



District of North Saanich

In-Camera STAFF REPORT

To: Mayor and Council

Date: March 8, 2010

From: Bruce Williams, CAO

File:

Re: Closure of Dunsmuir Lodge

PURPOSE

The purpose of this report is to provide Council with a:

- Chronological synopsis of the events and decisions leading to the closure of the lodge operations (derived from documents obtained from UVIC under the *Freedom of Information and Protection of Privacy Act*).

INTRODUCTION/BACKGROUND

The Mayor submitted an FOI request, dated May 7, 2009 to the University of Victoria requesting access to information relating to and culminating in the decision to close Dunsmuir Lodge on March 31, 2009. Due to the fact that a significant amount of work was coordinated through the Vice-President Finance and Operations, it was agreed that the request would be limited to the records within the possession of the Vice-President Finance and Operations.

RESULTS

In response to the Mayor's request, the University provided a number of documents some of which have been severed under sections 13, 16, 17 and 22 of the Freedom of Information and Protection of Privacy Act. A list of the documents, which was received in two batches, is attached as **Appendix 1**. A copy of the documentation is available for Council's reference in the Council/Committee Room.

The following is a chronological summary of the highlights gleaned from reading the documents.

1985

- The gift (Gillain Manor) was made on the understanding that the University would accept it on a "best efforts" basis to utilize the property.
- If the University paid off the mortgage, the University would not seek to dispose of the property prior to the fall of 1989
- There were no stipulations on how the University was to use the property as long as sufficient time and resources are committed to give any usage a chance to succeed.
- The buildings sit on a twenty acre piece of property which only has a metes and bounds division from the remaining eighty acres
- Existing sewerage and water systems are on the eighty acres rather than the twenty acres
- President was given authority to borrow against the security of Gillain Manor an amount of money adequate to operate the facility at least until August, 1989
- On November 18, 1985, Gillain Manor and the surrounding 100 acres were transferred to the Island Pacific Institute Foundation for an education conference centre. The advantages to this approach were it gave a wholly owned and controlled entity of U. Vic.

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some flexibility in terms of the ability to dispose of the property without getting outside approval; by paying taxes to the municipality involved future complications could be avoided with respect to subdividing the property or using it for some other purpose and it might improve sources of funding.

- The operation of the facility was not to be a liability for the University and that the property could be sold if it was a financial drain for the University.

1986/1987

- A manager was hired to manage the facility.
- The property was transferred to the University of Victoria rather than that of the Island Pacific Institute Foundation.
- September, 1986 District of North Saanich formally created a new zoning category to accommodate the usage (from A-3 Rural Zone to P-3 Assembly).
- BC Building Corporation (BCBC) undertook a review of the buildings and grounds and found:
 - The overall interior fabric of the building was found to be well maintained and in excellent condition even though little maintenance had been performed for the past 7 or 8 years.
 - The roof on the building is in poor condition, despite the recent replacement of a portion of the west wing
 - The building does not meet current fire code requirements
 - The present water supply and sewage disposal systems are limited in their capacity and capability to support full occupancy
 - Under the present conditions, the sewage disposal system is operating satisfactorily and is capable of handling approximately 5,000 imperial gallons per day. However at 99%+ occupancy level, it is likely that demands on the system will exceed the design capacity.
- The University recognized that in order for the facility to be a viable venture, the facility needed to expand from 45 rooms to 100 rooms.
- It was recognized the debt service load could not be handled even if the facility were being operated at its steady state level of efficiency from day 1.
- The University proceeded with a renovations budget of \$2M.
- The operating budget was prepared with the understanding that the long range financial plan for the venture is that:
 - There will be a cash funding requirement for the initial period
 - This funding requirement will be recouped at a later point from sources such as fundraising and operating results of the facility
 - It is not the expectation that the venture will have any impact on any significance on the University's operating budget
 - The venture would be reviewed on regular intervals
- It will be important that it can be demonstrated to the public that the University has stewarded the asset for the optimum value for the taxpayers.

2004

- In 2004, plans were developed to expand the facility-this was met with significant negative reaction from the community and the plans were discontinued.

2006/2007

- In 2006, a Request for Expressions of Interest was issued with the intent of securing an external party to operate the facility.
- There was very limited interest, with limited potential benefits to the University and so the process stopped.

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- In 2006/07, preliminary work was undertaken to identify potential development opportunities. It became evident that prior to continuing with the efforts for re-zoning that would have been required for development, it was important to complete a broader consultation with the community and other stakeholder. Planning was underway for this to occur in the fall of 2007 but was put on hold at the request of the Province due to their interest in acquiring the property.
- The University approached the Province in the spring of 2007 regarding the potential acquisition of Dunsmuir but discussions ceased.

