



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

**3080 Yonge Street – Rental Rate for Lease Renewal  
Term**

<b>Date:</b>	October 19, 2009
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer
<b>Wards:</b>	Ward No. 16 (Eglinton-Lawrence)
<b>Reason for Confidential Information:</b>	This report is about litigation or potential litigation that affects the City or one of its agencies, boards or commissions.
<b>Reference Number:</b>	P:\2009\Internal Services\F&re\Gm09087F&re – (AFS 10749)

**SUMMARY**

---

The City, as Landlord, and 3080 Yonge Street Inc. (the “Lessee”) are parties to a 1974 ground lease relating to property located at 3080 Yonge Street. The Lessee has exercised its right to renew the ground lease for a further period of thirty-three (33) years. The lease provides that the parties shall negotiate a new rental rate for the renewal term, failing which either party may trigger binding arbitration to determine the rate.

**RECOMMENDATIONS**

---

**The Chief Corporate Officer recommends that:**

1. City Council adopt the confidential instructions to staff contained in Attachment 1.
2. If adopted by Council, the recommendations contained in the confidential instructions to staff be made public at the end of the Council meeting.

## **Financial Impact**

The relevant financial information is addressed in the Confidential Attachment 1.

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

## **DECISION HISTORY**

On November 7, 1974 and pursuant to Clause 5 of Report No. 27 of The Metropolitan Executive Committee, The Municipality of Metropolitan Toronto and Park Manor Properties (Central) Limited entered into a ground lease for certain lands located at 3080 Yonge Street as identified in Attachment 2 to this report.

By DAF 2003-093 the City consented to an assignment of the tenant's interest in the ground lease to 3080 Yonge Street Inc. (the "Lessee") in July 2003.

## **ISSUE BACKGROUND**

The lands owned by the City at 3080 Yonge Street house transit infrastructure related to the Lawrence Avenue Subway Station, and the leased area is therefore subject to various subsurface and surface easement rights in favour of the City. In addition to its interest as tenant in the leased lands, the Lessee owns the adjoining parcel. The property known municipally as 3080 Yonge Street contains a total area of 75,640 sq. ft. (1.74 acres). Two portions of the area (the subject leased lands) totalling an area of 24,952 sq. ft. (2,318 sq. m.) are leased from the City as identified in Attachment 2 to this report. A six (6) storey commercial building has been constructed by the Lessee on the combined lands in accordance with the terms of the ground lease.

The initial term of the 1974 ground lease was 35 years, commencing November 7, 1974 and continuing until November 6, 2009 with rights of renewal in favour of the tenant for two additional terms of 33 and 31 years respectively. The basic rent for the initial term was \$35,000 per annum payable in advance in November of each year, plus realty taxes, both of which are paid to date. In accordance with the terms of the ground lease, the Lessee has exercised its first right of renewal for a further period of 33 years. Once a right of renewal is exercised by the Lessee the lease provides the parties an opportunity to negotiate the rental rate for the renewal term based on the terms of the ground lease, failing which either party may trigger binding arbitration to determine the rate.

## **COMMENTS**

The Lessee is current with all annual rental payments to date. City staff has engaged in negotiations with the Lessee in relation to the rental rate for the renewal term and has confirmed that the Lessee is agreeable to the proposed revised rate. The proposed rental rate reflects current market value according to market research and valuation conducted by an independent appraiser as well as Facilities and Real Estate Division staff. The Lessee has agreed to a deferral of the arbitration provisions of the ground lease to permit Council the opportunity to consider the proposal contained in the confidential instructions.

## **CONTACT**

Joe Casali  
Director, Real Estate Services  
Tel: (416) 392-7202  
Fax: (416) 392-1880  
[jcasali@toronto.ca](mailto:jcasali@toronto.ca)

Chuck Donohue, P.Eng.  
Executive Director, Facilities & Real Estate  
(416) 397-5151  
(416) 392-4828  
[cdonohue@toronto.ca](mailto:cdonohue@toronto.ca)

## **SIGNATURE**

---

Bruce Bowes, P. Eng.  
Chief Corporate Officer

## **ATTACHMENTS**

Attachment 1 – Confidential Instructions  
Attachment 2 – Location Map