



STAFF REPORT ACTION REQUIRED

Casa Loma Operations and Governance

Date:	June 8, 2007
To:	Executive Committee
From:	Sue Corke, Deputy City Manager
Wards:	St. Paul's – Wards 21 and 22
Reference Number:	

SUMMARY

Casa Loma was built by Sir Henry Pellatt between 1911 and 1914 as his principal residence. After the collapse of Sir Henry's business empire in 1924, Casa Loma was acquired by the City in lieu of back taxes. Since 1937, the estate has been operated by the Kiwanis Club of Casa Loma as a heritage tourist attraction with the City responsible for the exterior of the building. This situation became critical in 1997 when a Restoration Master Plan revealed that it would cost \$20 million to restore and rebuild the exterior walls of the building. The health and safety concern was so great that Casa Loma was in danger of being forced to close.

In 2003, City Council made the restoration of Casa Loma a corporate priority. By coming to terms with the capital restoration of the exterior of Casa Loma, the City became keenly aware of its stewardship responsibility and was troubled by the condition of the interior of the building. The Casa Loma Advisory Committee and subsequent consultation have revealed a general consensus on a new vision for Casa Loma and on the need for revitalization of the interior and public programs.

In response to the report of the Casa Loma Advisory Committee and vision for Casa Loma, the Kiwanis Club has prepared a plan that includes enhanced heritage programming, new visitor amenities and expanded governance. City staff support the directions outlined in the Kiwanis Club plan for Casa Loma and recommend the negotiation of a long term extension to the Licence Agreement to realize the vision.

RECOMMENDATIONS

The Deputy City Manager responsible for Economic Development, Culture and Tourism recommends that:

1. Council adopt a vision for Casa Loma to ensure that:
 - a. Casa Loma's programming, curatorial focus and interpretation fully reflect its Edwardian heritage, tell the story of Toronto in that era, and reflect the imagination, energy and innovation present in Toronto in the early 20th century;
 - b. complementary programming, heritage walks, signage and marketing create a heritage precinct that links the Casa Loma estate to Spadina Museum and the City Archives, two important City assets in the neighbourhood; and
 - c. a refreshed visitor experience and stimulating heritage tours attract a greater number of Torontonians to the Casa Loma estate.
2. the Chief Corporate Officer, in conjunction with the General Manager of Economic Development Culture and Tourism, be authorized to negotiate and report back on a long term extension to the Licence Agreement with the Kiwanis Club for the operation of Casa Loma that implements the vision for Casa Loma through:
 - a. enhanced heritage programming;
 - b. new visitor amenities;
 - c. expanded governance through the terms of reference, structure and composition for the Kiwanis Board of Trustees to ensure balanced representation of community and City interests;
 - d. a restructured financial arrangement that continues Casa Loma as a self-sustaining operation and maintains contributions to the exterior restoration project;
 - e. City approval for all alterations to the building and sublicense agreements;
 - f. a term of up to 20 years with performance benchmarks and a full review after three years;
 - g. annual progress reports to the Economic Development Committee; and
3. the appropriate officials be authorized to take the necessary action to give effect thereto.

FINANCIAL IMPACT

There are no immediate financial implications arising from the adoption of this report. Under the current Licence Agreement between the City and the Kiwanis Club, the City receives a share of operating revenue. The entire amount is placed in the Casa Loma Reserve Fund to partially fund the exterior restoration project. In 2006, payments to the City totalled \$923,000 and similar payments are expected until the end of the current

Licence Agreement. The 2007 approved EDCT capital budget for the exterior restoration is \$4.110 million gross and \$1.810 million net and will not be impacted by this report.

The City does not contribute to the operating budget of Casa Loma and the 2007 Operating Budget will not be impacted by this report. In the longer term, it is anticipated that the new vision and governance structure for Casa Loma will result in an increase in revenue that will offset the proposed increased investments in programming and interior restoration while maintaining the contribution to exterior restoration.

