

Agenda Item: 4.c

Meeting Date: July 12, 2022

MEMORANDUM

To: City Commission

Date: 2022-05-11

From: Robert C. Ironsmith, Dir. of Economic & Housing Dev./CRA

Subject: Artisan Incubator Discussion / Lease with Orthios, LLC

Presenter(s): Robert C. Ironsmith, Dir. of Economic & Housing Dev./CRA

Recommend: Discuss the Future of the Artisan Incubator.

Epic Goal(s): Goal #1: Create a vibrant, cultural experience that touches the lives of our community and visitors.

Boards & Committees: Arts & Culture Advisory Committee

Budget Impact:

- The Incubator rent and utilities are funded out of the General Fund by the Department of Economic & Housing Development/CRA
- The downtown caretaker's yard is funded by the Community Redevelopment Agency (CRA).
- Rental expenses and utilities are partially offset from sublease rental payments to the City.

Past Action: The City Commission approved the Second Amendment to Commercial Lease Agreement for Artisan Incubator Project with Orthios, LLC on August 2, 2020 to extend the Artisan Incubator initiative in the downtown for an additional 2-years with a 3-year option.

Next Action: Prepare an Amended and Restated Amendment to Commercial Lease Agreement with Orthios, LLC, and sublease agreements with the City's two subtenants for Commission consideration and approval.

Attachments:

[A. ARTISAN INCUBATOR POWER POINT 2.0_6.17.22.pdf](#), [B. Arc_Angels_DFAC_Transition_Scenario.pdf](#), [C. ColemanArcAngels2022Budget.pdf](#), [D. Summary of Terms.pdf](#), [E. ColemanDavisMemorandumOfUnderstanding.pdf](#), [F. Artisan Incubator Subtenant List.pdf](#),

Background:

At their regularly-scheduled Commission meeting of August 2, 2020, the Dunedin City Commission approved the Second Amendment to Commercial Lease Agreement for Artisan Incubator Project (Second Amendment) with Orthios, LLC. That Second Amendment extends the lease between the City and Orthios, LLC for 2-years with 3-year option at newly negotiated annual rental amounts. The 2-years extension expires on September 30, 2022 and the City's subtenants were notified in writing to this effect (see attached notice letter) should the City be unable or unwilling to exercise the 3-year option. The Lease with Orthios, LC, and the City's subleases with its tenants, obligates the City to cover utility expenses for its tenants. Those expenses include electrical power from Duke Energy, utilities from the City of Dunedin (water/sewer/stormwater/unit charge/solid waste) and WOW (Internet/telephone).

Negotiated Changes to Existing Lease Terms and Conditions

Minor changes to the leasing terms and conditions have been agreed upon between Orthios, LLC, Arc Angels, Inc, the Dunedin Fine Art Center and City staff as follows:

1. No change to the City's rent for the first two years. The third and final year will be negotiated at that time with Orthios, LLC.
2. Arc Angels, Inc. has agreed to increase their rent according to the below rent schedule and to assume electrical and cable/Internet expenses moving forward:
FY 23: 7% increase in current sublease + additional 6% proposed = 13% total
FY 24: 7% increase in current sublease + additional 7% proposed = 14% total
FY 25: 7% increase in current sublease + additional 7% proposed = 14% total
3. The four (4) existing parking spaces on the north end of the building will be adjusted to allow Orthios, LLC to relocate its security fence and entry gate. This aligns the north fence with the front face of the building consistent with that on the south side of the building. The City will clear the adjacent overgrowth and Orthios, LLC will reimburse the City for its costs. The dumpster at this location will be relocated to the rear of the property.
4. The ten (10) undefined parking spaces behind the Artisan Incubator buildings are now defined and are located adjacent to the buildings with a 25 ft travel aisle for access. This results in a net loss of one parking space but, in return, assures both parking spaces and access to the buildings at all times for artists and students.
5. The two (2) northernmost parking spaces of the nine (9) can be used for loading, deliveries, and staging needs of Arc Angels, Inc.
6. The City will restripe the front parking spaces along Douglas Avenue

which have faded.

7. The City will install, at its expense, a fabric on the fencing and gates along Douglas Avenue to screen activities (including the City's downtown caretaker operations) from public view.

8. Orthios, LLC has agreed to waive the 90-day notification requirement pursuant to Section 2 Term, paragraph (b) of the Lease with the City to afford the City ample time to finalize negotiations and lease document preparation.

9. Arc Angels, Inc. will execute a Memorandum of Understanding with Orthios, LLC relinquishing any and all claims to property access and use of the property outside the Lease designated areas.

Performance Measures

Arc Angels, Inc. has committed for enhance programming, special events and expanded marketing as well as the assumption of Internet and phone expenses. Activating the Arts District with events, fairs, open houses and other high-profile happenings will bring interest to the area and heighten community-wide awareness. This is meaningful as there is currently no annual reporting to the City Commission of accomplishments and program offerings in exchange for the subsidization provided. This proposal is the basis for the term sheet attached.

The Future of the Artisan Incubator (Succession Plan)

A draft Succession Plan has been developed by the City's subtenants on the future of the programming taken place at the Artisan Incubator if leasing from Orthios, LLC is no longer possible or becomes cost prohibitive. It is reasonable to assume that the current location and financial arrangements are not sustainable to ensure long-term viability. That Succession Plan is attached.

Commission Direction Sought

Staff seeks direction from the City Commission on its desire to continue a lease arrangement with Orthios, LLC for the Artisan Incubator under the terms and conditions outlined above.

If it is determined that a lease extension will not be pursued, the City's and its subtenants will be expected to vacate the premises on or before September 30, 2022.