



STAFF REPORT ACTION REQUIRED

Strategy to Support the Ongoing Operation of the Island Yacht Club

Date:	November 20, 2014
To:	Executive Committee
From:	General Manager, Parks, Forestry and Recreation
Wards:	Ward 28 – Toronto Centre - Rosedale
Reference Number:	P:\2014\Cluster A\PFR\EX01-120514-AFS#20373

SUMMARY

This report seeks Council authority to allow the Island Yacht Club ("IYC") to enter into a management agreement with a company to be incorporated by the principals of the company that currently operates the Toronto Island Marina (referred to herein as "Manage Co"). It also seeks authority for the General Manager, Parks, Forestry and Recreation to amend the current lease agreement between the City of Toronto and the IYC to allow the IYC to enter into the Management Agreement with Manage Co.

This arrangement is to ensure the IYC is able to meet its ongoing financial obligations to the City while providing an opportunity to increase its membership numbers. In 2004 the IYC's clubhouse was destroyed by fire which caused a significant number of the club's members to relocate their boats to other clubs / marinas. Since then, the IYC has struggled to retain its current membership and entice new members, and has fallen into financial hardship. Currently, the IYC has fewer than 50 paying members, and operates at a significant deficit. The current scenario is unsustainable. The Club's operating deficit is expected to continue into the 2015 boating season.

RECOMMENDATIONS

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

1. City Council authorize the Island Yacht Club to enter into a management agreement with a company to be incorporated by the principals of the Toronto Island Marina (which is expected to be named "Manage Co."), on terms and conditions satisfactory to the General Manager of Parks, Forestry and Recreation and in a form satisfactory to the City Solicitor.

2. City Council authorize the General Manager, Parks, Forestry and Recreation to amend the current lease agreement between the City of Toronto and the Island Yacht Club to allow the Club to enter into the management agreement with Manage Co, and to enter into any other agreements that may be required to facilitate the management agreement, in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

Currently the Island Yacht Club is in arrears to the Parks, Forestry and Recreation Division in the amount of \$251,000 (rounded) inclusive of rent and property tax. As a result of MPAC'S recently proposed resolution of an assessment appeal, the property tax liability has been reduced to \$186,000 (rounded), the remaining \$65,000 is related to rent.

For 2014, the IYC has been levied an annual rental charge of \$60,000 (rounded) along with an additional annual \$15,000 (rounded) property tax charge. For 2015, the annual rental charge will be increased by the Consumer Price Index (CPI). At the moment the IYC is unable to make any of the required payments under their lease agreement. If the IYC were to fall into receivership, it would be unlikely that the City would be able to collect any of these amounts.

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

DECISION HISTORY

City Council at its meeting of September 22, 23, 24 and 25, 2003 adopted the Report from the Economic Development and Parks Committee, entitled "Renewal of Leases for the Boat Clubs Located on City of Toronto Property (Various Wards)".

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030922/edp7rpt/cl001.pdf>

ISSUE BACKGROUND

The various leases for boating facilities across the waterfront help to provide an expanded range of affordable recreation opportunities on the water at no cost to the City. Currently, the boating facilities under lease with the Parks, Forestry and Recreation Division range from small community sailing clubs to long established clubs with significant permanent facilities. The clubs are all not-for-profit corporations. These facilities have helped to meet demand for sailing in a social context and are consistent with the desire of the City to provide diverse, locally responsive recreation opportunities.

The IYC was founded in 1951 by what has been described by the IYC as a "small group of Jewish sailing enthusiasts" on Mugg's Island, one of the western Toronto Islands. In

2004 the IYC's clubhouse was destroyed by fire which caused a significant number of the club's members to relocate their boats to other clubs / marinas. Since then, the IYC has struggled to retain its current membership and entice new members, and has fallen into financial hardship.

Currently, the Island Yacht Club is in arrears to the Parks, Forestry and Recreation Division in the amount of \$251,000 (rounded) inclusive of rent and property tax. As a result of a recently resolved assessment appeal, the property tax liability has been reduced to \$186,000 (rounded), the remaining \$65,000 is related to rent.

