

Ontario Science Centre Update

Date: July 10, 2024

To: Executive Committee

From: City Manager

Wards: All

SUMMARY

This report provides an update on City staff's preliminary work related to the future of the Ontario Science Centre (OSC) in response to City Council's request at its meeting of June 26, 2024. Further to City Council's direction, the report includes an overview of:

- the provincial requirements in the lease with the City and the Toronto and Region Conservation Authority (TRCA) to operate the Ontario Science Centre at the Don Mills and Eglinton site;
- the feasibility of the City operating the Science Centre at its current location, including an assessment of potential revenues from event rentals; and
- the November 29, 2023, Provincial business case for the Ontario Science Centre relocation and the December 6, 2023 Office of the Auditor General of Ontario Value-for-Money Audit: Science Centres (2023), which evaluated the November business case.

The City, the TRCA and the Province (through the OSC agency) entered into a 99-year nominal lease commencing July 1, 1965, with the City and TRCA leasing their respective interests in the OSC Site to the Province. Two of the three OSC buildings (Tower and Valley Buildings) reside on TRCA property, while a majority of the third (the Reception Building) and on-site parking facilities are on City-owned lands. The lease restricts the Province's permitted use of the OSC Site to a science centre but does not obligate the operation of one. Provincial obligations in the event that the Province wishes to terminate the lease early are not specified and would require the City, TRCA and Province to negotiate a termination agreement.

Publicly available information regarding the OSC's operations and financial performance indicate that even with a substantial annual provincial operating grant, the OSC was operating at a financial loss. The OSC also requires significant capital investment to be returned to a state of good repair that would allow for continued operation of the facility. Based on this information and preliminary analysis by staff, it does not appear the City alone could sustainably fund and maintain the operations of the OSC under the current conditions.

The most recent engineering report commissioned by the Province, the provincial business case for the OSC's relocation to Ontario Place, and the Auditor General of Ontario's subsequent Value-for-Money Audit indicate that while the OSC requires significant State of Good Repair (SOGR) work, including some that is critical and urgent, other options beyond the immediate full closure of the OSC were available to the Province. Further, the Auditor General of Ontario noted "that the recent relocation decision was not fully informed and based on preliminary and incomplete costing information"¹. City staff do not have access to full information on the factors that led to the Province's decision to relocate the OSC and thus are unable to provide independent analysis on the merits of this decision.

Further discussions with the Province and the TRCA are required to understand the Province's obligations and intentions with respect to the current Site, and to explore opportunities to maintain science programming in the Flemingdon Park and Thorncliffe Park communities.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

There are no financial impacts arising from the recommendation in this report.

Additional steps to conduct further due diligence of the OSC Site, including contemplation of whether the City could or should assume a direct role in operations, or to review and assess the existing engineers' reports and business case in greater detail, would require additional resources which have not been budgeted for, including procurement of third-party consultants.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as presented in the Financial Impact Section.

DECISION HISTORY

On June 26, 2024 City Council adopted a members' motion directing staff to report to the Executive Committee on July 16, 2024 on provincial obligations with respect to the Science Centre, the feasibility of the City operating the Science Centre at its current location, and analysis of the Provincial business case for relocation:

<https://secure.toronto.ca/council/agenda-item.do?item=2024.MM19.25>.

¹ https://www.auditor.on.ca/en/content/annualreports/arreports/en23/AR_sciencecentres_en23.pdf

On December 13, 2023, City Council approved in principle the Term Sheet for the Ontario-Toronto New Deal, which includes a commitment by the Province to “...*discuss partnership opportunities with the City for maintaining public, community-oriented science programming at the legacy Ontario Science Centre*”.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.CC13.2>

On July 19, 2023, City Council requested the City Manager to report to the Executive Committee on the future of the Ontario Science Centre, including provincial requirements, if any, in the lease with the City to operate the Ontario Science Centre, or other public-facing attraction at the Don Mills and Eglinton site; and the feasibility of the City operating the Science Centre at its current location, including an assessment of potential revenues from event rentals.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.MM8.4>.

COMMENTS

Ontario Science Centre Site and Facilities

The OSC sits on approximately 50 acres of leased property at 770 Don Mills Road (the “Site”). The Site opened in 1969 and was operated and managed by a provincial agency under provincial legislation². The Site includes three main buildings: the Reception Building, the Tower Building, and the Valley Building with approximately 570,000 square feet in gross floor area. Additional improvements include the IMAX Dome theatre, the Exploration Plaza, and on-site parking facilities.

