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TO: Finance and Economic Development Committee

DESTINATAIRE : Comité des finances et du développement économique

FROM: Gordon MacNair, Director,
Corporate Real Estate Office
Corporate Services Department

Contact: Peter Radke, Manager, Realty
Initiatives and Development, Corporate
Real Estate Office,
613-580-2424 ext. 12551
Peter.Radke@Ottawa.ca

EXPÉDITEUR : Gordon MacNair,
Directeur, Bureau de l'immobilier de la
Ville
Services généraux

Personne ressource : Peter Radke,
Gestionnaire, Initiatives et Mise en
valeur en immobilier, Bureau de
l'immobilier de la Ville, 613-580-2424
ext. 12551
Peter.Radke@Ottawa.ca

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SUBJECT: **Contract Options for 1127 Mill Street (Dickinson House and Carriage Shed)**

OBJET : **Options de contrat pour 1127, rue Mill (maison Dickinson et Carriage Shed)**

PURPOSE

To report back to the Finance and Economic Development Committee addressing future operating, maintenance, lifecycle costs and service delivery options for two heritage buildings located at 1127 Mill Street in Manotick.

BACKGROUND

Based on a report to Council dated November 9, 2016 ([ACS2016-CCS-GEN-0023](#)), Council approved a motion from the Finance and Economic Development Committee to dissolve the Manotick Mill Quarter Community Development Corporation and report back on leasing options associated with the retention of ownership of two designated heritage properties (Dickinson House and Carriage Shed) located at 1127 Mill Street, Manotick.

Since 2010, a license of occupation has been issued annually to Watson's Mill Museum Manotick Inc. by the City's Corporate Real Estate Office. The Rideau Township Historical Society is noted in the Licence as the principal user of the Dickinson House and must provide proof of liability insurance. The two non-profit cultural organizations use the City-owned buildings to deliver their programming and to maintain the administrative capacity of their respective organizations.

The Rideau Township Historical Society and Watson's Mill Manotick Museum Inc. receive funding from the City's Heritage Funding Program and Community Museum Service Agreement Program respectively. The objectives for these programs are to foster awareness and appreciation for the distinct local history and heritage of Ottawa and its communities. Funding is also provided to community museum programs to enhance research, programming, exhibits and visitor services. The City's Arts and Heritage Development Unit manages these funding programs and testifies to the value and community service these two non-profit cultural community organizations provide on behalf of the City.

DISCUSSION

Local museums and historical societies are stewards of Ottawa's local history and heritage, managing and holding collections in public trust for the citizens of Ottawa. The City's cultural funding programs are only intended to provide direct funding support for cultural programming and do not address the costs of using City owned space and the associated operating costs. Rents are often nominal as museums, historical societies and other cultural organizations depend upon the City to maintain the buildings, pay market rents and in many cases pay the cost of utilities. Earned revenue, private sector support and fundraising/donations are generated by these cultural organizations. These revenue sources most often contribute towards program delivery, special projects and initiatives and sometimes capital needs (i.e. Watson's Mill roof). Provincial and federal funding sources are accessed as well whenever organizations are eligible.

Over the last five years, annual operating costs for the two buildings are averaging \$28,217 which is paid by the City. The SAP report for 1127 Mill Street, shown in Document 1, depicts the total operating costs for each year from 2010 to 2016 for both the Dickinson House and Carriage Shed. The cumulative five year forecasted lifecycle budget, funded by the City, is \$37,000 and \$202,000 respectively for the Carriage Shed and Dickinson House.

A review of different occupancy contracts used by the City indicates that service delivery agreements may be the preferred option moving forward. This is an approach that has been used by the City's Recreation, Cultural and Facility Services Department for non profit community groups that meet the Department's criteria for recreation service delivery. Service delivery agreements generally identify in detail the responsibilities and service description for the parties involved, how they will be managed, cost of services and principles of the relationship. The City may terminate the contract if the non profit community group fails to comply with the terms of the agreement or fails to perform or conduct operations in a manner acceptable to the City.

Service delivery agreements would seem to be a better model where the City is simply engaged in a contract for not-for-profit services and assigning responsibilities for the use of space and not engaged in a rent for fee scenario. Service delivery agreements also avoid sole sourcing and taxation issues that can be associated with a long term lease. It would seem to be an appropriate model for non-profit cultural groups delivering services on behalf of the City and operating from City-owned space. For consistency, the terms and service description expressed in an applicable City cultural funding grant could be applied to the Service delivery agreement for the use of City space.

NEXT STEPS

The standard Service Delivery Agreement form is under review for updates and revisions by the City's Recreation, Cultural and Facility Services Department. Once the City has updated its service delivery agreement model and related documents, particularly as it applies to the use of City-owned space by non-profit community groups, staff will exercise their delegated authority to enter into an agreement with the non-profit community groups delivering services from the Dickinson House and Carriage Shed.

In the interim, the existing Licence of Occupation under its current provisions will continue to be renewed annually for the subject properties. Additionally, City staff will perform an energy audit of the HVAC systems and insulation performance to determine

how much of a capital investment would be required to substantially reduce the operational utility costs of ownership to the City over the longer term.

SUPPORTING DOCUMENTATION

Document 1 - SAP Report - Dickinson House and Carriage Shed Annual Maintenance and Utility Costs