

Real Estate Roundtable on Meanwhile Uses Space Project - Meeting summary

Roundtable Details:

Date: Tuesday June 1st, 2021

Location: Virtual/On Zoom

Roundtable Participants:

- Allied REIT: Jo Flatt
- Calgary Arts Development: Joni Carroll
- Crestpoint: Max Rosenfeld
- Daniels: Heela Omarkhail
- Oxford Properties: Ashley Roberts, Curtis McKillop
- TAS: Khan Tran
- Toronto Community Housing: Peter Zimmerman
- Tridel: Veronica Zucatto
- Urban Space Property Group: Vicki Rogers

The Space Project Facilitation and Study Team:

- Why Not Theatre: Tom Davis, Kelly Read, Miriam Fernandes
- Canadian Urban Institute: Dina Graser, Emily McGirr, Benjamin Bongolan, Myles Chan

Agenda

- 1) Introductions
- 2) Facilitation Team Presentation:
 - Project Background & Overview
 - Research Updates
 - Interview Themes
- 3) Roundtable Discussion
- 4) Next Steps
- 5) Adjourn

Project Background and Overview

(see attached slide presentation)

Tom Arthur Davis provided an overview of Why Not Theatre's Space Project. Artists are being driven out of cities, as cost of living rises and many artists are paid below a living wage; arts spaces continue to be unaffordable and unattainable; and lack of space is one of the main reasons artists are leaving Toronto.

Property developers/managers have large real estate portfolios, some of which sit empty between leases. Why Not asked: can we find a cost-effective way to access these temporarily vacant spaces for use by artists?

Tom provided a brief description of the 2019 pilot of Space Project, through which 50 artists were supported with 2500 hours of free space in three venues across the city (market value \$33,000) for an average rent of less than \$4/hour. Tom noted 63% of artists used cost savings to supplement artist fees.

Research Update

Emily McGirr noted that as part of this project several pieces of research have already been undertaken or are underway:

- Project team conducted an environmental scan of existing space-matching apps.
- Interviews conducted by project team across the real estate sector.
- Artist survey undertaken to understand the demand side (i.e. characteristics of space artists are seeking).
- Market Scan and literature review undertaken by School of Cities to understand the supply side (i.e. quantity, quality and location of vacant space), focusing on Toronto
 - Data collected on retail, industrial, and office spaces.
 - Findings include: Lower rents on industrial space, but it is located in outlying areas; potential opportunity for meanwhile use in Central East office submarket, which is still accessible by transit but with lower rental rates than downtown/midtown; retail average square footage aligns with artists' needs.
 - Literature review found that meanwhile uses make units more attractive to long-term tenants and that activation of empty space can result in a reduction of crime / security costs.

Interview Themes (What We've Heard So Far)

Dina Graser reviewed common themes from interviews to date and found:

- the reasons owners consider meanwhile uses is to **build community, interest and brand**; activating a building or neighbourhood, creating a sense of destination, marketing and promotion were all flagged.
- the most common advice from those interviewed was to **make it easy** for owners and property managers: create or use a turnkey license with insurance, flexibility regarding termination rights, and have one organization as the broker
- common barriers and challenges were related to **resources, risks and revenues**, including time required to facilitate uses by the owner, liability concerns, safety and security, incompatibility of use and forgone rent.
- however, many saw a variety of **opportunities**, including in properties being assembled prior to development / slated for demolition, unusual or undervalued spaces, or evening and weekend use of spaces like presentation centres or office lobbies.

Roundtable discussion summary

Attendees generally validated the findings of the interviews.

Importance of activation

- Income from meanwhile uses is “nice to have” from the property owner perspective, but isn’t always a necessity / is not always available depending on the temporary user.
- However, the activation part is very important: artists can help spaces look more aesthetically pleasing; advantageous even when there is no or little income for a variety of reasons, including by creating positive relationships with the surrounding community.

Meanwhile Leases as Speciality Leasing / Licenses and Key Components

- Better to have a license than a lease: the term “lease” implies conferral of an ownership right, while the term “license” implies a usage right - legally distinct
- Larger companies often have a specialty leasing team that manages temporary uses, like pop-up stores, through licence agreements which significantly reduces the amount of paper-work involved for both parties - usually about 5 pp vs. 50 pp for a lease.
- Most of the participants had some sort of short-form license for temporary use, and terms were quite similar: typically includes minimum number of hours and days that the space must be used; sets out clear responsibilities; addresses insurance, term, fees for HVAC or after hours occupancy, termination details and confidentiality provisions..
- License is very specific to the use. In some instances there may be stipulated exclusions for certain uses of the space.
- Insurance coverage is an important component of a licence. For commercial liability, \$5M is standard but can go as low as \$2-3M range depending on the size of the space.

Community Engagement Strategies:

- Some developers have social impact or community engagement departments that work collaboratively with the leasing team, and take more programmatic approaches, building relationships with particular nonprofits which may include meanwhile uses.
- Non-profit and developer relationship model example: Woodgreen Community Services, a Toronto-based non-profit multi-service organization, works with developers and tenants on transitional housing projects. In these partnerships Woodgreen manages relationships with residents. This arrangement is ideal because the non-profit organization has expertise in working with the local community.

Policy incentives

- Participants agreed that policy incentives were not likely to be a key driver of meanwhile uses, particularly if they required more time on the part of individual owners to access. However, if they were put into place, in the aggregate they might be helpful.
- Overall, education of the sector about meanwhile uses was seen as more important than policy incentives.

Advice and strategies for Why Not Theatre:

- Would be ideal to have a broker/intermediary like Why Not Theatre to facilitate the process, manage expectations on both sides and act as a gatekeeper; also saves time.
- Why Not Theatre would manage the communication channels between the artists and property owner/developer.
- Would be helpful if Why Not Theatre can have a “pitch” prepared, a narrative of how meanwhile uses are advantageous, beneficial, and can be completed with ease.
- Have detailed knowledge about the businesses you are engaging with. This will help make a compelling case to property owners on the advantages of meanwhile uses.
- Why Not Theatre should maintain a network of relationships to pursue this work.
- When available, consider engaging with a social impact/community engagement department of a real estate company or developer.
- Some smaller companies may not have a speciality leasing division, and some leasing managers may not think critically about complete communities. Why Not Theatre as a broker can help companies bridge that gap and help them reach ESG goals.
- Would be useful to have a sample document to show to the leasing team how to activate a variety of spaces such as rooms and parking lots.

Next Steps

- Another meeting may be held at the end of the summer to share prospective business model
- Resources will be made available on the CUI website at <https://canurb.org/space-project/>