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

DECISION HISTORY

At its meeting held on June 12, 2006, the Economic Development and Parks Committee (EDPC) referred the staff report and the report of the Casa Loma Advisory Committee back to the General Manager of Economic Development, Culture and Tourism for further consideration, consultation with stakeholders and other groups including the Kiwanis Club of Casa Loma, and requested a report back to EDPC as soon as possible.

ISSUE BACKGROUND

Casa Loma was built by Sir Henry Pellatt between 1911 and 1914 as his principal residence. He spared no expense – as a successful entrepreneur he wanted to create a home that showcased the latest technology and contained fixtures and furnishings from around the world. He hired Toronto's leading architect of the era, E.J. Lennox, to realize his vision. By 1924 Sir Henry's business empire had collapsed and the City acquired the estate in lieu of back taxes. Casa Loma has been operated as a heritage attraction by the Kiwanis Club of Casa Loma (KCCL) since 1937 under a Licence Agreement with the City.

The exterior shell of Casa Loma is constructed primarily of a man-made product called Roman Stone. By the mid 1990s, the Roman Stone was deteriorating rapidly, causing a major safety hazard as exterior elements crumbled. A 1997 Restoration Master Plan estimated that it would cost \$20 million to restore and rebuild sections of the exterior walls. The City was unsuccessful in its application to SuperBuild for \$8.2 million to assist with this work. The City has committed to the restoration of Casa Loma and dedicates all the revenue received through the Licence Agreement plus additional City capital funding to this purpose. Construction began in 2003 and the restoration of the exterior of Casa Loma is 50 percent complete.

At its meeting held on January 27, 28, and 29, 2004, Council directed the Commissioner of Economic Development, Culture and Tourism to establish a Casa Loma Advisory Committee of prominent citizens to provide advice on the restoration and operation of Casa Loma. In the same report, Council had approved a deferral of \$200,000 in Licence payments to the City from Kiwanis due to the adverse impact on revenue resulting from

the severe drop in attendance related to SARS. Given the deterioration of the exterior and the potential vulnerability of the operation to a decline in tourist visits to the city, Council directed that it was time to undertake an arms' length review of Casa Loma.

COMMENTS

Casa Loma Advisory Committee:

The Casa Loma Advisory Committee (CLAC) held its first meeting on June 9, 2004 with a mandate to promote and facilitate community support for the restoration and revitalization of Casa Loma. CLAC was also charged with providing advice and comment on the development of Casa Loma to meet community aspirations and needs, and to highlight Casa Loma's potential as a public asset.

The membership of CLAC included seven citizens and the Councillors for Wards 21 and 22. CLAC held nine meetings; toured Casa Loma and met with the Kiwanis Club of Casa Loma Board of Trustees; commissioned research into the operation of comparable historic buildings; and undertook consultation sessions in January, June and November, 2005.

In its report to the Economic Development and Parks Committee in June 2006, the Casa Loma Advisory Committee recommended a vision for Casa Loma and a new governance structure. The Executive Summary of CLAC's report to Committee is included as Attachment #1. The CLAC vision had three inter-connected elements:

- a) Casa Loma's programming, curatorial focus and interpretation will fully reflect its Edwardian heritage, tell the story of Toronto in that era, and reflect the imagination, energy and innovation present in Toronto in the early 20th century;
- b) complementary programming, heritage walks, signage and marketing will create a heritage precinct that links the Casa Loma estate to Spadina Museum and the City Archives, two important City assets in the neighbourhood; and
- c) a refreshed visitor experience and stimulating heritage tours will attract a greater number of Torontonians to the Casa Loma estate.

The CLAC report also recommended the establishment of a Casa Loma Trust, a non-profit organization responsible for overseeing all aspects of the Casa Loma estate. CLAC anticipated that the Casa Loma Trust would not be a City agency, board or commission but would be independent from the City. The Trust would run by a volunteer Board with expertise in tourism, marketing, heritage, fundraising and hospitality with City Council representatives appointed by Council.

