

To: Council in Committee of the Whole

From: Stephanie Sinnott, Commissioner,
Finance Services

Report Number: CNCL-20-144

Date of Report: July 8, 2020

Date of Meeting: July 13, 2020

Subject: Rent Abatement Requests

File: C-4386

1.0 Purpose

At its meeting on April 27, 2020, in response to correspondence received from Durham Radio Inc. (CNCL-20-26) City Council directed that the request for rent abatement be:

“referred to the Treasurer for a COVID-19 Impact and Municipal Financial Relief Report”; and that Durham Radio be thanked for keeping their business in operation and their senior management for not taking any salaries.”

The purpose of this report is to provide City Council with information regarding the feasibility of providing rent relief for April, May and June 2020 due to the COVID-19 pandemic as requested by Durham Radio Inc. (CNCL-20-26), Attachment 1. In addition, the City received an e-mail from Gemini Gymnastics dated May 4, 2020, Attachment 2, requesting to know if the City will be participating in the Canada Emergency Commercial Rent Assistance (CECRA) program and cover 25% of their rent as one of the program requirements.

2.0 Recommendation

It is recommended to City Council:

1. That the Rent abatement requests outlined in Report CNCL-20-144, dated July 8, 2020 be received for information; and,
2. That current and future requestors be advised that the City is unable to provide commercial rent assistance due to ineligibility for the Canada Emergency Rent Assistance program and due to the restrictions of the Municipal Act, 2001.

3.0 Executive Summary

Not applicable

4.0 Input From Other Sources

- Canada Mortgage and Housing Corporation (CMHC)
- City Solicitor
- Commissioner Development Services
- Manager, Oshawa Executive Airport

5.0 Analysis

5.1 Background

In late March 2020, a number of commercial businesses were required to close in accordance with the Provincial emergency orders related to the COVID-19 Pandemic.

Recognizing the impact of the closures and lost revenue, the Federal Government announced, on April 16, 2020, its intent to introduce the CECRA program for small businesses. The program will provide loans, including forgivable loans, to commercial property owners who in turn offer a minimum 75% rent reduction or forgo the rent of small businesses for the months of April, May and June 2020.

Impacted small business tenants are businesses that:

- pay no more than \$50,000 in monthly gross rent per location (as defined by a valid and enforceable lease agreement)
- generate no more than \$20 million in gross annual revenues, calculated on a consolidated basis
- have experienced at least a 70% decline in pre-COVID-19 revenues

The program will be taking applications from May 25, 2020 until August 31, 2020.

5.2 Rent Abatement Requests

The City received correspondence from Durham Radio Inc. and Gemini Gymnastics to request rent abatement for April, May and June 2020. In conjunction with the Airport Manager, staff reviewed the other businesses located at the Oshawa Executive Airport to determine if there were other businesses that would qualify for rent abatement.

5.2.1 Third Party Requests (tenant and commercial landlord)

The *Municipal Act, 2001*, c14, s 106(1) states that “a municipality shall not assist directly or indirectly any manufacturing business or other industrial or commercial enterprise through the granting of bonuses.” Further section 106(2) stipulates that the municipality shall not grant assistance by:

- Giving or lending and property of the municipality, including money;
- Guaranteeing borrowing;
- Leasing or selling any property of the municipality at below fair market value; or
- Giving a total or partial exemption from any levy, charge or fee.

Therefore, the City is not able to consider rent abatement requests to commercial tenants under this section of the Municipal Act, 2001 as it would be considered bonusing.

5.2.2 Municipal Owned Properties and CECRA Eligibility

The CECRA program does not apply to any federal, provincial or municipal-owned properties, where the government is the landlord of the small business tenant.

Therefore, under this section of the CECRA criteria the City is not an eligible property owner for application under this program.

5.2.3 Operation of City Property by a Third Party and CECRA Eligibility

When City property is operated by a third party, such as Total Aviation & Airport Solutions (T.A.A.S.) then the third party may be considered the property owner and participate in the CECRA program if the eligibility criteria is met.

The City and T.A.A.S. have completed an assessment of eligibility for T.A.A.S. and the commercial tenants at the Oshawa Executive Airport and have determined that:

- T.A.A.S. commercial tenants do not qualify under the bonusing provisions of the Municipal Act, 2001, c14, s 106(1);
- The larger commercial tenants do not qualify for the CECRA program due to ineligibility as per the CECRA program guidelines; the tenant must have experienced at least a 70% decline in pre-COVID-19 revenues;
- The cost benefit for the smaller commercial tenants is not beneficial to the City, T.A.A.S. or the tenant as the cost of administration to develop the legal agreements, attestations and loan terms and conditions would exceed the rental savings.

