

Harbourfront - Commitment to Renew the Operating Agreement with Harbourfront Centre for the Period April 1, 2001, to March 31, 2006 (Downtown)

(City Council on July 4, 5 and 6, 2000, adopted this Clause, without amendment.)

The Policy and Finance Committee recommends the adoption of the following report (June 12, 2000) from the Commissioner of Economic Development, Culture and Tourism:

Purpose:

This report brings forward and recommends approval of the request, dated May 19, 2000, from Harbourfront Centre, that the City commit to extend:

- (a) the current annual commitment of \$750,000 per annum; and
- (b) the agreement for operating the MLQ2 parking area until scheduled for park work improvements by the City; for a five year period commencing April 1, 2001 and ending March 31, 2006.

Financial Implications and Impact Statement:

Harbourfront Centre is requesting that the City of Toronto extend its current commitment of \$750,000.00 per annum, for a further five-year period commencing April 1, 2001 and terminating March 31, 2006, towards operating costs of the Harbourfront programming lands, comprising approximately 10 acres of special park land owned by the City.

The source of funds is the Consolidated Operating Grant Program.

Harbourfront Centre has also requested that the current agreement between the City and Harbourfront respecting the management and operation of the surface parking lot on the City-owned parcel known as MLQ2, on the north side of Queens Quay Blvd. W., west of Rees St., be also extended for the five year period, from its expiry on March 31, 2001 until such time as it is scheduled for park conversion. Harbourfront Centre operates the parking lot directly and receives net revenue. In 1999, net revenue generated was \$78,440.00 for the period ending March 31, 2000.

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

Recommendations :

It is recommended that:

- (1) the current annual commitment to Harbourfront Centre of \$750,000 per year be extended for an additional five years from April 1, 2001 to March 31, 2006 or until Harbourfront ceases to exist, ceases to operate Harbourfront or loses its non-profit status;
- (2) the current arrangement between the City and Harbourfront Centre for operation of the parking lot on the lands known as MLQ2 be extended until the City provides notice that it has scheduled the park work – environmental remediation, site preparation, parking construction, park construction, and/or that it requires the site for special programming purposes, or until April 1, 2006, whichever occurs earlier;
- (3) the City enter into an agreement with Harbourfront Centre with respect to Recommendations Nos. (1) and (2) on such additional terms and conditions as deemed necessary or appropriate by the City Solicitor and the Commissioner of Economic Development, Culture and Tourism;
- (4) subject to City Council adopting Recommendation No. (1) above, the Government of Canada be advised that the City of Toronto has committed to extend the financial support requested by Harbourfront Centre from April 1, 2001 to March 31, 2006, and be requested to confirm its commitment and join with the City in implementing a further five year financial plan to ensure its financial stability and continuation of its public activities without interruption when the Monahan Plan terminates; and
- (5) the appropriate City official be authorized and directed to take the necessary action to give effect thereto.

Background :

Harbourfront Centre, by letter dated May 19, 2000, (attached hereto as Attachment No. 1), addressed jointly to the Commissioner of Economic Development, Culture and Tourism and the Chief Financial Officer and Treasurer, has requested the City of Toronto to commit to extending its current annual commitment of \$750,000.00 per annum for an additional five year period commencing April 1, 2001.

Harbourfront Centre is a not for profit, non-governmental corporation established to carry on the cultural, recreational and educational programs at Harbourfront, and is the successor to the federal crown entity called Harbourfront Corporation in 1974. Formerly named Harbourfront Corporation (1990), it carries on business as Harbourfront Centre. The former City of Toronto entered into a 99 year perpetually renewable lease with the Harbourfront Centre for the Harbourfront programming lands on December 7, 1997.

Harbourfront Centre is seeking to secure a new five-year agreement from both the City of Toronto and the Government of Canada as expeditiously as possible, in order to continue their

public activities without interruption. The current five-year financial plan agreements governing Harbourfront Centre under the “Monahan Plan” expire on April 1, 2001.

Harbourfront Centre indicates in its May 19, 2000, letter that it is also pursuing the approval of the Government of Canada to a five-year agreement, and, among other things, that such approval will depend on renewal of the City agreement with Harbourfront Centre. In addition, Harbourfront Centre advises that it has requested the Government of Canada to increase its annual commitment for the next five year period to compensate for the elimination of parking revenues from certain federally owned sites, due to the sale or development of these lands as contemplated by the various agreements.

The City's financial contribution is applied by Harbourfront Centre to the operating costs of the Harbourfront programming lands comprises of approximately ten acres of land owned by the City, designated as Special Parkland and leased on a perpetually renewable basis to Harbourfront Centre.

