

Toronto Island Marina - Lease Extension

Date: September 21, 2020
To: General Government and Licensing Committee
From: Patrick Matozzo, Executive Director, Corporate Real Estate Management
Janie Romoff, General Manager, Parks, Forestry and Recreation
Wards: Ward 10 - Spadina-Fort York

SUMMARY

Toronto Island Marina (the "Marina") is leasing approximately 27.58 acres within Toronto Island Park from the City of Toronto (the "City") pursuant to a lease dated October 15, 2005 (the "Marina Lease"), currently expiring on October 14, 2025. The Marina, through 2446157 Ontario Corporation, carrying on business as Blockhouse Bay Management Co. ("BBM"), is party to a management agreement dated January 1, 2015 with the Island Yacht Club ("IYC") (the "Management Agreement"), pursuant to which IYC has transferred all management control over IYC's operations.

This report seeks authority to extend the Marina Lease by a term of approximately five (5) years, to July 31, 2030. This extension would bring the term of the Marina Lease in-line with the term of the Council directed Management Agreement, which recognizes the integrated relationship of both interests.

The extension of the Marina Lease will allow the Marina to secure financing in order to meet the ongoing capital investment required by the Marina under the terms of the Management Agreement between itself and the IYC.

In 2014, City Council granted permission allowing the IYC to enter into the Management Agreement, allowing the IYC to meet its ongoing financial obligations to the City while providing an opportunity to increase its membership numbers. The recommendations approved by Council in 2014 included a five (5) year term extension to the existing lease between the City (as Landlord) and the IYC (as Tenant) authorizing a new lease termination date of July 31, 2030. Given the urgency in drafting and executing the Management Agreement, authority for an extension to the Marina Lease was omitted, which this report now seeks to address.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management, and the General Manager, Parks, Forestry and Recreation, recommend that:

1. City Council authorize an extension of the existing lease with 1569483 Ontario Inc., operating as Toronto Island Marina, for a term of approximately five (5) years, terminating July 31, 2030.
2. City Council authorize the City to enter into, and the Executive Director, Corporate Real Estate Management to sign on behalf of the City, a lease extension agreement (the "Agreement") with 1569483 Ontario Inc., operating as Toronto Island Marina, substantially on the terms of the existing lease agreement, including re-negotiated base and percentage rent increases, and on such other additional or amended terms and conditions, as may be acceptable to the Executive Director, Corporate Real Estate Management, and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

For the proposed five (5) year extension term, the City will receive total minimum rent revenues of \$75,000, as well as estimated total percentage rent revenues of \$875,000 as prescribed in the Marina Lease.

The Marina pays \$15,000 per year in annual minimum rent as well as a percentage rent of three percent (3%) of Gross Revenues from Category I goods and services and seven percent (7%) of Gross Revenues from Category II goods and services.

Minimum rent and percentage rent payable during the extension term will be adjusted in 2025 based on the Consumer Price Index.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

At its meeting on December 11, 2014, City Council adopted Item 2015.EX1.10, and approved a Management Agreement between the principals of the Marina and IYC in an effort to support the ongoing operation of the IYC. The principals of the Marina formed 2446157 Ontario Corporation, carrying on business as Blockhouse Bay Management Co. for the purpose of conducting business per the terms of the agreement. The recommendations approved by Council included a five (5) year term extension to the existing lease between the City (as Landlord) and the IYC (as Tenant) authorizing a new lease termination date of July 31, 2030. Given the urgency of drafting and executing the aforementioned Management Agreement, authority for an extension to the Marina lease was omitted, which this report seeks authorization for.

COMMENTS

Representatives from the IYC approached City Officials in 2014 in an effort to save the club from dissolution, as the organization was effectively insolvent with no sustainable means of continuing operations. The Management Agreement and the IYC lease term extension allowed BBM to assume managerial control of the IYC, thereby establishing a plan for improving the existing facilities, attracting new members, restoring financial stability and allowing the IYC to pay down debt while remaining current with IYC's annual obligations under the terms of its lease.

In order to successfully implement the Management Agreement, BBM uses both operational staff and financial resources from the Marina. In addition to settling the \$1.7 million of debt for the insolvent IYC, BBM committed to invest over \$2 million in capital investment for the redevelopment of docks and other facilities. This required utilizing self-financing from operating profits and Marina reserves to finance the first phase of this development at over \$300,000. Because of this initial investment, and in spite of the setbacks caused by Lake Ontario floods of 2017 and 2019, BBM will have completed the redevelopment of the entire marina component of the IYC in 2020. This includes 150 new docks, ramps, and electrical and plumbing infrastructure.

BBM has settled 80 percent of the \$1.7 million of IYC debt, including trade suppliers, debenture holders, bank, Revenue Canada and City of Toronto. A considerable portion of this debt had to be settled out of proceeds provided by the Marina, including unpaid wages and trade supplier debt of \$195,000.

When BBM assumed the management of the IYC in 2015, membership had reduced to approximately 41 boating members and 29 social members. Since the Management Agreement was implemented the IYC has achieved seasonal boating membership of approximately 86 boating members and 150 social members. All operating and debt obligations are being met, including rent and taxes owed to the City under the terms of the IYC lease.

In order to ensure the continued operation and future viability of the IYC, City staff support an extension of the Marina Lease to coincide with the termination of the IYC lease and Management Agreement on July 31, 2030.

An extension to the Marina Lease will allow staff and resources to continue to be implemented throughout the term of the IYC lease, with the goal of re-establishing the IYC as a fully viable and self-sustaining organization.

CONTACT

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SIGNATURE

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