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**TO:** GENERAL COMMITTEE

**SUBJECT:** PARKING LOT – SALVATION ARMY

**PREPARED BY AND KEY CONTACT:** S. ROSE, C.E.T., TSOS  
SUPERVISOR OF TRANSPORTATION PLANNING (Ext. 4382) 

**SUBMITTED BY:** R. W. MCARTHUR, P. Eng. *R. W. McArthur*  
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**GENERAL MANAGER APPROVAL:** R.J. FORWARD, MBA, M.Sc., P. Eng. *R. J. Forward*  
GENERAL MANAGER OF INFRASTRUCTURE, DEVELOPMENT & CULTURE

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** JON M. BABULIC *Jon M. Babulic*  
CHIEF ADMINISTRATIVE OFFICER

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**RECOMMENDED MOTION**

1. That the current lease arrangement remain in effect with the Salvation Army to use their parking lot for general public parking until it expires August 31, 2013.

**PURPOSE & BACKGROUND**

2. On November 30, 2009, City Council adopted Motion 09-G-489 regarding the Salvation Army parking lot which states:  

"That staff in the Legal Services and Engineering Departments negotiate an early renewal of the lease for the City parking lot on Salvation Army property beside the Bayside Mission including profit sharing from parking operations with the Salvation Army and report back to General Committee."
3. The City parking lot on the Salvation Army property contains 25 parking spaces and is located at 16 Bayfield Street on the west side of Bayfield Street. Please refer to Appendix "A".
4. A twelve year lease of the Salvation Army parking lot for City use, commenced September 1, 2001 and expires August 31, 2013. In the initial arrangement for the parking lot, the City paid all the capital improvement costs associated with the lot. The City also incurred all operational costs associated with the lot. As such, the agreement was structured so the City collected all revenue associated with the lot. Please refer to Appendix "B" for construction, funding and revenue excerpts from the Legal agreement.
5. In the event that either party terminates this lease prior to the end of the term, the Salvation Army shall reimburse the City for the balance of the uncapitalized construction contribution no later than three months following the date of termination in the amount equal to \$8,369.00 per year.
6. The City is responsible for maintaining the 25 parking space parking lot and is entitled to keep all revenues received from the operation of the parking lot during the term of this lease.

**ANALYSIS**

7. Staff from the Engineering, Finance, Operations and Legal Departments undertook a review to determine if the Salvation Army City parking lot was turning a profit. As the following table illustrates, the parking lot has not been profitable.

|                          | 2006         | 2007         | 2008         | 2009         |
|--------------------------|--------------|--------------|--------------|--------------|
| REVENUES                 | \$19,050.00  | \$19,240.00  | \$20,235.00  | \$18,110.00  |
| OPERATING COSTS          | \$26,905.00  | \$26,905.00  | \$26,905.00  | \$26,905.00  |
| NET REVENUE<br>(EXPENSE) | (\$7,855.00) | (\$7,665.00) | (\$6,670.00) | (\$8,795.00) |

NOTE: The lot has been closed in 2010/2011 to accommodate construction on the Mady Centre for the Performing Arts; however, the parking lot was operating close to capacity in 2009.

8. Under the lease arrangement, the City is paying an annual uncapitalized construction contribution cost of \$8,369.00. When the lease expires August 31, 2013 there is the potential for a net revenue from the utilization of this parking lot.
9. Staff spoke with a representative of the Salvation Army Bayside Mission and provided the above table for their review. The representative explained if profits were being generated through parking on the site that a renegotiation could occur to determine an appropriate amount of compensation. Upon the review of the results of the table it was clear that there are no profits to split during the term of this agreement.
10. If the agreement was to be terminated there would be a penalty clause to the Salvation Army of \$8,369.00 per year to reimburse the balance of the capital construction costs incurred by the City to prepare the lot for public parking.
11. A new lease arrangement could be negotiated in 2013 based on the recommendations from the parking strategy and rate review that is currently in progress.
12. Staff recommend that the current lease arrangement remain in effect with the Salvation Army to use their parking lot for general public parking until it expires August 31, 2013.

**ENVIRONMENTAL MATTERS**

13. There are no environmental matters related to the recommendation.

**ALTERNATIVES**

14. The following alternative is available for consideration by General Committee.

**Alternative #1** General Committee could decide to renegotiate the current lease arrangement.

This alternative is not recommended as the parking lot is currently not generating net revenue and recommendations from the parking strategy and rate review have not been formalized.

**FINANCIAL**

15. If the City terminated the lease agreement it would be entitled to the outstanding balance of the uncapitalized construction contribution of \$8,369.00 per year. The parking lot will be in service soon to accommodate the recently constructed Mady Centre for the Performing Arts and until recommendations are received as part of the parking strategy and rate review, it is unclear of the strategic importance of this lot for City use.

**LINKAGE TO COUNCIL STRATEGIC PRIORITIES**

16. The recommendation included in this Staff Report is not specifically related to the goals identified in the 2010-2014 City Council Strategic Plan.

APPENDIX "A"



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**APPENDIX "B"**

**SECTION 5 – PARKING LOT CONSTRUCTION AND FUNDING**

- A) The TENANT agrees to reimburse the Landlord the sum of \$93,202.38 (the "Construction Contribution") which the Landlord has paid for the construction of the parking lot on the premises. This payment shall be made in full to the Landlord immediately upon execution of this lease. The Construction Contribution is calculated to include the value of any donations that the Landlord may receive for the construction of the premises.
- B) In the event that either party terminates this lease prior to the end of the term, the Landlord shall reimburse the tenant for the balance of the uncapitalized Construction Contribution within a reasonable time following such termination, and, in any event, not later than 3 months following the date of such termination.
- C) The Construction Contribution is to be capitalized at a rate of 8.33% per year, which is an amount equal to \$7,766.87 per year. "Note Legal informed staff the actual amount is \$8,369". In the event that the lease is terminated other than at the end of any year (being August 30 in each year of the term), then the capitalized amount for the year of termination shall be prorated for the number of months within that year the year that the lease was effective.
- D) The LANDLORD agrees to retain consultants to prepare and submit construction drawings for review and approval by the TENANTS's staff. Construction will be undertaken by the LANDLORD's contractors and itemized for payment by the TENANT. The TENANT will provide the LANDLORD's contractors with parking meters for installation in the parking lot during the construction phase.

**SECTION 6 – PARKING LOT REVENUE**

The TENANT shall be entitled to keep all revenues received from the operation of the parking lot during the term of this Lease.