Harbourfront Area:

Harbourfront is an area of 100 acres that was acquired by the Federal Government in 1972. It is bounded by Lakeshore Blvd. to the north, York St. to the east, and Stadium Rd. to the west. Attachment No. 2 is a map showing the Harbourfront lands and parcels of land.

Under the terms of the Implementation Agreement dated October 1992, as amended, the City entered into an agreement with Queens Quay West Land Corporation on behalf of the Federal Government regarding the transfer of approximately forty-one acres of lands for parks purposes, and ten acres of Harbourfront programming lands to the City, subject to a perpetually renewable lease to Harbourfront, carefree to the City (no maintenance or capital costs). The City's obligation, among other things under this agreement, is to remit to Harbourfront Centre the net income or net proceeds realized by the City from any income producing properties transferred to the City.

The City of Toronto became the owner of more than 40 acres of parkland and more than 20 acres of other lands in the area designated as Harbourfront, including the lands referred to as MLQ2, pursuant to the Harbourfront Implementation Agreement (the “HIA”), between the Government of Canada and the City of Toronto, as signed October 6, 1992.

Also, under financial provisions contained in the HIA , the City receives funds that flow when certain milestones are achieved, as set out therein. The funds are to be used only for the purposes set out in the HIA, primarily the development and maintenance of parklands.

Harbourfront Centre was not a party to the HIA, however, there were numerous provisions in the agreement respecting the continuation of public programming at Harbourfront, the continuation of the programming corporation called Harbourfront Centre, and the intended endowment of the Harbourfront Foundation with net proceeds from the sale of two parcels of land – BQ7 and YQ4 - to help fund Harbourfront Centre. The objective for the endowment was to provide a source of public funding in order to provide for the future of Harbourfront Centre while limiting the need for ongoing operating funding from the Federal Government.

However, the deterioration in the real estate market after 1992 eroded the value of the two properties that were to form the primary basis for the endowment of Harbourfront Centre, and it became apparent that the assumed endowment fund would not be attained.

The Monahan Report:

Mr. Paul Monahan was appointed in August 1995, as “Facilitator” by the Federal Government to attempt to find and recommend solutions to Harbourfront Centre’s long term funding, taking into consideration the circumstances that exist in 1996. Mr. Monahan stated “...the first step towards ensuring Harbourfront Centre’s long term future is to give it a multi-year plan based on secure sources of funding...only with this multi-year plan will it be able to provide public programming, to attract sponsorships, to increase other revenue and to decrease other costs, all with a view to reducing its dependency on government funding while continuing to thrive as a cultural, educational and recreational institution ...”

Mr. Monahan recommended that the federal Government should continue to assist in funding Harbourfront Centre. He recommended that the City should also be called on to assist.

He noted “together with the Federal Government, the City has been closely associated with the disposition of the Harbourfront lands. The City has a strong interest in ensuring that Harbourfront Centre continues to thrive as a publicly accessible facility. Harbourfront Centre is located in the City of Toronto, and is surrounded by land owned for the most part by the City. In addition the City has agreed to become the owner of the Harbourfront Programming lands and they are expected to be transferred in 1996-97.”

In 1996, both the Federal Government and the former City of Toronto accepted the recommendations of Mr. Monahan, contained in his report to the Minister of Public Works Canada, dated May 28, 1996, including the provision of annual financial support, among other things, for a five year period to March 31, 2001.

The authority for the current five-year agreement between the former City of Toronto and Harbourfront Centre is Executive Committee Report No. 19, Clause No. 1, as adopted by the former City of Toronto at its meeting of July 2, 1996. This clause contained Mr. Monahan’s report.

Further, in accordance with the terms of the Harbourfront Implementation Agreement, dated October 6, 1992, as amended (1992) the City remits to Harbourfront Foundation (the vehicle to receive revenues from land leases for payment to Harbourfront Centre) all net proceeds from land leases. In 1999, the total net proceeds remitted to Harbourfront Foundation, including the net revenue generated from the surface parking lots were in the amount of \$845,990.00. Facilities and Real Estate Division of the Corporate Services Department administers the land and surface parking leases (Attachment No. 3).

Comments:

Harbourfront Centre’s request dated May 19, 2000, is for a commitment from City Council to

extend the current annual funding from the City of Toronto of \$750,000.00 per annum for the next five year period beginning April 1, 2001, and terminating March 31, 2006.

The current five year financial plan agreement among the former City of Toronto, the Federal Government and Harbourfront Centre under the Monahan Plan expires March 31, 2001. Harbourfront Centre needs to secure new five year agreements from both the City and the Government of Canada, as expeditiously as possible in advance of the sunset date in order to ensure continuation of its public services without interruption and in order to obtain commitments from corporate sponsors and others.

Harbourfront Centre now derives 76 percent of its budget independently up from 41 percent in 1996.

