

**3885 Yonge Street, Known as the Jolly Miller  
Lease with Prime Asset Management Company -  
(Ward 9 - North York Centre South)**

*(City Council on December 14, 15 and 16, 1999, adopted this Clause, without amendment.)*

**The Administration Committee recommends the adoption of the following report (November 18, 1999) from the Acting Commissioner of Corporate Services:**

Purpose:

The purpose of this report is to report on the status of the lease negotiations and to secure approval of a lease agreement with Prime Asset Management Corporation for its tenancy of the City-owned property at 3885 Yonge Street, known as the Jolly Miller.

Financial Implications and Impact Statement:

The proposed lease is expected to generate a rental income to the City in the minimum amount of \$7,833,970.00 over the proposed 50 year term. This translates into a minimum net present value of \$1,280,563.00.

Recommendations:

It is recommended that:

- (1) a lease agreement with Prime Asset Management Corporation for 3885 Yonge St., the Jolly Miller, be approved in accordance with the terms and conditions set out in the body of this report and in a form acceptable to the City Solicitor; and
- (2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

On May 20, 1998, the City issued a Request for Proposals ("RFP") for the lease of the Jolly Miller. The RFP outlined the City's objectives, the criteria for evaluation, zoning restrictions and terms and conditions. Of the four proposals received, the staff review team recommended in a report submitted to North York Community Council, that the City negotiate the terms of a lease with Prime Asset Management Company ("PAMC") and the report was adopted, by the Council of the City of Toronto at its meeting held on November 25, 26 and 27, 1998.

Comments:

Staff of Corporate Services, in consultation with staff of Economic Development Culture and Tourism, Finance, Legal Services, Urban Planning and Development Services, and the North York Heritage Committee, have been negotiating with PAMC. PAMC have also been consulting on a regular basis with representatives of the local community. We have now agreed upon the form of the lease. The basic business terms and conditions are as follows:

## (1) Term:

An initial 30 year term with two, ten-year renewal periods.

## (2) Proposed Design:

PAMC, as a result of discussions with representatives of the local community and with input from staff of Urban Planning and Development Services and North York Heritage Committee are now proposing a redevelopment comprised of two phases. The first phase is the renovation and restoration of the existing building. The second phase is the construction of a detached building along the Mill Street frontage. These two buildings which are illustrated on the rendering attached as Appendix No. 1 comprise a total gross floor area of 18,678 sq.ft. and are identified as Modified Scheme “B” as they represent a slight variation to Scheme “B” which was submitted with their proposal.

PAMC’s original proposal included two design schemes for consideration. Scheme “A”, comprised an addition immediately to the east of and attached by way of an atrium to the original building, (see Appendix No. 2) and Scheme “B” comprised a building to the south and east of the original structure also attached by way of an atrium to the original building (see Appendix No. 3). While staff initially supported Scheme “A”, we are currently supportive of Modified Scheme “B” as the new plan eliminates the atrium and sites the building slightly more to the east. This layout improves on the historical presentation of the site by ensuring the historic building is completely featured, while an attractive streetscape is maintained. The modified version opens up the corner for a community focused street level parkette at the intersection with a sheltered café patio on the lower level.

## (3) Rentable Area:

PAMC has committed to a minimum rentable area of 12,043 sq. ft. for the currently proposed scheme. Should they achieve a greater area than 12,043 sq.ft., they will pay additional rent to the City. If the area is lesser than indicated, they have guaranteed rent on 12,043 sq.ft. While this rentable area is less than was originally incorporated in their proposal, the reduction is a result of developing a detailed proposal satisfactory to staff and the community.

## (4) Rent:

The rent, which will commence following the fixturing period, for the initial 10 years is to be at the rate of \$10.05 per sq.ft. of rentable area, years 11 to 20 at the rate of \$12.10 per sq.ft. and years 21 to 30 at the rate of \$14.30 per sq.ft. The rental rate for the two, ten-year renewal periods, i.e. years 31-40 and 41-50, shall be the lesser of the CPI increase from the year 1 (one) to the date of renewal times \$10.05 per square foot, or the CPI increase from year 21 to the date of renewal times \$14.30 per square foot. The gross floor area, rentable area, proposed rent, and present value of the gross rental stream, are set out in the chart below. It is noted that the rent for the 31-50 year period is to be

adjusted by the CPI as indicated above. However, as the CPI adjustment is obviously not known at this time, for the purposes of the chart below, rent for the 31-50 year period has been included based on the 21-30 year rent.