Ontario Science Centre Site Ownership

The Site is located partially on property owned by the City of Toronto (the “City”), and partially on property owned by Toronto and Region Conservation Authority (“TRCA”). (see Figure 1). The portion of the Site owned by the City measures approximately 15 acres and includes the Reception Building, the IMAX Dome, the Plaza and the on-site parking facilities, and is shown in Figure 1 as City Lands (the “City Lands”). The City also owns lands lying north of the Site which were initially leased to the OSC as a parking lot; however, these lands have been removed from the OSC lease and now form a City of Toronto Housing Now site that received City Council approval for the development of residential uses, a new TDSB elementary school, a new non-profit day care, a new public park and two new streets. (see [Item PH34.2](#)) (shown in Figure 1 as Housing Now Site).

The portion of the Site owned by the TRCA measures approximately 35 acres and includes the Tower Building, the Valley Building, and a forested area which is managed by the City, shown on the map below as TRCA Lands (the “TRCA Lands”). TRCA also

² *Centennial Centre of Science and Technology Act*, <https://www.ontario.ca/laws/statute/90c05>

owns lands lying west of the Site which are managed by the City and are protected by the Ravine and Natural Feature Protection By-law.

Figure 1 - Ontario Science Centre – Site Ownership Map



Ontario Science Centre Lease Agreement

The City, the TRCA, and the Province (through the OSC agency) entered into a 99-year nominal lease commencing July 1, 1965, with the City and TRCA leasing their respective interests in the Site to the Province (through the OSC agency) for the limited purpose of constructing and operating a museum, referred to herein as the science centre (the “Lease”). The Province has further rights to renew the lease for an additional 99-year period at the term’s expiry in 2064.

The Lease restricts the Province’s permitted use of the Site to a science centre but does not obligate the operation of one. The Lease requires the Province to cause good management and care to be taken of the site, building and structures and ensure that no injury shall occur to any person. It provides an indemnity in favour of the City and TRCA for any claims arising from (i) the Province’s occupancy or use of the Site and (ii) the erection or maintenance of structures. The Lease requires that, where the building constructed is damaged by any cause where over 50% of the building is unfit for the purpose of a museum and is not capable of repair/restoration within three years or where the Province fails to make available the funding to repair/restore within one year,

both or either of the City and TRCA may terminate the lease with respect to their own lands. Where the lease is terminated, the City/TRCA can elect to either take possession of the buildings on the Site or require the Province restore the Site to its original condition at the expense of the Province.

The City will require further details from the Province regarding its plan to address the current roof condition, in order to assess whether an early right of termination in favour of the City and/or TRCA has been triggered by the Province as a result of the roof damage. Should that right be triggered, staff would seek further direction from Council regarding the options of assuming the site or requiring that it be restored to its original condition. Given the ownership structure of the Site, any such steps will require coordination between the City and TRCA, as parts of the building are located on each owner's property.

Any early termination, for a reason other than what is expressly identified in the Lease, would require consent from all parties to the Lease. Such termination negotiations would consider the value of the remaining term, the cost of assuming complex heritage assets that require significant capital investments, and/or the cost of demolition. Any provincially initiated change of use, including partial or whole-site demolition, would require the engagement of the City and TRCA, as landlord. As a heritage asset, demolition would also require Ministry of Citizenship and Multiculturalism (MCM) approval. Based on publicly available information prepared by Infrastructure Ontario (IO), the cost to demolish the existing Science Centre building is estimated at \$25 million (@ \$40 per square foot).

Potential for the City to Operate the Ontario Science Centre

Based on publicly-available information, the feasibility for the City alone to assume and operate the OSC appears to be very low – even independent of the facility's critical SOGR needs. According to the OSC's publicly available financial reports³, in 2023, the OSC received provincial grants of \$19.4 million against operating expenditures of \$38.1 million, plus an additional grant of \$4.92 million to offset costs related to the June 3, 2022 closure of the pedestrian bridge, with earned revenue from ancillary operations (e.g. ticket sales, memberships, parking and other revenue sources) of \$13.84 million. Overall, the OSC ran a net \$784,000 loss for the year. For the City to assume operations, assuming the loss of the provincial operating grant which would likely move to establish the OSC at a new site, the City would need to find an additional \$20.2 million in operating revenue every year, over and above earned revenues. These revenues can also be expected to decline, as the asset is facing a declining brand and the site will require at least partial closure for extended periods of time to allow for necessary capital repairs to be completed.