Harbourfront's request that it continue to manage and operate and receive the net revenue from the surface parking lot MLQ2 (north side of Queen's Quay Blvd. West, west of Rees St could impact the City in two ways. One is the net revenue of \$78,440.00 that would flow to Harbourfront Centre not the City, as set out under the Financial Considerations heading of this report. The second is a potential delay to park construction by the City. This would not be an issue provided the City retains the right to terminate the agreement when the City gives notice to Harbourfront Centre that the City requires the site for park construction or for special programs or events. Based on current information, the City could schedule and commence park work to occur in Spring 2001, in which case, the extension of Harbourfront Centre's operation of the parking lot and net revenues would be limited. The intent of Recommendation 2 is to authorize Harbourfront Centre to continue to operate the parking lot and receive the net revenues until the City requires the site for its purposes.

Harbourfront Centre has advised that it will no longer require the additional annual financial assistance of \$240,000 in waived rents and operating costs on its former office at 410 Queens Quay West as its permanent office at 235 Queens Quay has been completed. Funds for the completion of the new office came from the sale of the property at 410 Queens Quay Blvd. West, pursuant to an Agreement dated April 1, 1998, between Her Majesty the Queen in Right of Canada, Queens Quay West Land Corporation, Harbourfront Corporation (1990) and the City of Toronto, as amended (approved by the City Council on December 16, 1998 Corporate Services Committee Report No. 19, Clause 20).

Harbourfront Centre contributes \$132 million to the local economy each year and creates the equivalent of 1,425 full time jobs. 70 percent of Harbourfront Centre's programs and events are available free of charge. Total attendance excluding the Power Plant and International Readings was over 3 million in 1999.

There are 26 volunteer Board members (including 3 Members of Council), 350 core volunteers and 1,200 volunteers for major events and festivals.

In 1999, Harbourfront Centre received a total grant allocation from the Toronto Arts Council in the amount of \$100,750.00 for four programs: Summer Music Festival, International Children's Festival, World Stage, and the Craft Studio.

The 2000 grant recommendation has not been made as of this date.

Harbourfront Centre's Consolidated 1999 budget was \$19.6million, including the wholly owned subsidiaries the Power Plant and International Readings.

It is clear that Harbourfront Centre is a major tourism feature and provides a significant economic benefit to the City.

Conclusions:

Harbourfront Centre is seeking a commitment from the City of Toronto that it will continue to provide an operating grant to them at the current level of \$750,000 for the five years from April 1, 2001 to March 31, 2006. It is also seeking approval to continue operating the parking lot on the City-owned park parcel called MLQ2, until the City schedules park work on the site. With these commitments from the City, Harbourfront Centre will request the Federal Government to make a financial commitment for the five-year period.

Securing a stable financial base for the five-year period to March 31, 2001, was accepted by both the Government of Canada and the City of Toronto as set out in the Monahan report. The commitments requested now by Harbourfront Centre would provide a stable financial plan for the next five years. The City of Toronto's financial contribution goes towards the operation of the Harbourfront programming lands and enables Harbourfront Centre to secure significant funding commitments from other levels of government and the private sector.

Staff recommend that the City approve the recommendations set out in the report and respecting the commitment requested by Harbourfront Centre.

The Chief Administrator Officer, Chief Financial Officer and Treasurer, Commissioner of Corporate Services and City Solicitor have been consulted in the preparation of this report.

Contact:

Susan Richardson, Economic Development, Culture and Tourism, Tel: 392-1941.

Doug Stewart, Corporate Services, Real Estate, Tel: 392-7202.

(Attachment No. 1 - Letter dated May 19, 2000, addressed to the
Commissioner of Economic Development, Culture and
Tourism and the Chief Financial Officer and
Treasurer from Mr. J.S. Boyle, Chief Executive Officer,
Harbourfront Centre)

Further to my letters to you of 14 and 28 March and 26 April 2000 and our subsequent discussions, I would like to clarify the request that Harbourfront Centre is making to the City of Toronto relating to the new Master Plan for the organization.

As you are aware, the five year financial plan agreements governing Harbourfront Centre as part of the Monahan Plan expire on April 1, 2001. In order to continue our public activities without interruption we need to secure a new five-year agreement from both the City of Toronto and the Government of Canada as expeditiously as possible. Discussions have been taking place over the last few months with the Federal Government and we do not foresee problems, at this time, in securing a Federal commitment to the new five-year plan for Harbourfront Centre. We have requested the Government of Canada to increase its annual commitment to compensate for lost parking revenues on the site. The Federal contribution will, of course, depend on the renewal of the City agreement with Harbourfront Centre.

