

Jolly Miller Lands – Recovery of Acquisition Costs and Disposition of the Existing Parking Lot

| | |
|--------------------------|--|
| Date: | February 1, 2010 |
| To: | Government Management Committee |
| From: | Chief Corporate Officer |
| Wards: | Ward 25 - Don Valley West |
| Reference Number: | P:\2010\Internal Services\RE\Gm10003re – (AFS 11355) |

SUMMARY

In 1997, the former City of North York Council approved the acquisition of the Jolly Miller property located at 3885 Yonge Street and the development of the northern portion of this property as a municipal parking lot in order to generate revenue to aid in recovering the acquisition costs. Once such costs were recouped, City Council was to reconsider the appropriateness of the parking use.

The purpose of this report is to provide the final statement of recovery of the original acquisition of the Jolly Miller property and to seek Council authority on the disposition of the existing parking lot.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council approve the incorporation of the portion of the Jolly Miller property shown as Part 1 on Sketch No. PS-2009-116 into the abutting parkland/valley open space system to be operated and managed by Parks, Forestry & Recreation (“PF&R”) and the long-term operation of a public parking lot on Part 2 on Sketch No. PS-2009-116, as a municipal parking facility to be operated and managed by the Toronto Parking Authority (“TPA”) in accordance with Chapter 179 of the Toronto Municipal Code in exchange for a fair market value (“FMV”) contribution of \$525,000.

2. City Council exempt the 3885 Yonge Street property from the City Real Estate policies set out in the Proceeds from Sale of Surplus City-Owned Real Property (the “Proceeds Policy”) and the Principles of a City Real Estate Strategy, so that \$425,000 of the FMV contribution amount by TPA for Part 2 on Sketch No. PS-2009-116 be allocated to PF&R for capital improvements on Part 1 on the said Sketch rather than being deposited in the Land Acquisition Reserve Fund (“LARF”), and the remaining \$100,000 of the FMV contribution amount by TPA, subject to TPA Board approval be deposited into LARF.
3. City Council authorize the TPA to design and manage the construction of the park located on Part 1 shown on Sketch No. PS-2009-116 to the satisfaction of the General Manager of PF&R at a total cost of \$425,000 funded from the TPA 2010 Approved Capital Budget CPK144-01 Jolly Miller.
4. City Council authorize and direct the appropriate City Officials to take the necessary action to give effect to the foregoing, including the introduction in City Council of any bills necessary to give effect thereto.

Financial Impact

The FMV is \$525,000. TPA has approved funding for the FMV in the amount of \$425,000 and would require TPA Board of Director’s approval for the additional \$100,000.

If City Council approves Recommendation No. 2, the City will forego the proceeds from TPA in the amount of \$425,000 from being allocated into LARF as per Council Policy. The remaining \$100,000 will be allocated to LARF. The \$425,000 will be used to fund the removal of the parking lot on the portion of the site that is to become parkland. In addition, that money will be used to re-establish the open space and build walkways and park features in the park. Funding for the expansion of the parkland (\$425,000) and contribution to the LARF (\$100,000) are included in the TPA’s 2010 Capital Budget in account CPK144-01 Jolly Miller.

Once the parkland is built it will cost \$12,840 in 2010 and in future years to maintain and keep this parkland. The cost for 2010 will be absorbed within PF&R’s 2010 Operating Budget. Future year funding requirements will be included in the respective year’s operating budget submission for PF&R.

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

ISSUE BACKGROUND

In November 1997, former City of North York acquired the Jolly Miller property at 3885 Yonge Street for \$2.1 million plus 20% of any lease revenues the City may receive in the 20 years following the purchase (to a cumulative maximum total of \$400,000). The principal objectives of the purchase were to retain the Jolly Miller building as one of the City’s heritage features and to prevent future development of the balance of the lands. The

Jolly Miller building is designated under the Ontario Heritage Act as a building of historical and architectural significance in the North York community.

