a new building complex are compatible with the GSAC’s mission and programming.

The project was divided into three phases as follows:

Phase 1: Confirming GSAC’s Space Needs and Discussions with Potential Development Partners

Phase 2: Consultations with Community and Potential Funders

Phase 3: Proceeding with the Development/Implementation

This report provides a summary of the approach taken and results achieved through Phase 1.

II. TERMS OF REFERENCE

The following work was to be undertaken during Phase 1 of the project:

1. A relatively detailed assessment of GSAC's needs from a facility perspective;
2. A cursory look at the current commercial rental rates in Osborne Village; and
3. Preliminary discussions with up to four potential partners.

It was anticipated that discussions with potential partners would be structured to encourage follow-up with written "Expressions of Interest" outlining their respective needs, what they would bring to the project and what they would provide to GSAC.

III. APPROACH AND METHODOLOGY

An initial meeting with GSAC's Board of Directors was held on May 29, 2013 in order to:

- Confirm GSAC's vision for the future
- Confirm their "likes" and "dislikes" of the current facilities;
- Discuss the pros/cons of development options including all new construction versus renovation/addition to the existing facility;
- Confirm objectives expected to be met by redeveloping the site and entering into partnerships;
- Confirm nature of mixed-use development desired and kind of housing/commercial development preferred (e.g. affordable and/or market housing, rental and/or condo, retail and/or restaurant, etc.)
- Identify criteria to be used in selecting development partners;
- Identify potential development partners to approach; and
- Discuss the pros/cons inherent in outright continued land ownership, long term lease arrangements and/or a combination of the two.

A summary of the direction given to study by the Board is included in Appendix A.

A project steering committee was established to provide guidance and direction for the study and ultimately to assist in the evaluation of various potential development partners which hopefully would emerge through the study. The committee consisted of the following members (all but one of whom is a member of the GSAC's Board of Directors):

Hugh Conacher
Geof Langen
John Silver

Jess Irvine
Colin Lount
Ron Suzuki

Nick Kowalchuk
Vicky Reaney
Rosemarie DeGuzman (Manitoba
Housing)

Three meetings were held with the Project Steering Committee – July 8, July 22, and September 23. Minutes were kept of each meeting; copies of which are available from GSAC’s office.

The first meeting served as an opportunity to discuss and clarify project goals, processes, issues, challenges and overall expectations of the final report. Six (6) potential development partners to be contacted were identified during this meeting and the following criteria were agreed to for use in evaluating/selecting partners:

1. Like-minded/compatible with GSAC;
2. Level of capital and/or on-going revenue able to provide to GSAC;
3. Solid history/track record/trustworthy...; and
4. Meets neighbourhood’s needs in some way/complimentary to the neighbourhood.

Over the summer months feedback on the existing facility was received from representatives of 9 out of the 12 user groups which had been approached (3 provided their input via phone conversations while 6 completed an on-line survey form). Follow-up meetings were held with GSAC staff who were asked to consider each functional area or space within the existing facility and outline their views as to what they felt a “satisfactory” as well as a “preferred” space might look like in terms of size (or square footage).

Once the two scenarios (i.e. “satisfactory” and “preferred” spaces) were confirmed, potential development partners were approached – including representatives of two non-profit organizations and five private sector development companies. Structured meetings were held with five of the potential partners who had expressed an interest in learning more about this development opportunity. Among other things, the two alternative scenarios were presented at these meetings. Written expressions of interest were received from three of these potential partners. A matrix was put together to assist in evaluating each submission in as objective a manner as possible. Members of the Project Steering Committee reviewed the matrix and provided an “overall weighted rating” for each of the six criteria to be used in the evaluation (see Table 1 for a copy of the matrix with the weighted ratings). With the matrix as a guide, at their September 23rd working meeting, the Steering Committee discussed and evaluated each of the final short-listed potential development partners and made their recommendation (to be taken to GSAC’s Board of Directors) on how to proceed.

Table 1: Potential Development Partners for the Gas Station Arts Centre's Property at 455 River Avenue¹

CRITERIA	Overall Weighted Rating (1)	POTENTIAL PARTNERS IN DEVELOPMENT (2)									
		Performing Arts Lodge		Old Grace Housing Co-operative & DSI Tandem		Lakeview Realty of Canada Ltd. & Cohlmeier Architecture		Ventura Land Companies Inc.		Lount Corporation	
		Rating	Weighted Rating	Rating	Weighted Rating	Rating	Weighted Rating	Rating	Weighted Rating	Rating	Weighted Rating
Like-minded/compatible with GSAC.	4.29										
Level of Capital Contribution able to bring to the project <u>Directly</u> .	4.86										
Level of Capital Contribution able to bring to the project <u>Indirectly</u> .	3.71										
Level of on-going revenue able to provide to GSAC.	4.0										
Solid History/Track Record and Trustworthy.	4.57										
Meets neighbourhood's needs/Complimentary to the neighbourhood	3.86										
Total Score											
Final Ranking											