Our request to the City of Toronto is to extend the current annual commitment of \$750,000.00 per annum for an additional five-year period commencing April 1, 2001. You will note that we are not requesting an increase in the current level of funding. The additional City assistance provided since 1996 of approximately \$240,000.00 in waived rent and operating costs on our offices will no longer be required as we have completed our new office premises. We would also request that our current agreement of operating the MLQ2 parking area for the City be extended for this period, until such time that it is scheduled for park conversion.

In considering our request, it may be helpful to understand the following facts highlighted in the findings of the Harbourfront Centre Master Plan:

- (i) though previously under the ownership of the Federal Government, the 10 acre Harbourfront Centre site and buildings are now owned by the City of Toronto and leased back on a 99 year-plus lease to Harbourfront Centre as the non-profit operator of the site with reversionary rights to the City. Should Harbourfront Centre cease to operate, all lands and buildings would revert to the City;
- (ii) despite the drastic reduction in Federal funding over the past years, the Centre has excelled in achieving new private sector support. Since 1994, annual public sector investment has decreased from 59 percent of our total operating budget to 24 percent, all of which has been replaced by the private sector. The annual budget of the Centre is approximately \$20 million;
- (iii) Harbourfront Centre contributes over \$132 million to the local economy annually and creates the equivalent of 1,425 full-time jobs;
- (iv) Harbourfront Centre generates more sponsorship dollars than most properties in the Canadian marketplace (an increase of 40 percent in six years) and has increased the revenues from parking lot operations by 100 percent in four years;
- (v) Harbourfront Centre is one of Canada's most active cultural organizations presenting almost four times as many activities as comparable institutions and works each year with more than 450 different cultural and community groups; and
- (vi) In addition to its strong community base, Harbourfront Centre is one of the City's major tourist draws, attracting more than 3 million visitors per year.

The ten consulting studies prepared for the Master Plan demonstrate that Harbourfront Centre “has evolved into an innovative and entrepreneurial organization and is an excellent model of effective public-private partnerships. It is well managed, efficient and sets the benchmark for best practices amongst its peers” .Enclosed is a brief overview of Part 1 of the Master Plan for your information. We look forward to our ongoing partnership with the City of Toronto, especially in light of the exciting proposed improvements to Toronto's. waterfront. We thank you for your consideration of our request and would be pleased to provide any further details that are required.

(A copy of Attachment No. 2 Harbourfront-Official Plan Part II, attached to the foregoing report was forwarded to all Members of Council with the June 22, 2000, agenda of the Policy and Finance Committee and a copy thereof is also on file in the office of the City Clerk.)

Attachment No. 3 - 1999 Summary of Grant/Net Proceeds from the City of Toronto to Support Harbourfront Centre

(1) Grant:

Type	Authority	Annual Amount	Comments
Grant	Cl. 1, ECR No. 19, C.C. July 2, 1996	750,000.00	To March 31, 2001 per Monahan Report

(2) Net Proceeds from Leases of lands acquired from Queens Quay West Land Corporation:

Location	Authority	1999 Annual Amount	Comments
Surface Parking Lots (MLQ2 and MLQ6)	Board of Management, 1996-12, Minute No. 42	385,330.00	per Paul Monahan Report Lease expires March 31, 2001 and is subject to 60 days' notice to terminate
245 Queens Quay West (Pier 4 Restaurant and the Pier Museum)	Implementation Agreement	290,000.00	Lease expires June 30, 2002
249 Queens Quay West (Radisson Plaza Hotel)	Implementation Agreement	145,800.00	Lease expires March 17, 2045
Peter St. Basin	Delegated Approval	2,360.00	Year-to-year; seasonal licence arrangement with Harbourfront Antique Market)
50 Stadium Road	Implementation Agreement	9,000.00	Lease expires March 31, 2004
600 Queens Quay West	Implementation Agreement	13,500.00	Lease terminated effective Feb. 28,2000
Total Net Proceeds to Harbourfront Foundation		\$845,990.00	

Other Information:

- (1) On December 7, 1997 the City entered into a 99-year lease (plus an option to renew for another 99-year) with Harbourfront Corporation (1990) (Harbourfront) for the 10 acres of waterfront lands used for Harbourfront's programming lands. The lease is for a nominal net amount of \$2.00 for the Term. The revenue generated from these lands flow directly to Harbourfront. It is my understanding that for Fiscal Year Ending March 31, 1999, Harbourfront had a net loss of approximately \$9,000.00.
- (2) The City also entered into business arrangements with Harbourfront: the Licence Agreement on the Spadina Quay Marina was assigned to Harbourfront in 1999 (the business was purchased by Harbourfront from F and N Yacht Service Ltd. in 1999, up to May 14, 2009), and a year-to-year, seasonal licence agreement for the Underground Parking Garage and Portland Street Slip. The City receives compensation from the licensing of the asset.