

# **Toronto** STAFF REPORT

---

March 11, 2002

To: Economic Development and Parks Committee

From: Joe Halstead, Commissioner Economic Development, Culture and Tourism

Subject: Assignment of Lease Agreement for Toronto Island Food Concessions

Toronto Centre-Rosedale, Ward 28

Purpose:

To assign the lease agreement with C.I. Foods to William Beasley Enterprises and to recommend adjustments to the terms of the lease agreement.

Financial Implications and Impact Statement:

There are no negative financial implications resulting from the adoption of this report. Minimum annual revenue provisions of \$ 375,000 per year within the existing agreements are protected and staff believe that the inclusion of performance incentives within the new contract will increase revenues payable to the City of Toronto. The 2002 approved operating budget includes these revenues and the performance of the operator will be reviewed during the 2002 operating season to determine if any revenue adjustments for 2003 are required.

The Chief Financial Officer and Treasurer has reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that:

- (1) the Commissioner Economic Development, Culture and Tourism with the concurrence of the City Solicitor be authorized to approve the Assignment of the existing Licence Agreement with Centre Island Food Services for food services at Toronto Island Park to Beasley Amusements Ltd and execute the appropriate documentation;
- (2) the financial terms and conditions be amended as outlined in this report which include financial performance incentives; and

- (3) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

Centre Island Food Services Limited

The existing Licence Agreement for food services at Toronto Island Park was originally dated December 11, 1992. This agreement was assigned by an agreement dated April 8, 1994, and further amended on May 3, 1994 and August 12, 1994. The existing Licensee has accepted a proposal for assignment from Beasley Amusements conditional on approval by City Council with amendments on the financial terms and conditions.

The current Licensee has operated the food concessions at Toronto Islands since April, 1994, and has encountered some operational and financial difficulties since the onset. In particular, the lack of a focused business plan, investment in new and emerging food services trends and a lack of a common marketing strategy to effectively sell the Island Food Concessions has hindered customer satisfaction and limited revenue generation capacity. Under the terms of the agreement, the current operator has only returned the minimum rent under the contract which is \$375,000.00 per annum, with the exception of the year 2000, when the rent payable was \$386,395.

Staff have been working aggressively with the current operator over the last several years to develop a better business plan and incorporate improvements to customer service and marketing capacity, however, the owners of CI foods have decided to sell the business. Staff support this decision as it will facilitate plans to improve the overall food service operation at Toronto Island and will improve our revenue performance.

Beasley Amusements Limited

William Beasley Amusements has been the operator of the Centreville Amusement park at the Toronto Islands since 1966. Council at its regular meeting held on April 23, 24, 25, 26, 27 and its special meeting held on April 30, May 1 and May 2, 2001 approved a ten year extension to the leased premises under the Centreville lease and final negotiations are being completed. The Centreville lease includes the food service operations within the Centreville area which are successful and incorporate the major trends in food services including branding, merchandising and integrated marketing strategies. Beasley Amusements has proven to be a responsible and innovative operator who has consistently met their obligations under their lease agreements.

The Proposed Assignment of CI Food Services Lease Provisions

The leased premises shall remain as specified in the existing agreement. Any capital improvements will be undertaken at the sole expense of the new Licensee. The existing termination date shall remain, with the inclusion of a further five year renewal option by the mutual consent of the operator and the Commissioner Economic Development, Culture and Tourism.

The proposed Licensee currently operates Centreville Amusement Park and provides a percentage rent to the City based on gross sales of food concessions and merchandise. It is proposed that for accounting purposes and for the calculation of revenues to the City, that the food and merchandise sales for Centreville be consolidated with the food sales from the CI Foods operation. This will clarify the calculation method and promote simplicity for the administration of the lease.

The basic fee as stipulated in Clause 11.5 in the existing agreement shall be amended as follows: “the basic fee shall be based on 20% of gross annual revenue from the operation of food services under the existing agreement and the Centreville Amusement Park operation for the first \$3,600,000.00 of gross revenues. This basic fee of \$720,000.00 per annum shall be a guarantee of minimum rent on the consolidated food sales for the two leases. Further, a percentage fee of 17.5 % shall be payable on the next \$ 720,000.00 of gross food sales; and a percentage fee of 15% shall be payable on gross sales in excess of \$4,320,000.00 for the term of the agreement.”

The proposed Licensee will be responsible for any franchise fees paid to a third party and any capital costs involved.

#### Financial Impact

The existing CI Foods contract provides for the minimum rent of \$ 375,000 per annum with incremental revenue to the City calculated on a percentage basis of 22.5%. However, it is important to note that the minimum rent payable to the City has only been exceeded on one occasion and there is little incentive to the operator to increase gross revenues since the City share increases. There are no minimum rent provision in the existing Centreville lease.

With the proposed amendments to the lease, the minimum rent provisions for CI Foods remains and there is a new minimum rent benchmark for the Centreville food sales. There is a sliding scale of revenue return to the City of Toronto which will provide substantial incentives to the operator to improve performance.

The business plan for the combined food service offerings has been reviewed and the Department believes that it provides substantial upside opportunity for the City. With the combined food service and Centreville operation, there is increased opportunity to expand existing branded concepts, cross sell and cross market the food services and Centreville, market the existing full service restaurants for corporate events, weddings and functions, and to increase ferry traffic and overall revenue performance. It is the Department’s belief that the customer service, variety of food service offerings and quality of food provided under the assigned lease will improve significantly and there will be a higher return to the City of Toronto.

#### Conclusions:

The assignment of the Licence Agreement for food services at Toronto Island Park to Beasley Amusements is agreeable to both parties and is contingent on Council approval. City staff support the assignment because of the proven track record of Beasley Amusements and the

significant opportunities for improvements in the provision of food services for Island visitors as well as the distinct opportunity for revenue enhancement due to the business plan which combines the two operations. The inclusion of revenue performance provisions will provide an additional incentive to the operator which will improve overall revenues for the City.

Council approval will allow for the completion of the business sale between the parties and most importantly, allow for the uninterrupted provision of services on Toronto Island for the 2002 operating season.

Contact:

John A. Macintyre  
Director, Parks and Recreation, Central Services  
Tel. 416 397-4451  
Fax 416 392-8565  
E-mail: [jmacint@city.toronto.on.ca](mailto:jmacint@city.toronto.on.ca)

Joe Halstead  
Commissioner Economic Development, Culture and Tourism