At its meeting of June 25, 1997, former North York Council approved developing the northern portion of the property into a municipal parking lot on an interim basis in order to aid in recovering the City's acquisition costs. At the same meeting, Council also adopted that the long-term objective for these lands would be to use them as "open space complementing the surrounding valley system". In order to achieve this long-term objective, Council adopted the Committee's recommendation that "when the parking lot is no longer required to recoup the costs of acquisition, which is estimated to be within 20 years, Council shall reconsider the continued appropriateness of the parking lot." The Parking Authority was also directed to monitor and report regularly on the recoupment of the purchase price of the property to the Parking Authority and Council.

In late 1997, the Parking Authority constructed and began operating Carpark No. 414, a 262 space surface public parking lot on the northern portion of the property. Inclusive of the parking lot development cost, the total acquisition costs amounted to approximately \$2,524,540.

As a result of a Request for Proposal for the lease of the Jolly Miller building, the City entered into a twenty-year lease with Pegasus Group Inc. in 2002, which began renovations and commenced operations of a restaurant on the premises in 2004. The lease has since been assigned to Miller Tavern Inc.

At its meeting on April 12, 13 and 14, 2005, City Council adopted Consolidated Clause 18 of Administration Committee Report 3, whereby the process for reporting the annual revenue and determining the balance of the acquisition costs to be recouped were detailed.

COMMENTS

The table below, compiled in accordance with the above-mentioned report, is a calculation of the outstanding balance as of December 31, 2009 based on estimated revenues generated from the Jolly Miller property.

Calculation of Outstanding Balance of Jolly Miller Acquisition Costs as of December 31, 2009

| | | |
|--|-----------|------------------|
| Balance of Costs to be recouped as of December 31, 2008 | | \$416,222 |
| 2009 Jolly Miller Revenue (Estimated) | | |
| Net Lease Revenue from Jolly Miller Building | \$302,813 | |
| Less: Payment to Original Vendor (@20%) [†] | \$60,653 | |
| Residual Lease Revenue | | \$242,160 |
| 2009 TPA Parking Lot Revenue (Estimated) | | |
| Gross Parking Revenue | \$269,864 | |
| Less: Operating Expenses | | |
| Salaries, Wages and Fringe Benefits | \$23,786 | |

| | | |
|--|----------|-------------------|
| Property Taxes | \$77,004 | |
| Snow Cleaning and Maintenance | \$44,026 | |
| Utilities | \$9,613 | |
| Depreciation expenses | \$11,556 | |
| Other | \$16,027 | |
| Administrative Expenses | \$30,862 | |
| Net Parking Revenue | | \$56,990 |
| 2009 Incremental Property Tax Revenue | | |
| Jolly Miller Building | | \$82,329 |
| TPA Parking Lot (Estimated) | | \$77,004 |
| | | |
| Total Revenue | | \$458,483 |
| Balance of Costs to be recouped as of December 31, 2009 | | (\$42,261) |

¹ Total Payments to original vendor as of December 31, 2009 equals \$303,782 (of total maximum of \$400,000)

As the original acquisition and development costs has now been recovered through the revenues generated from the Jolly Miller property, it is now appropriate to consider the long-term use of the existing parking lot portion of the property.

Proposed Redevelopment of the Existing Parking Lot

In reviewing the future use of the existing parking area, consultations have taken place with staff of PF&R, TPA and Real Estate Services, the Ward Councillor and the York Mills Valley Association. A consensus has been reached regarding the future plan for the existing parking lot area which will subdivide the lands to add Part 1 on Sketch No. PS-2009-116 ("Part 1") to the abutting parkland while retaining a reduced public parking component, shown as Part 2 on Sketch No. PS-2009-116 ("Part 2"), to meet the ongoing parking demands of the area. All areas being described herein may be subject to minor adjustments.

Appendix "A" shows the configuration of the new parkland and the reduced parking area. It is being recommended that Part 1 be incorporated into the abutting parkland/valley open space system under the operation and management of PF&R and Part 2 be retained under the operation and management of TPA.

