



**STAFF REPORT  
ACTION REQUIRED**  
with Confidential Attachment

**Sale of City-owned Leased Property at 192A Bloor Street West to McDonald's Restaurants of Canada Limited**

<b>Date:</b>	January 3, 2008
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer
<b>Wards:</b>	Ward 20 – Trinity-Spadina
<b>Reason for Confidential Information:</b>	The security of the property of the municipality
<b>Reference Number:</b>	P:\2008\Internal Services\F&re\Gm08005F&re – (AFS 6586)

**SUMMARY**

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The purpose of this report is to authorize the stratification and sale of a City-owned surplus property municipally known as 192A Bloor Street West, currently leased to McDonald's Restaurants of Canada Limited ("McDonald's"). It is also to provide information, in the confidential attachment, with regards to the motions made during the in camera session at the Government Management Committee (GMC) meeting on December 3, 2007.

Having completed negotiations with McDonald's, we are seeking authority to enter into an agreement of purchase and sale with McDonald's substantially on the terms and conditions outlined in the attached Appendix "A".

The terms for completing the transaction, as set out herein, are considered to be fair, reasonable and reflective of market value.

## **RECOMMENDATIONS**

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### **The Chief Corporate Officer recommends that:**

1. The Offer to Purchase from McDonald's of that portion of the City-owned land located at 192A Bloor Street West being Part of Lot 1 on Registered Plan 289, the said portion being shown as Parts 1, 2 and 5 on Sketch No. PS-2007-278 attached (the "Property") be accepted substantially on the terms and conditions outlined in Appendix "A" to this report, and that each of the Chief Corporate Officer and the Director of Real Estate Services be authorized severally to accept the Offer on behalf of the City.
2. The surplus declaration with respect to that portion of Lot 1 on Registered Plan 289 depicted as Parts 3 and 4 on Sketch PS-2007-278 be rescinded.
3. The City enter into an encroachment agreement with McDonald's to allow the existing structure and appurtenances to remain within that portion of the land to be retained by the City shown as Part 3 on Sketch PS-2007-278 for the life of the existing building.
4. The City Solicitor be authorized to complete the transaction(s) on behalf of the City, including making payment of any necessary expenses and amending the closing and other dates to such earlier or later date(s) and on such terms and conditions as she may from time to time consider reasonable.
5. Authority be granted to direct a portion of the proceeds of closing to fund the outstanding expenses related to the property and the completion of the sale transaction.
6. Council authorize the public release of the confidential information in Attachment 1, if Council accepts the Offer and the transaction is completed to the satisfaction of the City Solicitor.

### **Financial Impact**

If Council accepts the Offer to Purchase from McDonald's, revenue in the amount of \$3,380,000.00 plus GST, if applicable, less closing costs and the usual adjustments, is anticipated from this sale.

If Council chooses not to accept the Offer to Purchase from McDonald's, staff shall resume negotiations with McDonald's with respect to a new rental rate, which may be higher or lower than the \$195,000.00 per annum estimated by staff and applicable to the lease renewal term commencing January 1, 2005 for 33 years.

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



## **DECISION HISTORY**

City Council, at its meeting held on July 20, 21 and 22, 2004, adopted the recommendations in Item 19, Report No. 5 of the Administration Committee, thereby declaring the City-owned land located at 192A Bloor Street West surplus to the City's requirements, authorizing the then Commissioner of Corporate Services to invite an offer to purchase the property from McDonald's. If, in the opinion of staff, a recommendable offer was not received in respect of the property, the Commissioner was authorized to list the property for sale on the open market.

## **ISSUE BACKGROUND**

The property at 192A Bloor Street West was acquired in December 1960 by the former Metropolitan Toronto Corporation for the construction of the Bloor-Danforth Subway. By the adoption of Clause No. 32 of Report No. 47 of the Metropolitan Executive Committee, the former Metropolitan Council, on December 14, 1971, approved a long-term land lease with McDonald's. The lease was for a term of 33 years commencing on January 1, 1972 at an annual rental of \$15,500.00 plus taxes, with the right to renew for two further terms of 33 years each, at rental rates to be agreed upon, or failing agreement, to be submitted to arbitration. The initial lease term expired on December 31, 2004. McDonald's exercised its right to renew the lease for another 33 years but the City and McDonald's have yet to reach agreement on the annual rental rate for the renewal term. Pending a determination of the new rental amount, McDonald's has been paying rent at the previous rate. Our previous report recommending this sale was considered at the GMC meeting on December 3, 2007 and referred back to staff for further report.

## **COMMENTS**

Negotiations with representatives of McDonald's have resulted in an Offer to Purchase from McDonald's substantially on the terms and conditions outlined in the attached Appendix "A". According to market appraisal work commissioned by City staff which is not agreed to by McDonald's, the increased rent payable during the renewal term commencing January 1, 2005 should be \$195,000.00 per year for the 33-year renewal term. The proposed sale price includes a component based on the unpaid rent. The net amount allocated by staff to the outstanding rentals for the 3 years since January 1, 2005 is \$538,500.00, calculated at \$195,000.00 per year less the rental payments of \$46,500.00 paid by McDonald's over the last 3 years. Although McDonald's does not agree with staff about what the rent during the renewal term should be, it is agreeable to the sale price.

The foundation of the existing building on the site was built very close to the upper limits of the underground TTC subway structure, which is located within Part 5 on the attached Sketch. With a view to protecting the TTC's long term interests in the event of future redevelopment of the Property, TTC staff requested that the City retain ownership of a

strata interest in 192A Bloor Street West, rather than retaining an easement to protect the TTC's interest, as had been contemplated at the time the site was declared surplus.

The lands to be retained are comprised of the entire subsurface of that portion of the site where the underground subway structure runs, up to grade level, shown as Parts 3 and 4 on the Sketch, being the lands lying below Part 2. As McDonald's has a building on the site with foundations presently occupying a portion of the subsurface area, the Offer requires the City to enter into an encroachment agreement with McDonald's to allow the basement part of the existing structure to remain within the City strata interest shown as Part 3 on the Sketch for the life of the building.

Details of the Property are as follows:

Approximate Frontage	12.10 m (39.71 ft)
Approximate Depth	45.75m (150.0 ft)
Approximate Site Area	534.29 m <sup>2</sup> (5,749.00 ft <sup>2</sup> )

A Cost Centre has been put in place to charge costs directly related to the sale of City-owned properties, and includes such items as commission, surveying and registration of the sale. A recommendation is included in this report to direct a portion of the sale proceeds to fund the outstanding expenses related to this property.

## CONTACT

Joe Casali  
Director of Real Estate Services  
Tel: (416) 392-7202  
E-Mail: [jcasali@toronto.ca](mailto:jcasali@toronto.ca)

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

## SIGNATURE

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Bruce Bowes, P. Eng.  
Chief Corporate Officer

## ATTACHMENTS

Attachment 1 – Confidential Information  
Appendix “A” – Terms and Conditions  
Appendix “B” – Site Map and Sketch