To place the above cursory analysis of operating the OSC in context, a subsidy of this size would be significantly larger than what the City provides to other cultural institutions. For example, in 2022, the Toronto Arts Council (TAC) and the City's Economic, Development and Culture division collectively awarded \$27 million in operating funding to 249 organizations. Of these, the top 20 largest operating grants

³ <https://www.ontariosciencecentre.ca/media/3506/2022-23-financial-statements.pdf>

represented \$13.5 million, or 50% of all operating funding awarded, averaging \$679,753 per organization. The remaining 50% was distributed among 229 organizations, averaging \$60,500 per recipient, and generally through open, competitive programs. As another reference point, in 2023, the City's ten museums and historic sites, including Fort York, had a cumulative operating budget of \$15.8 million gross, \$13.2 million net.

Event Revenues

City Council requested staff to undertake an assessment of potential revenues from event rentals as part of the feasibility analysis of the City operating the OSC. Publicly available strategic planning and financial disclosure documents regarding OSC operations for fiscal year 2022-23 do not break out "event rentals" or a comparable category as a strategic asset or identified revenue stream. The OSC netted \$161,000 from "Adult and Corporate Learning Experiences" in 2023. This indicates that revenues from events or learning experiences were not a significant revenue source for the OSC.

Event rental revenues are currently volatile and difficult to predict as a result of a number of factors, including: changing post-pandemic audience behaviour; reductions in corporate expenditures and sponsorships; and volatility in the sector. The City of Toronto model at Casa Loma can be used as a comparator, as it generates revenue through events and hospitality. At that historic site, Liberty Entertainment Group, a well-established enterprise in the restaurant and hospitality sector, operates the site under a 10-year lease and operating agreement that pays a percentage rent from their events and restaurant business to the City. The tenant pays all operating costs and manages the site. The City of Toronto invests the rental revenues into the SOGR for the property. This model does not include the obligation to deliver educational programming. While currently profitable, the model took some years to reach maturity and a reliable market, also requiring significant City investment, and may not, therefore, be easily replicable at the OSC.

Any attempt by the City to restore and sustainably run a science centre on the site would also be challenged by the Province's plans to re-establish the Ontario Science Centre at the redeveloped Ontario Place site, which would likely create competition between the facilities. On balance of these factors, staff's preliminary analysis is that it would not be sustainable for the City alone to assume operations of the OSC under current conditions, as any future operations would need to contemplate a new funding and partnership model to ensure long-term sustainability.

Additionally, the Term Sheet of the Ontario-Toronto New Deal that was approved by City Council in December 2023 includes a commitment by the province to "discuss partnership opportunities with the City for maintaining public, community-oriented science programming at the legacy Ontario Science Centre". The TRCA has indicated a willingness to meet with the Province and City of Toronto to determine next steps in this regard; further discussions would be required with the Province, in light of the recent steps it has taken with respect to closure of the Site.

Provincial Business Case for Relocation

In November 2023, the Province released an *Ontario Science Centre Modernization Business Case* that it had commissioned, which found that the OSC was "not sustainable under status quo conditions" at the Don Mills site and was in operational crisis due to "...a failing structure with mounting critical building maintenance costs, long term trend in declining attendance, declining revenues and stagnant operating subsidies". See Appendix 1: *Ontario Science Centre Modernization Business Case*.

[Appendix E to the Business Case](#) included a Building Condition Assessment (BCA) from 2022 which identified multiple critical deficiencies in the existing facility with repair needs among all major capital components, including those presenting risk to occupant health and safety. The average useful lifetime of the major building systems (i.e., building envelope, HVAC, fire and life safety, etc.) is typically between 30-50 years, while the majority of the OSC capital components are now at more than 50 years old. The BCA prescribed the need for \$164 million in capital repairs over the next five years, with \$43.5 million required immediately, including \$23 million relating to urgent health and safety hazards. IO has also identified an additional \$109 million required for exhibit and cosmetic upgrades. Accounting for inflation since it was commissioned, the capital repair backlog identified in the BCA was estimated at \$478 million, not including additional critical roof repairs recently identified (see below, estimated at between \$22 million and \$40 million) or costs to repair the pedestrian bridge connecting the main entrance to the exhibition halls, which has been closed to the public since June 2022 (estimated at a minimum of \$16 million).