Proposed GFA	Rentable Area	Proposed Rent	Total Rental Revenue Over 50 years	Present Value of Rent Revenue
18,678 sq.ft.	12,043 sq.ft.	1-10 yrs. \$121,032/yr. 11-20 yrs. \$145,720/yr. 21-30 yrs. \$172,215/yr. 31-50 yrs. \$172,215/yr.	\$7,833,970.00	\$1,280,563.00

It is noted that, pursuant to the Agreement of Purchase and Sale executed on March 3, 1997, and registered on November 4, 1997, with E. Boccia at the time this property was acquired by the former City of North York, there is a requirement to pay 20 percent of net proceeds from all buildings on the site for a period of 20 years from the date of sale, to a maximum of \$400,000.00. If it assumed the rent from this property begins flowing in approximately 18 months, then compensation to E. Boccia will be payable for approximately 15.5 years. This payment has been deducted from the annual cash flow and is reflected in the present value set out above.

(5) Capital Expenditures/Letter of Credit:

PAMC has proposed to expend the sum of \$2,470,000 in capital expenditures. PAMC is to provide a Letter of Credit representing 105 percent of the total proposed capital expenditures in a form satisfactory to the Chief Financial Officer and Treasurer of the City. Five percent (5 percent ) of this is for a supervision fee for the City in case PAMC defaults. As the buildings are completed, the Letter of Credit shall be reduced in accordance with the cost certificate from the project's architect to be approved by City staff. The Letter of Credit will be due on the earlier of the start of renovation of the existing building or 14 days after receipt of the building permit.

(6) Fixturing Period:

PAMC will develop the site in two phases. Phase I will consist of the renovations and restoration of the existing structure (the "Phase I Construction") while Phase II will consist of the construction of the new structure (the "Phase II Construction"). PAMC will be allowed time to prepare drawings and obtain information for Site Plan, Committee of Adjustment and building permit applications as follows:

Phase I:

- (i) From the date lease is executed by the City, PAMC will be allowed two (2) months for building permit application;
- (ii) PAMC will then have ten (10) months to renovate and restore Phase I;
- (iii) Excludes City time to process building permit provided PAMC has acted

- (iv) diligently in pursuing all approvals, and that any delays result from circumstances beyond PAMC's control;
- (v) Any time it takes PAMC to respond to City requests, will be deducted from the (10) month period for renovating/restoring the building; and
- (vi) Notwithstanding the foregoing, the maximum period permitted to complete the Phase I Construction is 18 months from the date the lease is executed by the City.

Phase II:

- (i) From the date lease is executed by the City, PAMC will be allowed one (1) month to apply for Site Plan Approval and for Committee of Adjustment;
  - (ii) After Committee of Adjustment, PAMC will be allowed one (1) month to apply for a building permit;
  - (iii) PAMC will have ten (10) months to build Phase II;
  - (iv) Excludes City time to process approvals provided PAMC has acted diligently in pursuing all approvals, and that any delays result from circumstances beyond PAMC's control;
  - (v) Any time it takes PAMC to respond to City requests, will be deducted from the ten (10) month period for constructing the new building; and
  - (vi) Notwithstanding the foregoing, the maximum period permitted to complete the Phase II construction is 18 months from the date the lease is executed by the City. It is acknowledged that Phase II may require an extension to this deadline, and PAMC may request such extension. Provided PAMC has acted diligently in pursuing all approvals, and that any delays result from circumstances beyond PAMC's control, then the City will give consideration to PAMC's request.
- (7) Environmental Issues:

The RFP requires the tenant to accept the building "as is" with the tenant being responsible for all costs. PAMC has requested the following provision with respect to environmental issues. In the event the property has existing environmental issues requiring remediation, PAMC shall be responsible for the first \$5,000.00 and the City for the balance of the costs to \$50,000.00. If these costs exceed \$50,000.00, City approval will be required and should this occur, either the City or PAMC may choose not to

proceed. If City decides to abandon the project because of environmental issues, the City will reimburse PAMC up to \$6,000.00 for costs of an environmental study. Any environmental issues requiring remediation caused by or resulting from PAMC's actions shall be rectified by PAMC at PAMC's sole cost.

Conclusions:

Modified Scheme "B" is the preferred alternative as it improves on the historical presentation of the site by featuring the historic building completely and maintaining an attractive streetscape to the south of the building as required in the RFP. The terms and conditions which have been negotiated with PAMC are fair and reasonable and representative of market value, and accordingly the lease as detailed in this report should be approved.

Contact:

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List of Attachments:

Appendix 1 – Modified Scheme "B"  
Appendix 2 - Scheme "A"  
Appendix 3 - Scheme "B"

(A copy of Appendices 1, 2 and 3, attached to the foregoing report was distributed to all Members of Council with the November 30, 1999, agenda of the Administration Committee and a copy thereof is also on file in the office of the City Clerk.)

*(Councillor Feldman, at the meeting of City Council held on December 14, 15 and 16, 1999, declared an interest in the foregoing Clause, in that he lives in the vicinity of the Jolly Miller.)*