Park Use

The new park will be an addition to the existing York Mills Park (3.6 hectares) and York Mills Valley Park (3.01 hectares). As such, staff of PF&R, in consultation with the Ward Councillor, believe an interesting park can be achieved by the improvement and incorporation of Part 1 into the parkland of this area. However, as the availability of Part 1 for park use has come sooner than expected, PF&R has not included funds in its 2010 Capital Budget for this parkland development and another source of funds is required for the rehabilitation of Part 1 in 2010. As recommended in this report, the TPA will be providing up to \$425,000 to fund the initial costs towards the expansion of the parkland, which include the removal of the parking lot on the portion of the property that is to

become parkland, re-establishment of the open space and build walkways and park features in the park. Capital enhancements resulting from this park development will include grading, sodding, planting, seating walls, irrigation, lighting, paths/trails, etc. as well as any consulting costs required to implement the work.

Municipal Parking Use

The TPA currently operates a 262 space surface public parking lot on an interim basis, tied to the repayment costs associated with the property. Parking demand is generally split on a 50/50 basis between TTC users and local commercial activity which includes overflow demand related to the restaurant tenant of the Jolly Miller building, as well as the businesses located at Yonge and York Mills. TPA staff advises that occupancy levels during weekdays peak from approximately 130 to 170 vehicles including monthly parkers. There is an ongoing need for parking at this location and TPA believes this parking demand can be met by retaining a reduced lot area for 129 parking spaces.

The other public operated parking in this area is the TTC commuter parking lot located at 4050 Yonge Street, the northwest corner of Yonge Street and Wilson Avenue. It should be noted that the City Council has declared the 4050 Yonge Street property surplus for the transfer to Build Toronto for development purposes, and the amount of public parking may be reduced or eliminated when Build Toronto proceeds with the development of the property.

Application of the City's Real Estate Policies

By its adoption of EX32.5 on May 25, 26 and 27, 2009, City Council adopted the Principles of a Real Estate Strategy. The Principles state that City real estate is a “corporate” asset that supports municipal functions and purposes of the ABCDs.

Principle 4 states that “ABCDs will be required to budget the cost of additional corporate real estate assets at fair market value in their 10 year Capital Program.” For the area of Part 2, the Board of Directors of the TPA has authorized the capital amount of \$425,000, a portion of the FMV of these lands, for long-term management and operation of these lands for public parking. The remaining portion of the FMV in the amount of \$100,000 is subject to TPA Board of Directors approval. As former North York Council’s objective was that the north portion of 3885 Yonge Street property be used as open space, Part 1 would have been under the operation of PF&R previously if not for Council’s condition of repayment costs. Consequently, PF&R’s assumption of management and operation should not require the inclusion of funds to cover the FMV in its capital budget.

Based on City’s real estate policy including the “Policy Governing Land Transactions Among City Agencies, Boards, Commissions and Departments and Proceeds from Sale of Surplus City-Owned Property”, which was adopted by Council on June 18, 19 and 20, 2002, the proceeds of sale of City real estate are held in the LARF, rather than be directed to other initiatives. Such real estate proceeds include funds allocated by ABCDs for new real estate assets. As PF&R does not have funds in its capital program for the required improvements to the Part 1 lands, TPA proposes that a portion of the FMV in the amount of \$425,000 be directed by Council to the improvements of the Part 1 parkland area for the

benefit of the community. Recommendation 2 proposes an exemption to City real estate policies to allocate a portion of the payment from the TPA in the amount of \$425,000 for the Part 2 lands to PF&R for improvements to the adjoining Part 1 lands. The remaining \$100,000 will be deposited into LARF.

It should be noted that the management of the southern portion of the 3885 Yonge Street property will continue to be with Real Estate Services to administer the lease of the building.

This report has been prepared in consultation with staff from PF&R and TPA.

CONTACT

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

SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix A – Site Map & Sketch No. PS-2009-116