The IYC currently pays rent based on a rate per acre known as the “Metro Formula” which was set by Council. It was concluded by Council, given the recreational nature of the land and the various restrictions on the land use, that a fair and reasonable rental rate is \$3,000.00 per acre for the first year of the renewal lease term from August 1, 2005 to July 31, 2006, and then for the following years be increased by the rate of inflation. Based on the yearly rental rates and the Consumer Price Index (CPI) increase, the IYC has been levied a rental charge of \$60,400 (rounded) or \$3,500 (rounded) p/acre for 2014. The Metro Formula has allowed the individual clubs to evolve into unique and accessible clubs providing a full mix of boating opportunities across the entire Toronto waterfront. Each club, through planning and voting by their members, has been able to set membership fees in line with other not-for-profit clubs, and through their own funding, to raise capital to develop these unique facilities at no cost to the City.

The Lease with the IYC is for a term of 20 years, expiring on July 31, 2025. The Lease provides that the leased lands specifically be used as a not-for-profit boating club and ancillary uses. The Lease does, however, allow the Club to provide for-profit services incidental to the operations of the Club, its members, and their property. The Club’s food and beverage facilities are open to fellow members of the boating community, and its grounds are periodically used to host events, including events for charities and community groups supported by the Club and its members.

COMMENTS

As a way to improve the existing facilities, entice new members, restore financial stability to the Club, and allow it to pay down its debt, the IYC has proposed to the Parks, Forestry and Recreation Division that it enter into a management agreement with a company to be incorporated by the principals of the company that currently operates the Toronto Island Marina which also operates under lease with the Parks, Forestry and Recreation Division. The principal owners of the Toronto Island Marina include Mr. Bill Duron, Mr. Gary Lovas and Mr. Carl Lovas. This would allow the IYC to continue to operate this historically significant not-for-profit club, while allowing it to pay down its debt to, among others, the City. Manage Co. would be required to make all rental and property tax payments directly to the City on behalf of the IYC.

The general concept would be one in which Manage Co. would assume responsibility for the day-to-day operations of the Club, including financial management, ensure sufficient financial stability and cash flow through advances that would service Club debt,

including the Club's annual lease obligations to the City and any cash operating deficit, all in return for a management fee. The IYC would continue to operate as a not-for-profit club, providing moorings and other services at rates comparable to other not-for-profit boating clubs in the Toronto Islands Park, while Manage Co. provides the necessary operational expertise and support. The IYC would be required to maintain its not-for-profit status as it is currently required to do under its lease with the City.

Under the Management Agreement, Manage Co. would ensure that the Club was able to meet the annual lease obligations to the City, pay the monthly debt servicing cost, and satisfy any cash operating deficit throughout the term in the following ways:

- advancing an amount equal to the monthly debt servicing cost directly to the Club's creditors to be applied against the Club's debt in each month of the term;
- advancing, in each year of the term, an amount equal to the Club's annual lease obligations directly to the City on terms agreeable to the City;
- advancing such amounts as may be necessary to cover any cash operating deficit incurred in each year of the term; and
- investing upwards of \$1,000,000 in required capital repairs, including the repair of existing docks and construction of new docking.

The current lease between the City and the IYC would remain in full force and effect.

Currently the IYC has fewer than 50 paying members, and operates at a significant deficit. The current scenario is unsustainable. The Club's operating deficit is expected to continue into the 2015 boating season. It is anticipated that with Manage Co's expertise and support the IYC would be able to restore membership numbers, improve the site and facilities, and restore financial stability with respect to financial obligations to the City and other outstanding creditors.

The City reserves the right to terminate the IYC's lease or to require the IYC to terminate the management agreement if, in the opinion of the General Manager of Parks, Forestry and Recreation, the intent of the current lease between the IYC and the City of Toronto was being compromised by the management agreement due to the operation becoming primarily commercial in nature or by some other operational concerns.

CONCLUSION

It is staff's opinion that the recommendations in this report represent a workable solution which will allow the continued operation of the IYC as a not-for-profit boat club while allowing the City to recover any outstanding amounts from its tenant which would otherwise be unrecoverable. The Parks, Forestry and Recreation Division has an excellent working relationship with the principal members of the Toronto Island Marina and is confident its proposed management company, Manage Co. will work to create a Staff report for action on the strategy to support the ongoing Operation of the Island Yacht Club

stronger and more successful IYC, while having regard for the intended not-for-profit, recreational nature of the IYC.

CONTACT

Ann Ulusoy, Director, Management Services, Tel: 416-392-8190, Fax: 416-397-4899,
E-mail: aulusoy@toronto.ca

Ryan Glenn, Manager, Business Services, Tel: 416-392-8578, Fax: 416-392-3355,
E-mail: rglenn@toronto.ca

SIGNATURE

Janie Romoff
General Manager, Parks, Forestry and Recreation