



projects for students while releasing the City from the financial responsibility of providing the retail space, operational costs, and staff time to manage.

Given the departure of CityStudio (the original purpose of utilizing this rental unit) and the lack of resources to carry out the management activities necessary to permit ongoing use by other groups, SRBD staff recommend returning 709/711 Douglas Street to the real estate portfolio as a new lease opportunity.

## **PURPOSE**

The purpose of this report is to seek Council approval to return 709/711 Douglas Street, a retail unit located at Crystal Garden known as CityStudio Victoria, to the Real Estate revenue portfolio for lease.

## **BACKGROUND**

CityStudio Victoria is a partnership with three post-secondary institutions. This was a deliverable outlined in the City's previous economic action plan called *Making Victoria – Unleashing Potential*.

In November 2015 the first meeting to discuss the concept was convened representing the 3 post-secondary institutions; the University of Victoria, Royal Roads University and Camosun College, along with Mayor Helps, City of Victoria staff, and other interested parties from the private sector.

Some of the action items from the meeting included:

- Identification of potential space(s) by City of Victoria
- Investigation of existing agreements with post secondaries and build on what exists
- Communicating to the Presidents of Royal Roads University, University of Victoria and Camosun College the importance of this initiative.

Based on the action items above, staff quickly secured a viable City owned space located at 742 Johnson Street. The space opened in February 2016 and operated at this location until July 2018, when it then moved to 709/711 Douglas Street. Since inception, CityStudio Victoria has struggled to adopt the original Vancouver model and has been unsuccessful in securing partner funds or alternate funds to support the operations success.

The operation was intended to have a full-time coordinator to manage the space, create the programming and be the connector between the City, the partner post-secondary institutions, and community/private sector. Initial grant funding was attempted through the McConnell Foundation, but was unsuccessful and the responsibility to manage and operate the space remained with the Manager of Strategic Relations & Business Development. This equated to approximately a .5 FTE position. To support the CityStudio operation and secure a full-time coordinator, the City approved \$25,000 to be included in the 2017/2018 Financial Plan. A meeting with the post-secondary partners to propose equal funding contributions to further support the operation and the full-time coordinator was unsuccessful. The concept of a co-op student was then introduced and initiated in March 2017. During this time, a number of community and not-for-profit groups approached the City to use the space and this was approved based on availability, however, CityStudio post-secondary partners maintained first right of refusal. Usage of the space increased as a result with much of the site management activities now spent on logistics supporting approximately 25-30 other user groups.

CityStudio never operated like the Vancouver model that is reliant on a full-time coordinator to work with City staff and the post-secondary community to create courses offered. Without the funding for

a full-time coordinator this is not possible and does not represent the 'CityStudio' brand. Of note, the Vancouver model works with one post-secondary as the lead to administer registration, course credit transfers, and provide partial funding.

## **ISSUES & ANALYSIS**

With Royal Roads assuming operation of CityStudio, and no longer needing the City owned location at 709/711 Douglas Street, the original purpose for removing this unit from the revenue lease pool is no longer present. The City and CityStudio partners also permitted various community groups to book the location when not used by the CityStudio partners. With the closure of CityStudio, new bookings of the site have not been made pending a determination of the future use of the unit.

The 2019 Financial Plan does not include a budget for CityStudio and the operation and management of the space has remained with SRBD staff. SRBD management was never envisioned to be a permanent resource for managing the logistics necessary to support CityStudio; or the expanded demands from secondary use by community groups numbering between 25 to 30 organizations. Logistics efforts include: vetting booking requests, booking and schedule change management, responding to inquiries, access control, booking software maintenance and site cleaning. Staff estimated the resources necessary to properly manage the logistics would require an additional .5 FTE equivalency approximately.

Based on the existing lease rates at Crystal Garden retail units, staff expect this location could generate approximately \$18,000 to \$20,000 in annual rental revenue and \$7,000 in property taxes if leased to a business operator. It would likely take at least four to six months to find a suitable tenant given the location and demand for this type of retail space.

The Crystal Garden is included within the Victoria Conference Centre revenue model which includes the four pillars; retail, parking, food & beverage, and space rental.

## **OPTIONS & IMPACTS**

### **Option 1 – Approve 709/711 Douglas Street be returned to the Real Estate portfolio as a new lease opportunity (Recommended)**

Staff are recommending this option given the departure of CityStudio and the lack of existing resources to take on the additional scope of work required to provide logistics necessary to manage a broad based user-meeting site. This option would be expected to increase annual revenue from Crystal Gardens by \$25,000 to \$27,000 between rent and property taxes.

### **Option 2 – 709/711 Douglas Street space be retained for community use**

This option would continue to allow users groups to book and make use of a stable site for their meeting purposes. Without this option, they would need to return to their previous methods of securing meeting space. While CityStudio was a defined action plan goal that supported the use of the City lands and the expansion of City services, operating a broad based user meeting site in the downtown would be expanding the services the City is providing beyond the City's strategic plan. Expanding the role and services of SRBD would require that additional resources are committed that are not currently within the 2019 Financial Plan.

#### *Accessibility Considerations*

There is no impact on accessibility from the recommendations.

*2019 – 2022 Strategic Plan*

Returning the 709/711 retail space to the Real Estate revenue portfolio is consistent with achieving outcomes for the following objectives in the 2019 – 2022 Strategic Plan:

Strategic Objective #4: Prosperity and Economic Inclusion – low vacancy in downtown retail spaces is maintained.

*Impacts to Financial Plan*

Option 1 will provide a new revenue opportunity for the City. Given lead times to secure new tenants, it is unlikely additional revenue will be material in 2019. However, starting in 2020 lease revenue can be expected to increase by \$18,000 to \$20,000 annually.

If Option 2 is considered, the 2019 Financial Plan does not include a budget to operate 709/711 Douglas Street if maintained for community meeting use. Additional resources comprising a .5 FTE and additional operating budget of approximately \$5000 would be required. The operating funding would provide the following services: wifi, website hosting, booking platform, and miscellaneous costs such as dry erase marks and office supplies.

*Official Community Plan Consistency Statement*

The recommendations are consistent with the zoning in the OCP.

**CONCLUSIONS**

CityStudio will transition to Royal Roads University to assume the operation and management that will still honour the original partnership with the City's involvement. Given the departure of City Studios and the lack of existing resources to take on the additional scope of work required to provide logistics necessary to manage a broad based user-meeting site, staff recommend returning the unit to the real estate revenue portfolio.


Respectfully submitted,



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Report accepted and recommended by the City Manager:

  
Date: June 20, 2019