Stakeholder Consultation:

The Economic Development and Parks Committee referred the staff report and the report of the Casa Loma Advisory Committee back to the General Manager of EDCT for further consideration, consultation with stakeholders and other groups including the Kiwanis

Club of Casa Loma. The City engaged outside consultants to devise a consultation protocol and interview 26 stakeholders including 7 members of the Kiwanis Club of Casa Loma. The consultation was designed to test support for the CLAC vision for Casa Loma and the recommended governance model. The stakeholder consultation report was completed in April 2007 and is included as Attachment #2.

The stakeholder consultation revealed a general consensus in support of the CLAC vision for Casa Loma. The consultation on the governance model was less conclusive. Some agreed that a change in governance was needed but the Kiwanis Club was adamant that their current structure, modified to include community members, was sufficient.

Kiwanis Club of Casa Loma Proposal:

In response to the report of the Casa Loma Advisory Committee, the Kiwanis Club has worked with Lord Cultural Resources to develop a plan to implement the vision for Casa Loma (Attachment #3). The Kiwanis Club proposes to:

- a) Enhance Heritage Programming by re-branding Casa Loma to reflect the Imagination and Creativity of the early 20th century; establishing an Orientation Centre; refurbishing the Stables and the Hunting Lodge; and working with the City to develop a heritage precinct;
- b) Enhance visitor amenities by working with a private sector partner to renovate the historic ballroom; provide gourmet catering services; create a five-star restaurant and provide casual dining for Casa Loma's daytime visitors; and
- c) Expand Governance by including City representatives, local community representatives and business leaders on the Kiwanis Board of Trustees.

The Kiwanis Club has also asked the City to restructure the financial arrangement with the Club to assist with the implementation of the vision. The City needs to maintain the revenue stream that is currently funding the exterior restoration project but will explore changes to the financial arrangement through the Licence Agreement negotiations.

Evaluation of Governance Options:

City staff have examined a variety of options for the future governance of Casa Loma. These include:

- 1) Status Quo – Licence Agreement with the Kiwanis Club;
- 2) Modified Status Quo – Licence Agreement with Kiwanis renegotiated to address key City interests;
- 3) Open Competition for an Operating Agreement;
- 4) City Established Not-For-Profit Corporation (The Trust);
- 5) City Board of Management; and
- 6) Directly City-operated

Staff employed the following criteria when evaluating the governance options. The twelve evaluation criteria are:

- a) City Interests – financial & asset integrity; cultural & heritage; tourism;
- b) Kiwanis Club Interests – identity & past commitment; charitable community work;
- c) Tenant Interests – Queen’s Own Rifles; Girl Guides of Canada; Garden Club of Toronto;
- d) Engagement with Neighbouring Community;
- e) Ability to Raise Money for Casa Loma;
- f) Ability to Maximize Revenue while protecting the heritage assets;
- g) Human Resources Implications;
- h) Ease of Implementation;
- i) Cost of Implementation;
- j) Interests of other Stakeholders;
- k) Casa Loma as the Priority Charitable Cause; and
- l) Access to City Expertise and Resources.

Staff have evaluated the proposal made by the Kiwanis Club of Casa Loma for a modification of the Status Quo and have concluded that on balance it represents the best option for future governance when measured against these twelve evaluation criteria. A renegotiated Licence Agreement can ensure the implementation of key City interests while maintaining the historic relationship with the Kiwanis Club of Casa Loma. City staff support the directions outlined in the Kiwanis Club plan for Casa Loma and recommend the negotiation of a long term extension to the Licence Agreement to realize the vision.

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SIGNATURE

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ATTACHMENTS

- Attachment No. 1: “The Casa Loma Connection”, Executive Summary, Report of the Casa Loma Advisory Committee, June 2006
- Attachment No. 2 “Report of Casa Loma Stakeholder Consultations”, April, 2007
- Attachment No. 3 “Casa Loma Day-Visitor Experience Concept”, December 2006