(1) Overall Weighted Rating: The importance of each criteria were weighted where "1" = "Not Very Important" and "5" = "Very Important"

(2) Potential Partner Evaluation: Each partner is evaluated in terms of how the Project Steering Committee feels it meets each criteria on a scale of 1 to 7 where "1" = "Barely Meets Criteria" and "7" = "Fully Meets Criteria" (note: where it is felt a partner simply does not meet a particular criteria it would be given a "0")

¹ It should be noted that this matrix has been developed for discussion purposes only; to help the GSAC make a decision(s) regarding potential partners. The numbers or values inserted will be arrived at via group discussion and may not accurately reflect an individual partner's particular circumstances.

IV. RESULTS

1. Commercial Rental Rates

A cursory investigation indicates that in the Central District, annual rental rates (net) on average are in the range of \$13.50 per square foot (s.f.). A sample of Osborne Village rental rates are as follows¹:

120 Osborne @ \$20/s.f.
134 Osborne @ \$18/ s.f.
230 Osborne @ \$20/ s.f.
470 River @ \$18/ s.f.

It is interesting to note that unit #1 on the main floor of 433 River (Villa Cabrini) recently was listed at \$12/s.f. (net).

2. GSAC – Needs Assessment

A. Development Options/Expectations in General

At their meeting in May, GSAC's Board of Directors set the overall parameters for the redevelopment of the property when they confirmed the following with respect to their vision or expectations:

- GSAC is open to a multi-dimensional and multi-use development
- While the bulk of GSAC's facilities could be accommodated in the lower level of a new building, there is a need for the development to be identified as the home of the GSAC – this possibly could be accomplished via signage and a strong (though limited) at-grade/street presence.
- While there is a desire to accommodate some level of "affordable housing", there is an openness to including market housing in the development (particularly if it would result in additional revenues flowing to GSAC).
- Parking – GSAC would like to provide for what already exists if possible; namely 4 parking stalls (and able to accommodate up to 8 vehicles on the site in a pinch).

¹ Source: The Johnson Report.

B. Existing Situation and Alternative Scenarios for the Future

The existing GSAC building measures approximately 8,835 s.f. and is situated along the northeast portion of the 21,572 s.f. lot. While the bulk of the building (i.e. 7,167 s.f.) is dedicated to GSAC's use (including its 232 seat theatre), nineteen percent of the total floor space (i.e. 1,668 s.f.) is occupied by Subway (GSAC's commercial tenant). Consultations which were conducted through this study with GSAC's tenants/user groups and staff suggest that a more "satisfactory" building would provide for a 250 seat theatre and double the total space (i.e. 14,281 s.f.) for GSAC's purposes, while a "preferred" building would measure some 18,747 s.f. and incorporate a 300 seat theatre.

A detailed breakdown of the existing building and what the two alternative scenarios (i.e. "satisfactory" and "preferred" buildings) might look like, including concept plans, were put together for discussion purposes only and are included in Appendices 'C' and 'D' of this report.

3. Potential Development Partners

After careful consideration, Colin Lount, of the Lount Corporation (which has had a long and successful history of undertaking development projects in Osborne Village) indicated that while he had a keen interest in the proposed project, due to other commitments his firm unfortunately was unable to pursue the GSAC opportunity further.

Written expressions of interest were received from the following:

- Performing Arts Lodge (PAL);
- Old Grace Housing Cooperative (OGHC); and
- Lakeview Realty of Canada (in conjunction with Cohlmeier Architecture Limited)

Copies of each of the written submissions are included in Appendix 'E'. While at their meeting on September 23rd the Project Steering Committee recognized value with all three proposals, a unanimous decision was made to enter into a four-month exclusive option arrangement as proposed by Lakeview Realty of Canada with the understanding that Lakeview would enter into discussions with both PAL and OGHC to determine the feasibility of incorporating them into the final development in a mutually beneficial way. It was also decided that Colin Lount should be extended an invitation to serve as a volunteer on the Project Steering Committee going forward (note: Mr. Lount has since graciously accepted the invitation).

4. Next Steps

Over the next four months the GSAC's Project Steering Committee will need to meet formally on a monthly basis with representatives of Lakeview Realty of Canada. During this time, Lakeview intends to prepare concept drawings and a financial analysis in consultation with GSAC and its Project Steering Committee. Besides determining how the final development might be put together financially and how land ownership/use will be handled, discussions will need to take place with respect to on-going property management, including how common areas/joint use spaces will be managed.

Finally, the time would appear to be right for the GSAC to consult with potential funders and consider engaging the services of a professional fundraiser to help develop a strategy and plan of action for raising the capital which will be required to develop the new theatre and cultural centre as envisaged.