As announced in April 2023 (News Release: "[Get Ready for More at Ontario Place](#)"), the Province continues to plan for a new permanent home for the Science Centre on the Ontario Place site. On May 9, 2024, IO and the Ministry of Infrastructure (MOI) issued a Request for Qualifications (RFQ) for teams to design, build, finance and maintain the new Ontario Science Centre facility located at Ontario Place. IO has indicated that submissions will be reviewed to shortlist teams with the required design and construction experience, as well as the financial capacity to deliver a project of this size and complexity. Shortlisted teams will be invited to respond to a Request for Proposal (RFP), which is expected to be released in late 2024.

On June 21, 2024, the Government of Ontario announced the immediate closure of the OSC, citing "serious structural issues" identified in a new engineering report as the reason (see News Release: "[Professional Engineering Advice Leads to Closure of Ontario Science Centre](#)"). As part of the news release, MOI released an engineering report by Rimkus Consulting Group indicating that each of the centre's three buildings contain roof panels in a "distressed, high-risk" condition, requiring fixing by October 31, 2024 to avoid roof panel failure due to snow load. In a technical briefing, MOI indicated that necessary roof repairs were estimated to cost up to \$40 million, would take two to five years, and require the OSC to be vacant.

The Rimkus report outlined options to address the OSC's structural issues, including carrying the work out in a series of phases to minimize disruption to OSC's operations. The Province has announced immediate closure of the OSC, and on June 24, 2024, IO issued a [Request for Proposals](#) to help identify a temporary location for the Ontario

Science Centre, with bids being accepted until July 23, 2024, and a plan for the new temporary location to be open in 2026.

Auditor General's Report

In December 2023, the Office of the Auditor General of Ontario released a Value-For-Money audit of provincial Science Centres, including the OSC, and noted several significant audit findings with respect to the proposed relocation project. A summary of the findings is below.

- The 2023 cost/benefit analysis used to support the decision to relocate the OSC (versus rehabilitation of the current site) did not include financing, transaction and legal costs projected under the public-private partnership (P3) model to design, build, finance and maintain (DBFM), or incremental parking costs.
- The April 2023 relocation proposal to government decision-makers did not include concerns raised about expected attendance, travel times and car access to the Ontario Place location, especially for suburban families and certain school groups.
- Discussions with the City before the decision was made to relocate were limited in any substance or detail and the Toronto and Region Conservation Authority and large school boards within the Greater Toronto Area directly impacted by the relocation were not consulted.

The Auditor General of Ontario's report also made audit findings with respect to the OSC's operations, including:

- Deferred maintenance projects that were at risk of critical failure have been repeatedly denied funding.
- The OSC has experienced declining attendance since before the COVID-19 pandemic and could be doing more to improve its financial sustainability.

City staff are not in a position to independently validate the Province's relocation business case, or the Auditor General of Ontario's related findings.

Conclusion

In general, additional due diligence and further discussions with the Province and the TRCA are required to understand the Province's obligations and intentions with respect to the current OSC site and to explore opportunities to maintain science programming in the Flemingdon Park and Thorncliffe Park communities.

Details regarding the Province's plan with respect to the current OSC are being requested by City staff. Once such details have been provided for review, staff, in consultation with Legal Services, will assess whether an early right of termination in favour of the City/TRCA has been triggered by the Province in this instance.

Costs of restoring the OSC to a state of good repair are considerable (estimated at greater than \$500 million), and the Province has already publicly communicated and

begun the process of relocating the OSC to Ontario Place as part of that site's ongoing redevelopment.

Given current uncertainties, potential for activation of the current OSC site is not well understood and any decisions regarding whether the City could or should participate in any future operations would need to be informed by additional research, consultation, financial analysis and broader new deal considerations as part of any future negotiations.

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SIGNATURE

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ATTACHMENTS

- Appendix 1: *Ontario Science Centre Modernization Business Case*
- Appendix 2: *Value-for-Money Audit: Science Centres*