



**STAFF REPORT
ACTION REQUIRED**

Centennial Park Mini-Indy – Amendment of Existing Lease

Date:	May 22, 2007
To:	Government Management Committee
From:	General Manager, Parks, Forestry and Recreation Division
Wards:	Ward 3, Etobicoke Centre
Reference Number:	

SUMMARY

The purpose of this report is to request authority to amend the existing lease with Centennial Park Mini-Indy (CPMI). This amendment will allow CPMI to return the portion of the leased lands containing two baseball diamonds to the City in exchange for rent owed and an adjustment to the existing fee schedule to be paid.

RECOMMENDATIONS

The General Manager of Parks, Forestry and Recreation recommends staff be authorized to negotiate and execute an amendment to the current Lease Agreement between Centennial Park Mini-Indy and the City, effective for 2007, in which the City accepts the portion of the Leased Premises containing two baseball diamonds in exchange for the determined value of \$360,000 to be settled through an offset against past rent owing of \$171,014 and 2007 – 2009 rent totalling \$188,986 as well as a rent reduction of \$20,000 per year for the remaining years of the lease, and in accordance with terms and conditions acceptable to the General Manager of Parks, Forestry and Recreation Division and the City Solicitor.

Financial Impact

The current \$360,000 determined acquisition value of the baseball diamonds will be offset by a prior year outstanding receivable from CPMI in the amount of \$171,014, and rent relief in the amount of \$188,986 in the years 2007, 2008 and 2009 (see Appendix A). The \$20,000 yearly rent reduction to CPMI will be offset by revenues from permits issued by the City for the rental of the two baseball diamonds. As a result of this settlement to acquire these baseball diamonds, in 2007

there will be unachieved budgeted revenue of \$110,000 arising from this agreement (less an estimate of \$20,000 in permit revenue). For 2008, unachieved revenue will be \$110,000 and \$28,986 in 2009. Starting in 2007, until the lease ends in 2020, it is estimated that \$20,000 of permit revenue will compensate for the ongoing \$20,000 reduction in the rental revenue from this lease.

Consultation with both internal and external maintenance and construction specialists determined that the current estimate to construct similar diamonds in 2007 dollars is \$459,000. Further, that to undertake necessary immediate repairs to the existing diamonds, including all fees and contingencies would cost \$55,000. With the inclusion of Depreciation of \$44,000, the current value of the diamonds is \$360,000.

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

DECISION HISTORY

In July 1988, the former City of Etobicoke entered into a fifteen year lease agreement with Centennial Park Mini Indy for the use of lands located in Centennial Park for the development and operation of a go-cart track and food services. The term of the agreement was fifteen years commencing December 1, 1988 and expiring on November 31, 2003. The rent was based on financial projections provided by consultants Laventhol and Horvath and included a minimal rent and an escalating percentage rent based on sales.

In 1995 CPMI approached the City with a request to expand the facilities to include a second track, an activity centre and batting cages and to re-negotiate the rent. In December 1995 the original lease was terminated and a new lease was entered into with CPMI for a term of twenty five years, commencing December 1, 1995 and expiring on November 30, 2020. The new lease included the addition of a second track and a revised rent that was set at a base rent that escalated over the term.

In 2001, Council approved a request from CPMI to eliminate the plans for the second track and replace it with two baseball diamonds. The diamonds were constructed in 2002. <http://www.toronto.ca/legdocs/2001/agendas/council/cc010130/et1rpt/cl020.pdf>

ISSUE BACKGROUND

In 1995, the former City of Etobicoke approved a new lease between the City and CPMI to proceed with a second-phase construction of the existing go-cart facility that would include the construction of a second track. This expansion required adding lands to the leased premises and an area of six acres was added to the leased premises as part of the new lease arrangement.

In 2001, CPMI approached the City requesting to proceed to with the construction of two lit softball fields rather than the second go-cart track. Since the new lease was signed in 1995, seven new go-cart facilities were constructed in the GTA, resulting in heavy competition and loss of market share and a difficulty in CPMI making its rent payments

to the City. As a result it was no longer feasible to construct a second larger go-cart track. The City of Toronto approved this request and CPMI constructed, at their expense, two lighted softball fields. It was believed at the time that the fields would alleviate the difficulties that CPMI was having in making sufficient revenues to operate.