2008

- In 2008, it was noted while operating deficits are reducing, and there was a small operating surplus in the last year, a significant investment is required to reinvest in the asset.
- The total investment made by the University is approximately \$3M in Dunsmuir since 1985 for which there is no return, plus the original donation. An additional \$1.5M has been expended on various financial studies and development plans over the years. While the building is structurally sound, significant investment is required to upgrade the facility. Over the years, the use of Dunsmuir for university purposes has significantly decreased.
- In the past, other considerations for the property have included expansion, developing the land for residential use and leasing the operations
- Currently configuration of only 45 bedrooms makes it very difficult to operate on a financially viable basis.
- The University again contacted the Province and they indicated that they were interested and discussions occurred sporadically through 2008.
- On July 18, 2008 the Province confirmed, via a signed Agreement in Principle of which a copy is attached as Appendix 3 that they would like to proceed with the purchase. After further negotiations modifications were made to the Agreement in Principle which was subsequently signed by both parties on August 8, 2008.
- Key components of the agreement were the sale of the Lodge and approximately 50 acres of the surrounding property and the lease of the remaining 50 acres for a period of up to 10 years.
- The sale of the Dunsmuir property would provide the following benefits to the University.
 - The University would:
 - be able to work with the provincial government,
 - retain ownership of over half the property but in leasing it to the provincial government would ensure the trail system remains maintained and in public use; and
 - not have any costs or liabilities related to the retained property for the period of the lease.
 - The University would remain true to the intent behind the original donation by George Pool who recognized that it might not be in the University's best financial interests to retain Dunsmuir Lodge.
 - The legacy of this donation could form a leadership gift towards enhanced athletic and wellness facilities on campus to benefit students, staff and community members.
 - The University would no longer need to address the shortfalls in the operating and capital expenses of the Lodge.
 - The Province would retain the property for (severed).
 - The Province would continue to maintain the trail system on the property which would remain open to all community users.
 - There may be opportunities for the Province to provide benefits to the local community (parks/trails) and First Nations.

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- Copy of the Agreement in Principle and Appendices A and B dated August 6, 2008 are attached (additional documentation, such as the draft agreement, Easement (Province and University), Lease and Dunsmuir Property Land Components) is available through the Manager of Corporate Services
- The University understands that the Province's preliminary budget for renovations, had they acquired the facility was \$5M.
- The University was informed that the Province is not willing to proceed with the acquisition at this time.
- Dunsmuir requires a financial investment.
- In October 2008, the University Board of Governors approved the closure of Dunsmuir Lodge on or around March 31, 2009. At this time the decision on the future of Dunsmuir Lodge and property had yet to be determined. While the University owns the land and buildings, the operations of Dunsmuir Lodge and accordingly the employer is Island Pacific Institute Foundation, a subsidiary of U. Vic.

2009

- The estimate (as of May, 2009) of the operating deficit for the year ended March 31, 2009 is \$482,000. This includes many costs of the costs closing the Lodge including accrued severance. The costs of closing the property do not include potential losses due to uncollectable accounts receivable and the costs of closing the property. The costs of closing the property, for example, adding additional security cameras will be approximately 100K. Annual costs of maintenance/security are estimated to be 100K.
- Few items have been left intact (example the Executive Classroom).
- Property is monitored by VITP Security staff 24/7 and spot inspections provided by the Corp of Commissionaires.
- 150 people attended the public information session at Dunsmuir on March 22, 2009
- Significant downturn in the real estate market means that now may not be the best time to put the property up for sale. This further supports our ability to take our time and not be overly hasty to dispose of the property.
- To date, the University's response to interested parties has been that the property is currently not for sale. If parties would like to record their interest they have been asked to provide a summary proposal which will be kept on file until such time a decision on how to proceed is made. The summary criteria outlined to interested parties is:
 - That the University needs to receive a financial return;
 - That the donor's wishes have to be respected; and
 - That the impact on the surrounding neighbors and other stakeholders will be taken into consideration.
- Last summer the property was reassessed from \$21M to \$10M. The assessment was appealed and notice was recently received that the appeal was successful. The assessment value has been changed to \$20 M.

Respectfully submitted,



Bruce Williams
Chief Administrative Officer

Appendix 1

List of Documents Obtained from the University of Victoria regarding Dunsmuir Lodge

