

City Halts Sale Of Bloor Lot

99-Year Lease; McDonald's had offered \$3.4M for land it leases

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The city has halted, at least for now, a plan to sell a plot of land in Yorkville to Mc-Donald's for \$3.38-million -- a price critics charged was a steal for the hamburger chain.

Concerns about the deal's price tag prompted council's government management committee yesterday to put off the item until Jan. 18, four days after city bureaucrats had hoped to close the sale of the land on Bloor West's upscale retail promenade, across the street from the ROM's new Crystal.

Now local Councillor Adam Vaughan wants the deal killed outright and the property left in city hands.

He fears McDonald's Canada and the owners of several neighbouring properties are trying to assemble a land deal that could one day see a condo tower erected on that block of Bloor Street West.

"The reality is that people are circling this property now.. The question is should the city surrender its control of the property? Should the city surrender control of the revenue generated from the redevelopment? I've said no," Mr. Vaughan said.

He urged McDonald's to "come clean" about its plans for the site.

Louis Payette, a spokesman for McDonald's Canada, refused to answer questions about the postponed sale yesterday.

"[The] decision was at the discretion of the city's government management committee. We respect this decision," he wrote in an e-mail message. "In keeping with due process, it would be inappropriate to discuss our real-estate transactions publicly."

Toronto's current, 36-year-old arrangement with the McDonald's location at 192A Bloor St. W. leaves the city limited room to manoeuvre.

The city owns the land. Mc-Donald's owns the building. The fast food chain has a 99-year land lease with the city, meaning the city cannot simply sell the plot on the open market to the highest bidder without first wriggling out of its contract with McDonald's.

Metro Toronto acquired the plot for the Bloor-Dan-forth subway line in December, 1960, back when that corner of Toronto was blighted and the neighbourhood that surrounded it undesirable.

Eleven years later, in December, 1971, the old Metro council signed off on a 33-year land lease that required the fast food chain pay the city \$15,500 per year in rent.

The deal gave McDonald's the right to renew the lease for two more 33-year terms at a rent that was to be renegotiated or sent to an arbitrator.

The first lease expired at the end of 2004. The city wants the rent boosted to \$195,000 per year, but McDonald's has so far refused to pay that amount and has instead offered to buy the land for \$3.38-million.

In the past week, speculation has swirled that the 192A Bloor West site could be worth millions - even tens of millions -- more than the \$3.38-million McDonald's is offering.

But James Ziegel, senior managing director for investment sales at Cushman & Wakefield LePage, said those guesses do not reflect the fact that the city cannot sell the land without McDonald's approval.

"For people to come out and say, 'Oh they're giving it away, land in that area is worth this or that'. I don't think you can argue that on the sale unless you really understand what the legal options of the city are," Mr. Ziegel said. "My guess is they aren't that wide-ranging because McDonald's has the site tied up for 99 years."

Paul Ainslie, a councillor who sits on the government management committee, said he would rather see the city keep taking a hit on the rent payments than sell the land and lose out if the site is redeveloped into high-end condos.

"Let's let them [McDonald's] stick to their lease and let them come back to the city and say, 'We've had a developer come in and we want to do this with the property.' Let's see if we can get a better value that way," Mr. Ainslie said.