

Consolidated Clause in Economic Development and Parks Committee Report 6, which was considered by City Council on September 25, 26 and 27, 2006.

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**New Operating Grant Agreement and State of Good Repair  
Capital Investment Program for Harbourfront Centre  
(Ward 20 Trinity-Spadina)**

*City Council on September 25, 26 and 27, 2006, adopted this Clause without amendment.*

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The Economic Development and Parks Committee recommends that City Council adopt the staff recommendations in the Recommendations Section of the report (August 16, 2006) from the General Manager of Parks, Forestry and Recreation, subject to:

- (1) amending Recommendation (4) by deleting “Policy and Finance Committee and the Budget Advisory Committee”, and inserting instead the words “appropriate successor Committees dealing with these matters”; and
- (2) amending Recommendation (5) by deleting “Budget Advisory Committee” and inserting instead the words “the appropriate successor Committee dealing with these matters”.

Purpose:

This report seeks City Council authority to establish a new agreement with Harbourfront Centre to renew the annual operating grant and provide a state of good repair capital investment program for the City-owned Harbourfront Centre programming lands.

Financial Implications and Impact Statement:

On March 29 and 30, 2006, City Council approved a one-year renewal of the \$750,000.00 annual operating grant to Harbourfront Centre for the period April 1, 2006 to March 31, 2007, for the operating costs of the Harbourfront programming lands which comprise 10 acres of City parkland. This report recommends that City Council renew the annual operating grant commitment to Harbourfront Centre at \$750,000.00, for a term of 10 years commencing April 1, 2007 to March 31, 2017 and that City Council authorize the allocation to Harbourfront Centre of \$3,000,000.00 from the Parks, Forestry and Recreation Division Capital Budget for state-of-good repair initiatives to City-owned Harbourfront programming lands over a term of 10 years commencing January 1, 2007 to December 31, 2016.

Since 1996, the annual operating grant funding has been part of the Community Partnership and Investment Program's "Miscellaneous" envelope. Funds for the operating grant of \$750,000.00 are included in the 2006 Approved Operating Budget for the Community Partnership and Investment Program's "Miscellaneous" envelope. Funds for the state-of-good repair capital investment program will be requested in Parks, Forestry and Recreation's 2007-2016 Capital Plan as part of the Special Facilities, CAMP – Waterfront sub-project.

The Deputy City Manager and Chief Financial Officer has reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that:

- (1) City Council renew the annual operating grant commitment to Harbourfront Centre of \$750,000.00, toward the operating costs of the Harbourfront programming lands, comprising about 10 acres of special parkland owned by the City, for a term of 10 years commencing April 1, 2007 and ending March 31, 2017 or until Harbourfront Centre ceases to exist, ceases to operate Harbourfront or loses its non-profit status;
- (2) City Council authorize the allocation to City-owned Harbourfront Centre of \$3,000,000.00 from the Parks, Forestry and Recreation Capital Budget for state-of-good repair initiatives to Harbourfront programming lands over a term of 10 years commencing January 1, 2007 to December 31, 2016 or until Harbourfront Centre ceases to exist, ceases to operate Harbourfront or loses its non-profit status;
- (3) the City enter into a new agreement with Harbourfront Centre with respect to Recommendations (1) and (2) on such additional terms and conditions as deemed necessary or appropriate by the City Solicitor and the General Manager of Parks, Forestry and Recreation;
- (4) this report be forwarded to Policy and Finance Committee and Budget Advisory Committee for their consideration during the 2007 Operating and Capital budget processes;
- (5) a further report will be forwarded to Budget Advisory Committee when the state-of-good repair audits of the Harbourfront Centre complex are complete; and
- (6) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

Harbourfront Centre is a non-profit, charitable cultural organization incorporated in 1991 to provide public events and operate the 10-acre Harbourfront programming site. The Harbourfront site is special parkland owned by the City of Toronto. As property owner, the City entered into a 99-year renewable lease with Harbourfront Centre in 1997. With over 12.6 million visits each year, Harbourfront Centre is one of Toronto's most popular attractions contributing more than

\$132 million annually to the region's economy. Harbourfront Centre's 2005 budget was \$23.5 million with one-third of its annual operating budget obtained through government grants and the remaining two-thirds raised through entrepreneurial activity. This is a remarkable achievement for a non-profit cultural organization. Harbourfront Centre has also attracted significant infrastructure funding from the Toronto Waterfront Revitalization Corporation in the amount of \$18 million towards water's edge improvements in 2004-06 and a future commitment from the Government of Canada of \$25 million to build Canada Square, a project that will create a new public space, buildings for cultural and retail uses, and an underground parking garage.

Since 1996, the City of Toronto has provided an annual operating grant to Harbourfront Centre to be used solely toward the operational costs associated with the site's physical upkeep. On March 29 and 30, 2006, City Council approved a one-year renewal of the \$750,000.00 annual operating grant to Harbourfront Centre for the period April 1, 2006 to March 31, 2007. At that time, City Council directed the General Manager of Parks, Forestry and Recreation to review Harbourfront Centre's capital needs to ensure that the Harbourfront programming lands are maintained in a state-of-good repair, and to report on capital requirements during the 2007 Budget process. The General Manager of Parks, Forestry and Recreation was also directed to commence negotiations with Harbourfront Centre regarding the renewal of the operating grant agreement and the provision of a state-of-good repair capital investment program for a term of 10 years, commencing January 1, 2007 and ending December 31, 2016. Finally, City Council requested the Government of Canada to consider developing a 10-year financial plan to provide a stable operating base for Harbourfront Centre.