In 2006, CPMI approached the City and requested that the City take back the portion of the leased premises containing the softball fields in lieu of rent equal to a value placed upon the fields agreeable to the City and CPMI and a reduction in rent for the remainder of the term for the loss of revenues from the fields.

To determine the value of the fields PF&R Capital staff retained the services of an external consultant to conduct a Visual Condition Assessment of the two fields. This assessment determined an immediate repair cost of \$31,300. This value is an estimate and does not include design, inspections, contracts, taxes, etc. Based on this estimate staff determined a cost of \$55,500 to bring the fields to a City standard. A further depreciated improvements compensation value of \$44,000 was determined.

An external turf construction company provided an estimate of \$459,000 to construct two softball fields on this site. The total of the rehabilitation costs and the depreciation costs was deducted from this amount to determine a value of \$360,000 for the fields.

CPMI owes the City \$171,014 in rent arrears. This amount will be deducted from the value of the fields. The remainder of the value, \$188,986, will be deducted from the rent in 2007, 2008 and a portion of 2009.

The reduction of \$20,000 per year in rent to CPMI will be offset by permit fees received by the City for the rental of the fields.

Facilities and Real Estate were also consulted and responded: "If the sub-tenant voluntarily surrenders part of the leased lands to the City, the sub-tenant may not be entitled to any compensation in the interest of the land as stipulated in Clause 2.05 of the lease. However, the City may consider to reduce the current rent of \$110,000 per annum on a prorated basis and negotiate some compensation for the depreciated improvements of the two baseball diamonds that were constructed at the cost of the sub-tenant as there is a great need for baseball fields in the City. The return of these fields to PF&R would be beneficial to the community as they would be for public use rather than private use by the sub-tenant. This is considered to be a business decision and is not a real estate issue."

COMMENTS

The Recreation Branch of PF&R has confirmed that the return of these fields to the City would be beneficial to the community as they would be for public use rather than private use by CPMI. The fields would be permitted under the PF&R permit policy. PF&R does not currently have the capital funds to construct new softball fields.

The return of the fields to the City and a reduction in annual rent will also allow CPMI to become a more viable business operation and will allow the City to have an operator that

is capable of paying rent to the City. Consequently, the return of the fields to City control will help alleviate the shortage of fields available to the public.

CONTACT

Doug McDonald, Manager
Business Services Strategic Services
Parks, Forestry and Recreation
416-392-8578
dmedona0@toronto.ca

Neil Zaph, Director
Strategic Services
Parks, Forestry and Recreation
416-395-6065
nzaph@toronto.ca

SIGNATURE

Brenda Librecz
General Manager, Parks, Forestry and Recreation Division

ATTACHMENT

Appendix A – Valuation of Baseball Diamonds, New Rent Schedule

APPENDIX A

Valuation of Baseball Diamonds

Current cost to construct two diamonds as estimated by Dol Turf:	\$459,000.00
less Restoration Project Total	\$ 55,500.00
less Depreciation	\$ 44,000.00
Value of diamonds today:	\$360,000.00
Less what Mini-Indy owes the City	\$171,014.00
Total amount to be deducted beginning in 2007	\$188,986.00

New Rent Schedule:

Existing Rent	New Rent	Relief	Payment Due
2007 - \$110,000	\$ 90,000	\$ 90,000	\$0
2008 - \$110,000	\$ 90,000	\$ 90,000	\$0
2009 - \$110,000	\$ 90,000	\$ 8,986	\$ 81,014
2010 - \$110,000	\$ 90,000	\$ 0	\$ 90,000
2011 - \$140,000	\$120,000	\$ 0	\$120,000
2012 - \$140,000	\$120,000	\$ 0	\$120,000
2013 - \$140,000	\$120,000	\$ 0	\$120,000
2014 - \$140,000	\$120,000	\$ 0	\$120,000
2015 - \$140,000	\$120,000	\$ 0	\$120,000
2016 - \$140,000	\$120,000	\$ 0	\$120,000
2017 - \$140,000	\$120,000	\$ 0	\$120,000
2018 - \$140,000	\$120,000	\$ 0	\$120,000
2019 - \$140,000	\$120,000	\$ 0	\$120,000
2019 - \$140,000	\$120,000	\$ 0	\$120,000
2020 - \$140,000	\$120,000	\$ 0	\$120,000
	Total	\$ 188,986	