

Report to Council



Date: March 21, 2022
To: Council
From: City Manager
Subject: Kelowna Museums Society – Lease and Operating Agreement
Department: Real Estate & Active Living and Culture

Recommendation:

THAT Council receives, for information, the report from Real Estate & Active Living and Culture departments dated March 21, 2022, with respect to the Lease and Operating Agreement between the City of Kelowna and the Kelowna Museums Society;

AND THAT Council approves the City entering into a five (5) year Lease and Operating Agreement with the Kelowna Museums Society, in the form attached to the Report of the Real Estate & Active Living and Culture departments dated March 21, 2022;

AND THAT the 2022 Financial Plan be amended from \$625,570 to \$675,000 in grant funding to the Kelowna Museums Society, with funding from the General Reserve;

AND FURTHER THAT the Mayor and City Clerk be authorized to execute the Lease and Operating Agreement and all documents necessary to complete this transaction.

Purpose:

To approve the City entering into a five (5) year Lease and Operating Agreement with the Kelowna Museums Society, for the City-owned properties at 470 Queensway, 1304 Ellis Street, and a portion of 1424 Ellis Street.

Background:

The Kelowna Museums Society (KMS) operates and maintains multiple museums located in three municipal facilities. These include the Okanagan Heritage Museum/ Central Okanagan Sports Hall of Fame, Okanagan Military Museum and Wine and Orchard Museum/ Laurel Packinghouse.

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Service to the Community

The KMS offers numerous public events and activities including exhibitions, openings, drop-in visits, programming for school and community groups, guest lecturers, community outreach workshops, presentations, public tours and an annual heritage fair. Annually, the KMS welcomes over 60,000 visitors, 22,000 of whom are participants in school public programming.

The Okanagan Heritage Museum is home to the Ursula Surtees Conservation Laboratory, which offers conservation assessment, treatment and workshops. The Conservation Lab is the only facility of its kind in the interior of BC. Additional ancillary users of the museums include researchers accessing the Kelowna Public Archives and the Vince Bezeau Military Library & Archives. Space at the museum is also available to partner community groups for research and meeting purposes.

The Laurel Packinghouse is utilized by and rented to community groups, businesses and individuals for public and private events, counting over 26,000 visitors annually. These include craft fairs, galas, fundraisers, civic and community presentations and roundtables, meetings and private events such as weddings and Christmas parties.

During the restrictions imposed by the pandemic, the KMS has continued to offer programming to residents of Kelowna through virtual tours and educational workshops across a broad range of topics. The virtual programming has been very successful and allowed the community to engage with the museum in a new way.

Established in 1936 as a community group and in 1951 as a registered not-for-profit society, the KMS has provided the region's residents and visitors with an on-going interpretation of the Okanagan and beyond. They are caretakers of history, science and human legacy.

Partnership History:

The services provided by KMS are critical to preserving and sharing the history of our region, and play a key role in meaningful work towards reconciliation. Since 1948, the City has benefited and continues to benefit from a strong partnership with KMS that currently includes the lease of City space and the delivery of direct programming and services to residents and visitors.

The impact KMS has had on our community is significant. Over the past twelve months, the City's annual investment in KMS consisted of a \$625,230 operating grant and the use of three civic facilities. The KMS has leveraged this investment by providing \$1.3 million worth of programming. In 2021, KMS received operating support of approximately \$507,000 (including COVID recovery funding) from other levels of government.

Strategic Partnership Review:

Staff's annual review of strategic partnerships confirms that KMS has a strong, active and engaged board and is operating in strong alignment with the 2020-2025 Cultural Plan, Cultural Facilities Master Plan and the City's heritage priorities. KMS has a history of successful programs and services that are carefully planned - and shows leadership and deep commitment to reconciliation and relationship

building with syilx/Okanagan People. Additionally, the Society was able to successfully pivot its programs to engage visitors through an online format.