6.0 Financial Implications

There are no financial implications arising from this report.

7.0 Relationship to the Oshawa Strategic Plan

This report supports the Oshawa Strategic Plan goals of Economic Prosperity & Financial Stewardship and Accountable Leadership by providing proactive and responsible financial management while ensuring respect and transparency.

A handwritten signature in black ink, appearing to read 'S. Sinnott', written in a cursive style.

Stephanie Sinnott, Commissioner,
Finance Services

Attachments



City of Oshawa
Warren Munro-Commissioner
Development Services Department

City of Oshawa
50 Centre Street South
Oshawa, ON
L1H 3Z7

CNCL-20-26

March 27, 2020

Dear: Mr. Warren Munro

Re: Request for Rent Abatement – 1200 Airport Blvd. Suite 207, Oshawa, ON

As you are aware, the Covid-19 outbreak is having a calamitous effect on many businesses in Ontario and throughout the world. Needless to say, Durham Radio Inc. is no exception, given that so many of our retail clients have been forced to close down their businesses. The sale of advertising airtime to these clients provides the lifeblood of our radio station. At this unprecedented time, our retail clients, such as restaurants, clothing stores, salons, bars and concert venues, have had to cancel their sales campaigns, resulting in a precipitous drop in Durham Radio Inc.'s revenue. Since we have no ability to store tangible inventory, our inventory is lost forever whenever an advertiser cancels airtime spots. These spots are typically purchased months in advance, giving us an excellent view of future revenue 1 to 3 months in advance. With the unbelievable number of cancellations over the past two weeks, our revenue for April will be only 40% of last year's amount. As cancellations continue to come in, we anticipate progressively decreasing revenue.

The government of Ontario has classified Durham Radio Inc. and all other radio stations in the province as essential services. Providing news and information updates as well as instructing people on ways to maintain personal and public safety are services that are absolutely critical when battling this pandemic. Therefore, we will continue to broadcast to serve the public interest. Since our fixed costs are very high and cannot be reduced significantly in the short term, we are experiencing a significant cash shortfall. To counteract this unprecedented situation, our senior management will not be taking any salaries and for the first time in our history we have been forced to lay off staff. But we will need additional help.

Premier Doug Ford has requested that landlords, both residential and commercial, offer relief to their tenants. Thus, to ensure that Durham Radio Inc. survives this crisis, I am requesting a rent abatement for the next 3 months, April, May and June. This will help us immensely to get through this crisis.

Thank you in advance for your understanding at this time of such upheaval. Please call me at 416 727 1710 to discuss this request further.

Sincerely,

Douglas E. Kirk

Douglas E. Kirk
President

CKGE-CJKX-CKDO
1200 Airport Blvd. Suite 207,
Oshawa, Ontario L1J 8P5
Phone: (905) 571-0949 Fax: (905) 571-1150

Durham Radio Inc.
CHKX-WAVE.FM
589 Upper Wellington Street,
Hamilton, Ontario L9A 3P8
Phone: (905) 388-8911 Fax: (905) 388-7947

CHTG
282 Argyle Street S. Unit #4
Caledonia, ON N3W 1K8
Phone: (289) 284-1070 Fax: (905) 388-7947

**Item: CNCL-20-144
Attachment 2**

From: admin@geminigymnastics.com <admin@geminigymnastics.com>

Sent: Monday, May 4, 2020 4:17 PM

To: Warren Munro <WMunro@oshawa.ca>

Cc: Stephen Wilcox <SWilcox@oshawa.ca>; Meaghan Harrington <MHarrington@oshawa.ca>; Kristina <kstiel@taasairportsolutions.com>; Tom Goodeve <TGoodeve@oshawa.ca>

Subject: RE: FW: Payment option

Hello Warren,

Thank you for your response.

I would like to clarify my enquiry. We are paying a monthly land lease of \$1000.95 (including HST) to the City of Oshawa through Total Aviation and Airport Solutions. When I did research CECRA, it stated that landlord (the City of Oshawa/Total Aviation & Airport Solutions in this case) would have to participate in the program, where the landlord would pay 25% of rent, Gemini Gymnastics as a tenant would pay 25% and the 50% would come from the Federal/Provincial Government funding/loan-CECRA.

So my question is the City of Oshawa participating or will be participating in the program in this regards and would the City cover the 25% of rent cost?

Thank you for your consideration in this matter.

Regards,

Olena Vozza
Office Manager
Gemini Gymnastics
1000 Stevenson Rd N
Oshawa, ON, L1J 5P5
905-576-2164

