



Governance and Priorities Committee Report For the meeting of October 23, 2014

Date: October 17, 2014 **From:** Jocelyn Jenkyns, General Manager, VCC
Subject: Victoria Conference Centre – Crystal Garden Status Report

Executive Summary

The Victoria Conference Centre was established as a self-financing department of the City of Victoria in 1989. The centre was built on property owned by the Fairmont Empress. The Fairmont Empress and the City are parties to a 50 year lease which extends to 2037. In 2007, the VCC took over the lease of the Crystal Garden to accommodate larger conference programs and allowed the facility to expand to 73,000 square feet. On April 1, 2014, the City became the owner of the Crystal Garden through a land deal with the Province. In June 2014, Council requested that staff report back at year end on the future viability of Crystal Garden.

In August 2014, as a result of unsolicited proposals coming forward to Council to express interest in a possible lease of the Crystal Garden, Council passed a motion that staff make recommendations for Crystal Garden to Council, based on the current state of the viability of the Crystal Garden and that a Request for Expressions of Interest (RFEI) be issued for Crystal Garden.

On October 2, the City of Victoria issued a Market Sounding document to gauge interest in securing a long-term tenant to lease the Crystal Garden. The Market Sounding closes at noon on Thursday October 22 and is attached as Appendix A.

Staff will provide Council with a verbal report on the submissions received at the GPC meeting on October 23. Based on Council's direction, a full report on the viability of Crystal Garden and the results of a detailed RFEI would come back to Council at the December 18, 2014 GPC meeting.

That Council receive this report for information.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Jocelyn Jenkyns'. Below the signature, the name 'Jocelyn Jenkyns' is printed in a small, black, sans-serif font.

Jocelyn Jenkyns

General Manager
Victoria Conference Centre

Report accepted and recommended by the City Manager:

Date:

A handwritten signature in black ink, appearing to be 'M. [unclear]', written over a horizontal line.

October 17, 2014



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THE CORPORATION OF THE CITY OF VICTORIA
MARKET SOUNDING 14-059
CRYSTAL GARDEN LEASING OPPORTUNITY

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INTRODUCTION

The City of Victoria (City) is issuing this Market Sounding document to gauge interest in securing a long-term tenant to lease the iconic Crystal Garden. The Crystal Garden is currently an expansion space to the Victoria Conference Centre. This opportunity is being presented based on the City's wish to solicit information and ideas for future usage of this space which may result in a different use and optimization of the space through a different business model.

BACKGROUND

The Crystal Garden is located in downtown Victoria at 713 Douglas St. at the corner of Belleville St. adjacent from the Royal BC Museum. The Crystal Garden has had many uses since its opening in 1925. The chronology is as follows:

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| 1925 | Designed by Francis Rattenbury and inspired by the famous Crystal Palace built for London's 1851 Great Exposition and the Palm House at Kew Gardens. The heritage building opened in June 1925 as the largest salt water swimming pool in the Empire. The conservatory building also housed leafy tea gardens and two dance floors. |
| 1925-1954 | Rock bands replaced swing bands and the London Wax Museum moved in where the lower banquet hall used to be. |
| 1955 | The pool was converted to fresh water in 1955 due to corrosion from the steamy salt air. |
| 1965 | Canadian Pacific terminated the lease after two 20 year terms. |
| 1965-1967 | The City of Victoria took over operations of the facility for two years. |
| 1967 | With the building deteriorating, the City built a new Crystal Pool and the Crystal Garden was closed. It stood derelict for several years. |
| 1977 | The City of Victoria gives the building to the Province for one dollar. |
| 1980 | Crystal Garden reopens as a botanical garden and conservation centre. |

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- 2004** With attendance declining, an annual deficit of close to \$700,000 and extensive upgrades needed to meet current building safety standards, the Crystal Garden Conservation Centre is closed. A Request for Proposal for a long-term lease of the facility was issued by the Provincial Capital Commission (PCC).
- 2004** BC Experience, a \$16 Million attraction featuring a giant topographic map is announced by the PCC as the successful bidder and new tenant for Crystal garden.
- 2005-2006** Over \$5 million is spent on structural upgrades and bringing the building up to modern seismic and snow load standards.
- 2006** BC Experience opens, closes and declares bankruptcy within a span of 11 weeks.
- 2007** The City of Victoria takes over a long term lease of the facility from the bankruptcy trustees. The lease has the potential for four ten year terms for a maximum of 40 years.
- 2008** The City of Victoria spent \$10 Million on an extensive renovation of the Crystal Garden to upgrade the HVAC and to build a servery for food service of conferences.
- 2008** The Victoria Conference Centre opens the space in November 2008. At the same time, the conference industry experiences a business decline related to the global downturn in the economy. In addition, due to the proximity to the neighbouring residential units, there are considerable operating restrictions on the facility. These restrictions include reduced hours of operation, reduced hours for food and beverage service and limited ability for "load in" for events. Over time, these challenges have resulted in fewer event bookings and reduced revenues associated with that lost business.
- 2010** The City is currently providing a subsidy of \$620,000 to the VCC (until 2014) to operate the Crystal Garden. Further analysis is undertaken regarding the business model to see how the VCC can drive increased revenue related to Crystal Garden.
- 2014** Through a land swap with the Provincial Government, the City of Victoria has gained complete ownership of the Crystal Garden. An analysis of the existing business model is currently underway and a life cycle analysis for capital replacement will be conducted as part of the 2015 City Financial Plan.

