



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: May 11, 2016
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VanRIMS No.: 08-2000-21
Meeting Date: June 14, 2016

TO: Vancouver City Council

FROM: General Manager, Community Services

SUBJECT: Master Agreement with the H.R. MacMillan Space Centre for 1100 and 1200 Chestnut Street, Vancouver

IN CAMERA RATIONALE

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (j) information that is prohibited, or information that if it were presented in a document would be prohibited, from disclosure under section 21 [disclosure harmful to business interests of a third party] of the Freedom of Information and Protection of Privacy Act.

RECOMMENDATION

THAT Council authorize the Director of Real Estate Services execute a Master Agreement (the "Master Agreement") with the H.R. MacMillan Space Centre Society (the "Space Centre"), providing for occupancy by the Space Centre of a portion of the City-owned building situated at 1100 Chestnut Street and and the whole of the Gordon MacMillan Southam Observatory (the "Observatory") situated at 1200 Chestnut Street (the "Premises"), where the City is the tenant pursuant to a lease dated August 15th, 1966 between Her Majesty the Queen in Right of Canada and the Landlord (the "Head Lease") of all and singular those lands and premises situate in the City of Vancouver, in the Province of British Columbia, being a portion of Kitsilano Indian Reserve No. 6 of the Squamish Band (District Lot 3610) Group One, New Westminster District outlined in red on a plan attached to the Head Lease marginally numbered LA 143 and containing by admeasurement 41.74 acres, more or less, at a nominal rent on the following terms and conditions:

Term: Ten (10) years, commencing December 17, 2015, with two options to renew, each for an additional ten (10) years.

Rent: The grant in lieu of rent, is to be ten dollars (\$10) payable at the beginning of the term.

Use: The Premises are to be used for purposes related to the operation of a space centre, including ancillary activities that contribute to the financial sustainability of the organization.

Other Terms and Conditions: The Master Agreement is to be drawn to the satisfaction of the Directors of Legal and Real Estate Services, it being noted that no legal right or obligation is created and none shall arise until the Master Agreement is fully executed by both parties.

Leases that are provided at less than market rent are considered equivalent to a grant to the tenant and therefore require approval by eight affirmative votes of Council.

REPORT SUMMARY

This report seeks Council Authority approve a Master Agreement for ten (10) years, with two ten-year options to renew for a total term of thirty (30) years. Total rent for the agreement requires an approval of a grant in lieu of rent and requires eight (8) affirmative votes of Council.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The operating/lease agreement between the City and B.C. Space Sciences Centre (now H.R. MacMillan Space Centre Society or the "Space Centre") dated January 1, 1988 has expired. Subsequently Council, at its meeting immediately following the Standing Committee on City Services and Budgets meeting of May 6, 2002, authorized the Director of Legal Services to negotiate on behalf of the City a new sublease/operating agreement with the Space Centre for a term of 15 (fifteen) years commencing June 1, 2002 for nominal rent and on such other terms and conditions as are contained in the Administrative Report dated May 7, 2002. Due to a disagreement over how parking revenues should be allocated, which has since been resolved in favour of the City, a new agreement was drafted but never executed.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

Vancouver's Culture Plan: Strategic Directions was presented to Council in October of 2013 with an aim to enhance, promote, and support Vancouver's diverse and thriving cultural ecology. A key objective is to invest in our creative economy by working with partners to retain and enhance affordable and sustainable cultural spaces. The Space Centre and Observatory were early examples of the City addressing cultural and recreational needs through facility development. Since the building opened, the City has provided an annual operating grant to the Space Centre (\$519,400 in 2016, as per RTS 11326), as well as significant facility operations support.

REPORT

Background/Context

Vanier Park was leased to the City by the Government of Canada in 1966 with the stipulation that the land be used only for museum, park and recreational purposes. Between 1965 and 1968, the City of Vancouver partnered with H. R. MacMillan, a private benefactor, and others to build the Premises for certain cultural and recreational purposes, including the operation of a space centre.

Along with the Museum of Vancouver, the Space Centre has occupied the main building on the Premises continuously since it first opened to the public in 1968. The Space Centre has operated under different official names, including the H.R. MacMillan Planetarium from 1968 to 1997, the Pacific Space Centre from 1997 to 2000, and the H.R. MacMillan Space Centre from 2000 to the present.

The City details the terms of the Space Centre's tenure in the Premises through a joint operating agreement between the City, the Space Centre and the Museum of Vancouver, and a master agreement with the Space Centre. Both the Space Centre and the Museum of Vancouver have been over holding since the January 1, 1988 lease/operating agreements expired. New agreements were negotiated in 2009 but were never executed due to unresolved issues at the time. A new master agreement between the City and the Museum of Vancouver and a new joint operating agreement between the City, the Museum of Vancouver and the Space Centre were approved by Council in late 2015 (RTS 11018). These agreements have been signed by the Museum of Vancouver. Approval is sought to execute a new master agreement with the Space Centre. To align with the agreements negotiated with the Museum of Vancouver, it is recommended that the proposed master agreement with the Space Centre have a starting date of December 15, 2015.

Beyond the agreement recommended in this report, Cultural Services staff is using a three-pronged approach for visioning and evaluation of Vanier Park and institutions:

- 1) strategic evaluation of where each institution is in the organization cycle and the relation of the in-kind and financial support that these institutions receive to what they offer programmatically;
- 2) a forum with Vanier Park Board Chairs and CEOs on collaborative initiatives that collectively benefit the institutions and further the vibrancy of the area; and
- 3) exploring Vanier Park's potential as a cultural hub.

Staff is also engaging First Nations, the Neighbourhood Association and the Park Board to assess the long-term public interest of the area and the full potential of Vanier Park as a destination for both residents and visitors. Staff will report to Council with an update at the end of 2016.

Strategic Analysis

The Space Centre is one of Vancouver's major cultural institutions. It had over 115,000 visitors in 2015, of which roughly 30,000 were students and teachers. It offers a wide range of programs that are appealing to Vancouverites of all ages.

While the Space Centre's staff and board are demonstrably committed to financial sustainability, with operating surpluses over the last three years (the unaudited surplus for 2015 was \$51,717, which is 4.8% of total annual expenditures of \$1,076,088), the provision by the City of the Premises and facility operating support are an essential contribution to the Space Centre's viability.

Staff is recommending a Master Agreement with a term of ten (10) years, with two options to renew of a further ten (10) years each, for a total of thirty (30) years tenure. This provides the Space Centre with operational certainty as it continues to expand its base of support through programming, fundraising and revenue-generating initiatives.

Implications/Related Issues/Risk (if applicable)

Financial

Approval of Recommendation A results in a nominal lease to H.R. MacMillan Space Centre Society. The value of the grant is nominal as the City as the Head Lessee is under a nominal lease with the province that requires the land be used only for museum, park and recreational purposes. Therefore it would be hard to determine the fair market value of rent given the cost to the City and the limited use required under the head lease.

Legal

Working with Law and Real Estate, Cultural Services will oversee the development of the Master Agreement.

CONCLUSION

Besides enabling important and popular cultural and recreational programming, the Space Centre's tenure in the Premises fulfils the terms of the City's lease for Vanier Park with the federal government and the terms of the 1965 bequest that contributed significantly to the building of the Premises. The master agreement terms proposed in this report align with those negotiated with the Museum of Vancouver for its share of the Premises. The proposed terms will support organizational stability and effectiveness for a new generation of board, staff, volunteers, members and users of the Space Centre.

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