Batch #1 - Documentation received

1. Letter dated July 29, 2009 from Julia Eastman, University Secretary
2. Memo dated May 5, 2009 from Gayle Gorill, VP Finance and Operations to the Executive Council
3. Memo dated September 30, 2008 from VP Finance and Operations to the Executive Committee of the Board
4. Agreement in Principle dated August 6, 2008 between the University of Victoria and the Province of BC
5. Appendix "A" – Dunsmuir Lodge Property Description
6. Appendix "B" – Subdivision Illustration
7. Draft Agreement dated September 2008, between the University of Victoria and the Province of BC
8. Schedule "A" – Easement (Province)
9. Schedule "B" – Easement (UVIC)
10. Schedule "C" – Land (Province) and the road in the remainder over which the easement area is to be located
11. Schedule "D" – Lease and maps showing the Dunsmuir Lodge Proposed Subdivision and the Dunsmuir Property Land Components
12. Letter dated July 22, 2008 from the University of Victoria to the Ministry of Labour and Citizens' Services
13. Letter dated April 10, 2008 from the University of Victoria to Assistant Deputy Minister, Corporate Initiatives
14. Letter dated September 13, 1985 from Clark, Wilson (Barristers and Solicitors) to the University of Victoria regarding Gillain Manor
15. Memo dated April 22, 1986 from the Secretary to the Board to President and Vice-Chancellor
16. Memo dated November 10, 1986 from Vice-President, Administration to the President and Vice-Chancellor
17. Letter dated September 25, 1986 from the District of North Saanich to the University of Victoria
18. Executive Summary, dated September 1986 from the BC Building Corporation
19. Transfer of an Asset in Fee Simple dated June 5, 1986
20. Transfer of an Estate in Fee Simple, dated June 5, 1986
21. Bill of Sale (Absolute) dated June 1986
22. Memo dated February 17, 1987 from the Secretary to the Board of Governors to the President and Vice-Chancellor

Batch #2 - Documentation received

23. Letter dated November 30, 2009 from the University of Victoria to the Mayor regarding the second part of the FOIPPA request
24. Appraisal of Dunsmuir Lodge dated November 20, 2007
25. Agreement in Principle dated August 6, 2008 between the Minister of Labour and Citizen's Services and the University of Victoria
26. "Dunsmuir Lodge – Executive Training & Conference Centre, University of Victoria" – general facts, current land use designation, overview of the lodge, conference centre, phased expansion opportunities
27. Emails & Memos (most have been severed and are not comprehensible)

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28. Email and attachments dated January 27, 2009 regarding an assessment appeal for Dunsmuir
29. Planning Session – November 20, 2008, regarding Future Use Definition for Dunsmuir Lodge (no reference to consultation with District of North Saanich)
30. Numerous memos and emails regarding the possible transfer (purchase and sale) of Dunsmuir Lodge to the Province of British Columbia
 - a. Letter dated March 28, 2008 from the Executive Director, Real Estate to the University of Victoria Properties Investment Inc. (Dunsmuir Lodge Transfer)
 - b. Letter dated July 18, 2008 from the Executive Director, Real Estate to the Acting President, UVIC Properties (Purchase and Sale of Dunsmuir Lodge)
 - c. Memo dated October 28, 2008 from the VP Finance & Operations
 - d. Email dated September 12, 2008
 - e. Memo dated August 7, 2008 from VP Finance & Operations to Board of Directors, UVIC Properties
 - f. Email dated August 14, 2008
 - g. Email dated August 28, 2008
 - h. Email dated September 2, 2008
 - i. Email dated September 9, 2008
 - j. Memo dated September 11, 2008 from the VP Finance & Operations to the Executive and Governance Committee
 - k. Memo dated September 11, 2008 from the VP Finance & Operations to Executive Committee of the Board of Governors
 - l. Email dated September 19, 2008
 - m. Email dated October 2, 2008
 - n. Email dated October 6, 2008
 - o. Email dated October 10, 2008
31. Additional information regarding the University's position in order for the Province to proceed with a draft purchase and sale agreement to acquire Dunsmuir Lodge
 - a. Memo dated January 23, 2008 from the Acting President, UVic Properties to the VP Finance and Operations, UVIC
 - b. Memo dated January 30, 2008 from VP Finance & Operations UVIC to Assistant Deputy Minister, ARES
 - c. Memo dated January 28, 2008 from the Acting President, UVIC Properties to Board of Directors, UVIC Investments Inc.
 - d. Memo dated May 25, 2008 from the Acting President, UVIC Properties to VP Finance & Operations, UVIC

DUNSMUIR LODGE: A review of its acquisition and closure by the University of Victoria (UVIC)

1. GIFT OF PROPERTY TO UVIC

In 1985 the late George Pool (through his corporate organization) gifted, by way of a charitable donation, the property subsequently known as "Dunsmuir Lodge" to UVIC.

The gift was made on the understanding that UVIC would "make a significant commitment of resources and energy to enable its 'best efforts' to succeed" and to that end an undertaking that UVIC would not seek to dispose of the property prior to the fall of 1989

2. CLOSURE AND POSSIBLE FUTURE SALE OF DUNSMUIR LODGE

A chronological synopsis of the events and decisions leading to the closure of the lodge operations (derived from documents obtained from UVIC under the ***Freedom of Information and Protection of Privacy Act***) is set out in the Report of the Chief Administrative Officer, dated March 8, 2010, and attached as Appendix A.