The KMS lease expired in 2020 and has been in overholding since that time. Over the past two years, Staff have worked collectively with KMS to clarify maintenance demands and responsibilities for these older buildings and to develop an initial framework for the establishment of a reserve fund. The new lease is reflective of this work.

Annual Repairs and Maintenance funding by KMS

While the previous agreement between the City and KMS did not include a building reserve, the society continues to be an excellent steward of the municipal assets. Below is a summary of the annual spending by KMS with regards to building maintenance. This does not include utility and capital expenditure.

KMS – Annual Building Maintenance Funding					
Year	2017	2018	2019	2020	Total
Heritage Museum	\$23,379	\$19,199	\$32,867	\$42,393	\$117,838
Military Museum	\$4,184	\$5,640	\$10,200	\$11,474	\$31,498
Laurel Building	\$27,371	\$26,909	\$26,151	\$12,885	\$99,316
Total	\$54,934	\$51,748	\$69,218	\$66,752	\$242,652

Agreement Summary:

Through the proposed Lease and Operating Agreement, the City and KMS seek to achieve the following shared objectives:

- a) Provision of a wide range of programs and services which enable preservation and interpretation of human and natural history artifacts for the City and region and its residents and visitors;
- b) Cost-effective, viable, and prudent long-term tenure, operation and maintenance of City-owned lands and buildings;
- c) Increased leverage of City resources through the development of community partnerships and diverse funding sources including donations, sponsorship, grants, and earned revenues; and
- d) contributing to the appreciation of human and natural history in Kelowna and the region surrounding Kelowna.

A summary of the key details of the Lease and Operating Agreements is shown in the table below:

Lease and Operating Agreement – Key Terms	
Annual Grant	\$675,000, increased by BC CPI starting March 1, 2023
Term	Five (5) years
Lease	Okanagan Heritage Museum – 470 Queensway Laurel Packinghouse – 1304 Ellis Street Okanagan Military Museum – 1424 Ellis St
Rent	Nominal (\$1)
Contribution to Building Reserve	Annual contribution of \$18,000 to building reserve (increased by BC CPI starting March 1, 2023)

Staff have worked closely with KMS to strengthen the Lease and Operating Agreement in an effort to increase the clarity and expectation of both parties. The proposed agreement accomplishes the following major points:

- a) Inclusion of a building reserve, to be held by the City
- b) Indexes operational grant and building reserve contributions annually by the BC CPI;
- c) Outlines the new maintenance requirements for the leased buildings; and
- d) Outlines the new annual reporting requirements as part of the new partnership reporting program.

Finance:

The Lease and Operating Agreement increases the City’s annual grant funding to KMS from \$625,570/year to \$675,000/year, with further increases to be adjusted annually by the BC Consumer Price Index (CPI) for the term of the Lease and Operating Agreement.

It should be noted that there has been no increase in the City’s operating grant to KMS between 2010-2022. During this same period, the City has grown dramatically and demands on the museum continue to increase. KMS continues to leverage staff capacity every year with a variety of wage subsidy programs for interns and students. In addition, KMS accesses federal, provincial and regional grants for relevant projects.

The proposed 2022 grant funding increase of \$49,430 will be funded one-time from the General Reserve with the 2023-ongoing additional funding from taxation requested through the preliminary budget.

Existing Policy:

The proposed non-market facility lease aligns with Council Policy 347 – Non-Market Leasing of Civic Lands and Buildings. For this reason, staff are recommending a non-market lease within this Lease and Operating Agreement.

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Internal Circulation:

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Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

External Agency/Public Comments:

Communications Comments:

Submitted by: J. Säufferer, Real Estate Department Manager

Approved for inclusion: D. Edstrom, Divisional Director, Partnerships & Investments

Attachments:

1. Schedule A - Kelowna Museum Society - Executive Summary
2. Schedule B - Lease and Operating Agreement
3. Schedule C - PowerPoint Presentation