#### Comments:

(a) New Operating Grant Commitments:

Nearly half of City-owned Harbourfront Centre's expenses relate to the operational costs associated with ensuring that the site is safe, accessible, secure and attractive. Support for a portion of these operating costs is provided by the City of Toronto and the Government of Canada. Harbourfront Centre has long sought a stable financial base of core funding to leverage greater non-governmental support. On May 23, 2006, the Government of Canada announced a commitment of \$5 million a year for five years to support operational requirements and provide the Centre with the multi-year financial security it needs to plan for the future. This new commitment represents an increase of \$1,000,000.00 a year in funding support for Harbourfront Centre. The Government of Canada announced a further \$840,000.00 in multi-year funding to support programming at Harbourfront Centre.

The existing one-year extension of the Harbourfront Centre operating grant with the City-applied to costs such as maintenance, heating, utilities, insurance and security – expires on March 31, 2007. With an enhanced federal pledge of stable funding now in place, it is appropriate that City Council renew its support to Harbourfront Centre on a similar multi-year basis. City Council previously authorized five-year operating grant agreements with Harbourfront Centre in 1996 and 2000. Over the last decade, the City's contribution to the Harbourfront Centre site costs has remained constant at \$750,000.00 per year even though the Consumer Pricing Index (CPI) inflation has eroded the present purchasing value by nearly 20 percent during the same period. Without any grant increase, Harbourfront Centre has had to manage escalating operating costs. For example, utility expenses have risen significantly during

this period and are now growing at a rate of 10 percent, or \$50,000.00 per year. It is recommended that the annual operating grant to Harbourfront Centre be renewed at \$750,000.00, for a term of 10 years commencing April 1, 2007 to March 31, 2017. The City recognizes the impact of inflation, but cannot guarantee a yearly increase to the base amount of this grant.

(b) State-of-Good Repair Capital Infrastructure Investment Program:

Since the Harbourfront Centre site and buildings are owned by the City, it is prudent that we provide a reasonable level of capital investment to Harbourfront Centre to keep this facility in a state-of-good repair. As part of its strategy to manage financial pressures, Harbourfront Centre has under-invested in site maintenance and has deferred some capital infrastructure investments related to electrical, mechanical and life safety systems. For example, replacement of the York Quay transformer is three years overdue; some HVAC systems are 30 years old; some building roofs are due for replacement or repair; and the ice rink refrigeration equipment is at the end of its life span. In addition to immediate public safety concerns, Harbourfront Centre's ability to attract and maintain private sector support is directly related to its ability to provide a safe, accessible and well-maintained site.

Preliminary investigations by the City indicate a significant backlog of state-of-good repair work at Harbourfront Centre as mentioned above. The Capital Projects Section of Parks, Forestry and Recreation has issued a Request for Proposals through the Purchasing and Materials Management Division to procure the services of technical professionals to carry out state-of-good repair audits of all components on the Harbourfront Centre complex. Audits will be carried out over the Summer/Fall 2006 and a report will be produced similar to the audits currently established by the Division for use in prioritizing a 10-year plan for the required repairs to the Harbourfront programming lands reflecting the Parks, Forestry and Recreation Division's commitment to spending \$3,000,000.00 over the next 10 years to protect this public asset.

Conclusions:

With three million people making some 12.6 million visits per year, Harbourfront Centre is a major tourism attraction providing significant economic benefits to Toronto. Harbourfront Centre also plays a key role in ensuring that Toronto's waterfront is open and accessible and that Torontonians enjoy a high quality of life. With all three orders of government committed to developing the potential of Toronto's waterfront, Harbourfront Centre is a critical measure of success for waterfront revitalization.

Harbourfront Centre has a proven track record as an entrepreneurial organization. It has demonstrated an ability to reduce reliance on government operating subsidies through an innovative approach to generating revenue from business operations while delivering on its public mission. In 2005, over two-thirds of Harbourfront's budget came through revenue-generating activities including marina operations, food and beverage concessions, retail sales, parking and charter boat leases. Harbourfront Centre also plans to grow corporate partnership revenues to \$2.5 million per year, up from \$1.4 million today. Individual giving is also expected to rise over the next five years to \$1 million annually.

The majority of Harbourfront Centre's private sector revenue relates to the intensity of activity taking place on the site. Corporate sponsorship levels are directly proportional to the number of

visitors Harbourfront is able to draw to the waterfront. However, high visitation levels depend on proper site maintenance. Consequently, it is essential that the City invest in this public space from an operating and a capital perspective.

Approval by City Council of plans for operating and capital infrastructure investment at Harbourfront Centre will provide a stable financial base from which to attract new non-government funding sources and will ensure the safety, accessibility, security and attractiveness of this City-owned site. To achieve this, it is recommended that City Council approve renewal of the \$750,000.00 annual grant commitment to Harbourfront Centre for a term of 10 years from April 1, 2007 to March 31, 2017 and the allocation to City-owned Harbourfront Centre of \$3,000,000.00 from the Parks, Forestry and Recreation Capital Budget for state-of-good repair initiatives to Harbourfront programming lands over a term of 10 years commencing January 1, 2007 to December 31, 2016 or until Harbourfront Centre ceases to exist, ceases to operate Harbourfront or loses its non-profit status.

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