

Grant of Exemption from Late Payment Fees - Tourism Space at Union Station

Date: December 18, 2018

To: General Government and Licensing Committee

From: Director, Real Estate Services

Wards: 10 - Spadina - Fort York

SUMMARY

Infrastructure Ontario and Lands Corporation on behalf of Her Majesty the Queen in Right of Ontario as represented by the Minister of Infrastructure has been negotiating a lease agreement with the City, for space at Union Station to be used for the promotion of tourism in Ontario and it has advised that it cannot agree to pay interest on late payments or returned cheque fees, as it does not have Treasury Board approval to do so, as required under the Financial Administration Act. Accordingly, this report seeks an exemption from the requirement to charge late payment fees and returned cheque fees under the lease.

RECOMMENDATIONS

The Director, Real Estate Services recommends that:

1. City Council grant an exemption from the requirement to charge late payment fees of 15% per year for outstanding receivable balances and returned cheque fees (currently \$40 per returned cheque) under the lease to Her Majesty the Queen in Right of Ontario as represented by the Minister of Infrastructure (the "Tenant"), for space at Union Station for the promotion and marketing of tourism in Ontario.

FINANCIAL IMPACT

There is no immediate financial impact as a result of this report. The financial impact of exempting the Tenant from the late payment and returned cheque fees will only be realised if the Tenant misses a rent payment, or if there are insufficient funds in the Tenant's bank account from which rent cheques are drawn. Neither of these events have occurred to date in respect of the Tenant's on-going occupancy of space at Union Station. As such, the likelihood of foregone interest and fees is low. By way of example, an unpaid rent payment for the entire 10 year term of the lease would result in a maximum loss to the City of interest totalling \$36,097.

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

DECISION HISTORY

Clause 16 of Policy and Finance Committee Report 10, adopted by City Council at its meeting held on December 5, 6 and 7, 2005, requires that late payment fees of 15 percent per year or 1.25 percent per month be applied to outstanding receivable balances and that returned cheque fees (currently \$40.00 per returned cheque) be charged for accounts receivable.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc051205/pof10rpt/cl016.pdf>

COMMENTS

The premises to be leased to the Tenant at Union Station are located on the first floor of the west wing and have a rentable area of approximately 2,254 square feet. The premises may only be used for the purpose of promoting and marketing Ontario as a travel destination. Pursuant to the lease, a portion of the premises are being sublicensed back to the City, for use by Toronto Tourism, with the City agreeing to be responsible for a share of the costs for which the Tenant is responsible under the lease.

Infrastructure Ontario and Lands Corporation has advised that it cannot agree to include the City's standard clauses requiring the payment of late payment fees and returned cheque fees in the lease because the Tenant does not have Treasury Board approval to agree to make such payments, as required under section 11.4.1 (2) of the Financial Administration Act (Ontario).

As Ontario Tourism and Toronto Tourism are sharing the space to provide complementary tourism services to the public, the Director of Real Estate Services is of the view that this is a unique situation, which warrants special consideration. Accordingly, it is recommended that the standard late payment fees and returned cheque fees be waived for the Tenant's lease at Union Station, to support the co-ordinated promotion of tourism in Toronto.

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SIGNATURE

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