

March 29, 2010

To: Executive Committee

From: Budget Committee

Subject: 2009 Rent Reduction for Lease and Licence Agreements Due to the Impact of the Labour Disruption

Recommendations:

The Budget Committee recommends to the Executive Committee that:

- 1. City Council grant authority to reduce the 2009 fixed rent receivables for the properties noted in Appendix "A" of the report (March 3, 2010) from the General Manager, Parks, Forestry and Recreation for existing Lease and Licence Agreements within the Parks, Forestry and Recreation Business Services Unit to offset the financial loss incurred due to the 2009 labour disruption, for an overall reduction of \$831,064.**
- 2. City Council grant authority to reduce the rent to those tenants listed in Appendix "A" of the report (March 3, 2010) from the General Manager, Parks, Forestry and Recreation after payment in full of any outstanding rent and related property tax.**

Background:

The Budget Committee on March 29, 2010, considered a report (March 3, 2010) from the General Manager, Parks, Forestry and Recreation, entitled "2009 Rent Reduction for Lease and Licence Agreements Due to the Impact of the Labour Disruption".

for City Clerk

Merle MacDonald/mh



STAFF REPORT ACTION REQUIRED

2009 Rent Reduction for Lease and Licence Agreements Due to the Impact of the Labour Disruption

Date:	March 3, 2010
To:	Budget Committee
From:	Brenda Patterson, General Manager, Parks, Forestry and Recreation
Wards:	All
Reference Number:	P:/2010/Cluster A/PFR/BU68-031210-AFS#11173

SUMMARY

The purpose of this report is to request authority to reduce the 2009 rent for some Lease and Licence Agreements managed by the Parks Forestry and Recreation Division's Business Services Unit. Those Lease and Licence Agreement holders that would receive a rent reduction were negatively impacted financially by the 2009 labour disruption. Parks, Forestry and Recreation is seeking City Council approval to reduce the 2009 rent for those Lease and Licence Agreements impacted by the labour disruption.

This report replaces the report dated January 27, 2010 and titled the same (Item BU62.1), which the Budget Committee at its meeting of February 17, 2010, referred back to the General Manager of Parks, Forestry and Recreation for further consideration and to report back to the Budget Committee on March 12, 2010.

RECOMMENDATIONS

The General Manager of Parks, Forestry and Recreation recommends that:

1. City Council grant authority to reduce the 2009 fixed rent receivables for the properties noted in Appendix "A" for existing Lease and Licence Agreements within the Parks, Forestry and Recreation Business Services Unit to offset the financial loss incurred due to the 2009 labour disruption, for an overall reduction of \$831,064; and
2. City Council grant authority to reduce the rent to those tenants listed in Appendix "A" after payment in full of any outstanding rent and related property tax.

FINANCIAL IMPACT

The amount of \$831,064, detailed in Appendix “A” of this report, which has been billed to tenants for fixed rent for the period of the labour disruption, is included in Parks, Forestry and Recreation’s total of \$15.8 million of foregone user fee revenue, commission and rents.

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

DECISION HISTORY

At its meeting of October 26 and 27, 2009, City Council adopted the report entitled, “2009 Labour Disruption Costs and Savings”. The report identified a total of \$20.5 million in lost and foregone revenues from City of Toronto programs. Parks, Forestry and Recreation’s portion of lost and foregone revenues is \$15.8 million consisting of foregone user fee revenue, commissions, and rent forgiveness. This report deals solely with fixed-rent Accounts Receivable write-offs that have already been billed to tenants.

Labour Disruption Cost and Savings

(<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-23752.pdf>)

City Council Decision of October 26, and 27, 2009, Item EX35.6

(<http://www.toronto.ca/legdocs/mmis/2009/ex/reports/2009-10-05-ex35-cr.pdf>)

The Budget Committee at its meeting of February 17, 2010, referred this report back to the General Manager of Parks, Forestry and Recreation for further consideration and to report back to the Budget Committee on March 12, 2010.

City Council Decision of February 17, 2010, Item BU62.1

(<http://www.toronto.ca/legdocs/mmis/2010/bu/decisions/2010-02-17-bu62-dd.htm>)

ISSUE BACKGROUND

C.U.P.E. Local 79 and T.C.E.U. Local 416 staff were on strike in 2009 for thirty-nine (39) days from June 22, 2009 to July 30, 2009. Among other duties, these staff are responsible for the operation and maintenance of Parks, Forestry and Recreation facilities and amenities such as community centres and parks.

Parks, Forestry and Recreation facilities were closed during labour disruption and parks were not maintained. As a result, companies with Lease or License agreements at Parks,

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Forestry and Recreation locations were unable to operate their businesses or have lost revenues during this period.