SOUNDING OUT OPPORTUNITIES – THE VISION

Objective and Purpose

Through this process the City is seeking to:

- Ascertain the level of interest of individuals or businesses wanting take over this space.
- Obtain ideas, views and suggestions on possible uses for this space.

The City's goal is to lease the space to an entity with a viable, sustainable business idea, or one that is established, which will:

- enhance and respect the historical significance of the building;
- bring an offering of interest to the community thus helping to enhance downtown;
- consider contributions to creating sustainable prosperity by outlining impacts within environmental, social and economic contexts; and
- be financially sound with the ability to cover annual costs (lease and operating expenses) for the space in the range of \$500,000.

In advance of deciding on what procurement option best serves the City, the City is very interested in understanding what opportunities might exist to achieve its objective in an innovative way. No concrete notions have been set regarding possible usage of the space. The goal of this market sounding is to seek feedback and determine what interests may exist with the private, public or non-profit sectors. The ideal tenant will respect the historical significance of the building and be financially sound with a solid business and operating plan willing to enter into a short term lease. (5 years)

The information provided by respondents will assist the City to better understand the potential for developing and optimizing the use of the space.

Participation in this Market Sounding exercise is not mandatory to participate in any future process, and is not part of any future RFQ or RFP process. The City may contact participants of the Market Sounding for additional information or clarification purposes.

FUTURE PROCESS

The City may, dependent on the responses received, proceed to a two stage competitive process that would include a Request for Qualifications/Pre-Qualification and a formal Request for Proposal. The City may also elect not to proceed with a future competitive process but instead negotiate directly with a single respondent to the Market Sounding exercise.

DELIVERABLES AND MARKET SOUNDING QUESTIONS

If helpful, the following questions may be responded to directly in order to provide feedback to the City, however those participating are not obligated to answer any or all of these questions, and further comments not associated with these questions are welcomed:

- Are the objectives provided by the City realistic?
- Is this opportunity attractive to you or your company? Can you make a reasonable return from it?
- What barriers to participating in this process do you perceive may exist?
- What challenges would you expect to encounter if you were to participate in this process through to the end?
- What do you identify as significant risks in regard to this process? How would you proceed to mitigate those risks?
- Are there any other issues or concerns you would to address that we may have missed?

SITE

The Crystal Garden is located at 713 Douglas Street on the corner of Belleville Street adjacent to the Royal BC Museum, close to the Inner Harbour and the downtown core. The space to be leased includes the main area of the Crystal Garden that measure approximately 2,137 square metres or 23,000 square feet.

Access to the space is through the main entrance on Douglas Street. Additionally there is access on the side and rear of the building. Building and site information is shown on the drawings and photographs attached.

The property is Zoned CA-4 which permits a variety of uses and is within Development Permit Area 9 (HC) Inner Harbour. The property is also listed on the City's Heritage Registry.

OWNERSHIP OF RESPONSES

All submissions provided to the City in response to this Market Sounding become the property of the City when received. The City may, at its sole discretion, use any information provided in a future competitive process or in direct negotiations with a single respondent to this Market Sounding exercise. The City may share submissions received as part of this Market Sounding with other respondents, potential partners, or the general public; however, in such a case the City will make reasonable efforts to remove any information that would reveal the identity of the person or entity that submitted the response.

OBLIGATIONS

This Market Sounding document is **not** a pre-qualification, tender or request for proposal or the beginning of any procurement process. For this reason detailed proposal submissions are not required. The City may or may not, at its discretion, proceed to a formal pre-qualification or request for proposal process.

Submission of a response to this exercise does not create any contractual relationship between the City and the respondent. Additionally, the City will not be responsible for any costs or expenses incurred by any respondent.

ENQUIRIES

All enquiries regarding this Market Sounding exercise must be directed in writing to Greg Orton, Senior Buyer, Supply Management Services, via e-mail purchasing@victoria.ca.

SOLICITATION

If any director, officer, employee, agent or other representative of a respondent makes any representation or solicitation to the Mayor, any Councillor, officer or employee of the City with respect to this exercise, whether before or after submission, the City shall be entitled to reject the submission.

SUBMISSIONS

Written submissions will be accepted at the following address until **12:00 p.m. WEDNESDAY OCTOBER 22, 2014.**

The Corporation of the City of Victoria
Supply Management Services
1 Centennial Square
Victoria BC, V8W 1P6
Attention: Greg Orton, Senior Buyer

Submissions will also be accepted via e-mail to purchasing@victoria.ca until the above mentioned date.

All submissions should include your company name, address, name of primary contact person, the history and business of the respondent, possible partnerships and any other information you feel will benefit the City in achieving its goal.