A key aspect of these events is the negotiations during 2007 and 2008 for the possible sale of Dunsmuir Lodge to the Government of British Columbia. However, we understand that the Government has withdrawn and the negotiations are concluded at this time.

For financial reasons UVIC closed Dunsmuir Lodge operations on March 31, 2009. The UVIC media release stated that although Dunsmuir did cover its day-to-day costs, it did not generate enough revenue for needed facility upgrades estimated at \$2 million.

With regard to the future disposition of the property UVIC documents indicate that options to proceed include:

- a. commence a public Expression of Interest/Request for Proposal
- b. list the property for sale
- c. continue to receive expressions of interest and move forward if one is acceptable (with or without a public notification)

d. other

3. DESCRIPTION OF PROPERTY

The total property comprises 100 acres and a substantial part of the southern boundary is contiguous with John Dean Provincial Park.

The present use of the property is as follows.

A. Commercial Core

Approximately 8.50 acres contains the commercial core (including parking lots) on which are located UVIC's Educational/Research/Training and Meeting Facility. The buildings encompass approximately 75,196 sq. ft. and include 45 guest rooms, 15 meeting and conference rooms, 2 reception rooms, a 200 seat restaurant and a 70 seat lounge. That part of the facility known as the ETC Wing (Executive meeting/Training classroom) amounting to 6,581 sq.ft. was added in 1989 and completed in 1999.

B. Remaining undeveloped lands

The remaining 91.5 acres are comprised primarily of undeveloped forested lands. Documents prepared by or for UVIC describe approximately 58.50 acres as "Environmentally Sensitive Lands" exhibiting steep slopes (over 30%) and high natural values.

A land use Appraisal dated November 20, 2007, prepared by a professional firm of real estate appraisers and consultants for UVIC, notes that:

"The market for the 58.5 acre environmentally sensitive and largely undevelopable component of the property would be limited to government or non-profit conservation organizations for park or conservation purposes. Alternatively, the property would be attractive to a high net worth individual seeking an exclusive large acreage estate".

C. Access Road

UVIC owns the access corridor from McTavish Road into the property (2.94 acres).

4. LAND USE AND ZONING

At the request of UVIC, and to facilitate its use of the property, the Council of the District of North Saanich, by bylaw adopted on September 15, 1986, created a

special new land use zone, described in the current Zoning Bylaw as “P-3 Education and Research Facility”. This site-specific designation permitted UVIC to operate Dunsmuir Lodge as an Education/Research/Training and Meeting Facility.

The current North Saanich Official Community Plan (OCP) states: “*due to its unique uses and location, the Dunsmuir Lodge property is designated Education Commercial...*”

Recognizing the diverse ecological and environmental sensitivities, all or part of the Dunsmuir Lands, as applicable, are subject to Development Permit Area (DPA) requirements under the current OCP, namely, DPA No. 2: Wetland Ecosystems; DPA No. 4: Older Second Growth Forest; DPA No. 5: Steep Slopes and DPA No. 6: Education Commercial.

5. RECENT AGREEMENT WITH THE PAUQUACHIN FIRST NATION

The lands on which Dunsmuir Lodge is situated is known as “LAU WELNEW” in Salish, meaning “a place of refuge” and the entire Mount Newton lands are of cultural significance to the Saanich First Nations. The Dunsmuir land on the west side abuts the Pauquachin First Nations reserve lands.

In a media release dated January 20, 2010, UVIC states it has entered into an agreement giving the Pauquachin Nation “*the exclusive right to negotiate the purchase of Dunsmuir Lodge*”. UVIC says that “*under the agreement, UVIC and the Pauquachin Nation will work together on this sale and purchase until May 2011*”.

6. CONSULTATION PROCESS NEEDED BETWEEN UVIC AND NORTH SAANICH

To date the Council of North Saanich has not been consulted or proactively informed by UVIC with respect to any decisions, plans or proposals of UVIC regarding the closure, future disposition and potential use of the Dunsmuir property.

Council is aware of broad community concern and interest in the future of the Dunsmuir lands, as evidenced by communications from residents as well as the resident-initiated public information session at Dunsmuir on March 23, 2009, attended by over 150 people.

Historically, Dunsmuir Lodge has been an important landmark and public facility in North Saanich. The extensive undeveloped forested lands have high natural values and exhibit significant environmental and ecological features relevant to future land use planning.

The current zoning of the property is site specific, designed to accommodate its particular use as a UVIC educational facility.

Given the special circumstances and high level of community interest respecting Dunsmuir, North Saanich respectfully requests that UVIC, as the owner of the property, establish an ongoing consultation process with the District regarding future plans for the Dunsmuir property.

March 10, 2010

Alice Finall, Mayor