COMMENTS

Parks, Forestry and Recreation staff performed a review and identified the tenants listed in Appendix "A" as those that qualify for the proposed 2009 rent reduction by meeting at least one of the criteria listed in items 1-3 and meeting condition 4 listed below.

1. Closure of the City facility that the rental property was located within or adjacent to; or,
2. Close proximity to a temporary garbage dump site; or,
3. Reduction in customer traffic due to the lack of maintenance or picketing of a rental property located within or adjacent to a park; and,
4. Rent reductions will only be granted to those tenants noted in Appendix "A" after payment in full of any outstanding rent and related property tax.

It was determined that perishable food items were not to be considered in refunding losses.

The following formulas were used to determine the rent reduction amount for the tenants listed in Appendix "A":

1. **Prorated Rent Reduction** - Prorated rent reduction based on thirty-nine (39) days of the labour disruption. The period of the labour disruption does not represent the peak operating months for these tenants.
2. **Forty Percent of Annual Rent** - Rent reduction based on a significant financial loss during the peak operating period of the year due to the labour disruption. Applied to the golf concessions only as they operate seasonally for seven months of the year.
3. **Seventy Percent of Annual Rent** - Rent reduction based on a short operating season and a significant financial loss during the peak operating period of the year due to the labour disruption. These tenants operate seasonally for five months or less during the year and generate the majority of their revenues during the summer months.

The rent reduction formula used in numbers two and three noted above were applicable to tenants that operate businesses that are seasonal in nature. These tenants rely primarily on the summer months, in particular the month of July, to generate revenue and make a profit. The majority of these tenants also rely on tourism to the City during the summer

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months. The labour disruption kept many tourists away and in its aftermath, the financial impact was significant for these tenants.

CONTACT

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SIGNATURE

Brenda Patterson
General Manager, Parks, Forestry and Recreation

ATTACHMENTS

Appendix A – 2009 Labour Disruption Rent Reduction Chart

APPENDIX “A”

2009 Labour Disruption Rent Reduction Chart

Contract / Agreement	Annual Rent	Proposed 2009 Rent Reduction
William Beasley Enterprises Ltd. - Centreville & CI Foods	\$720,000	\$504,000
Carla Construction and Maintenance Ltd. - High Park Trackless Train	\$7,000	\$2,220
Ephiley Foodservices Inc./Global Brand Foodservices Inc. - Agincourt RC	\$4,200	\$449
Ephiley Foodservices Inc./Global Brand Foodservices Inc. - Birchmount Stadium/CC	\$7,800	\$833
Ephiley Foodservices Inc./Global Brand Foodservices Inc. - Centennial RC	\$6,300	\$673
Ephiley Foodservices Inc./Global Brand Foodservices Inc. - Heron Park CRC	\$2,400	\$256
Ephiley Foodservices Inc. /Global Brand Foodservices Inc. - McGregor Park RC	\$2,400	\$256
Etobicoke Gymnastics Club - Etobicoke Olympium	\$27,312	\$2,918
Goulding Park Hockey Assoc. - Goulding CC	\$5,500	\$588
Grenadier Group - Golf Course Concessions *	\$270,000	* \$108,000
Grenadier Group - High Park Snack Bars	\$20,000	\$14,000
Grenadier Group - Sunnybrook Park	\$30,000	\$21,000
Grenadier Group - Western Beaches Concessions	\$157,500	\$110,250
Humber Sheppard Management Board - Carmen Stefano CC	\$53,000	\$5,663
Imperial Vending Services - Various Locations	\$91,300	\$9,755
International Foods & Snacks - G. Ross Lord Park Snack Bar	\$3,800	\$2,660
International Foods & Snacks - Ken Morrish Softball Complex Snack Bar	\$1,000	\$700
Luis Fernandez - Earls court Park Snack Bar	\$500	\$350
Mimico Mountaineers Jr. Lacrosse Assoc. – Long Branch & Mimico Arena Snack Bar	\$3,750	\$401
Peter Youssef - Esther Shiner Stadium Snack Bar	\$3,250	\$592
Toronto Island Bicycle Rental Ltd.	\$65,000	\$45,500
Total	\$1,482,012	\$831,064

- The highlighted rent reduction amounts were calculated weighing 70% of the base annual rent due to a short operating season and a significant financial loss during the peak operating period of the year due to the labour disruption. These tenants operate for five months or less during the year.
- * The Grenadier Group’s golf course concessions 2009 rent reduction was calculated weighing 40% of base rent reduction based on a significant financial loss during the peak operating period of the year due to the labour disruption as they operate for seven months of the year.
- All other rent reductions listed were calculated by prorating the annual base rent with the 39 days lost due to the labour disruption.

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