

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** June 29, 2012

**SUBJECT:** MCDONALD'S RESTAURANTS OF CANADA LIMITED  
– LEASE EXTENSION ST. CLAIR STATION

## **ACTION**

---

### **RECOMMENDATION**

It is recommended that the Commission approve the execution of a five-year (5) lease extension agreement with an option for an additional five (5) years with McDonald's Restaurants of Canada Limited (McDonald's) for the lease of space at St. Clair Subway Station resulting in annual minimum rent of \$132,500 per year. The existing agreement is due to expire on September 24, 2012.

### **FUNDING**

No funding is required. The extension agreement will result in an increase of 20.5% in annual minimum rent and will go from \$110,000 to \$132,500. Total minimum rent will be increased by \$112,500 over the first five-year (5) term.

### **BACKGROUND**

McDonald's presently operates a retail store at the St. Clair Subway Station and has been a tenant since September, 1992. The current agreement expires on September 24, 2012; however, McDonald's has made an unsolicited proposal and has requested that the TTC consider a renewal of this lease for an additional five (5) years, plus a five-year (5) option (see Appendix 1).

McDonald's extension agreement will be under the same terms and conditions of the existing agreement dated May 7, 1991 save and except for rent. The extension to their lease is as follows:

Term	September 25, 2012 to September 24, 2017.
Optional Term	September 25, 2017 to September 24, 2022.
Annual Net (Base) Rent	\$132,500 for years 1 to 5 (no percentage rent). Rent to be negotiated for the option years, which will not be less than the last year of the term.
Agreement	Commission's standard extension lease agreement to be executed.

**DISCUSSION**

Since 1992, McDonald's has been an excellent tenant at the St. Clair Station. They have complied with all building code requirements and all fire code or other upgrades requested by the TTC and have proven to be a reliable and professional tenant.

Staff have considered the proposal and determined it to be superior and unprecedented in value to other rents for similar uses in the vicinity of St. Clair Subway Station (see Appendix 2&3).

**JUSTIFICATION**

The renewal of this lease agreement is considered the most prudent course of action given that McDonald's has a proven track record as a good tenant and the unprecedented increase in annual minimum rent will continue to be paid without any interruption and will also result in a stable revenue source for the Commission. The proposed rent exceeds the amounts being received by other area landlords in the vicinity of St. Clair Station.

-----

June 29, 2012  
22-11-2  
Attachments



McDonald's Restaurants of Canada Limited  
McDonald's Place  
Toronto, Ontario M3C 3L4  
Direct: 416-446-3642

May 15, 2012

Via e-mail Andrew.Bakos@ttc.ca and  
Overnight Courier

Toronto Transit Commission  
1900 Yonge Street  
Toronto, Ontario  
M4S 1Z2

Attention: Mr. Andrew Bakos  
Development Coordinator

Dear Mr. Bakos,

Re: Lease Agreement between Toronto Transit Commission and McDonald's  
Restaurants of Canada Limited, dated May 7, 1991, as extended and amended,  
(the "Lease")  
11 St. Clair Avenue East (Subway), Toronto, Ontario

Further to our letter of July 22, 2011, McDonald's has exercised our five (5) year option to renew the term of the Lease. The renewal term will commence on September 25, 2012 and expire on September 24, 2017.

We offer for your consideration the following business terms which we intend to present to McDonald's Senior Management for its consideration. These terms would be ultimately incorporated through a Lease Extension Agreement.

1. Term : 5 Years commencing on September 25, 2012

2. Minimum Rent:

Proposal 1: Rents from September 25, 2012 to September 24, 2017,  
\$132,500 per annum. This rent is proposed if the Landlord agrees to grant  
the Tenant an option to renew as outlined in Section 3 below.

Proposal 2: Rents from September 25, 2012 to September 24, 2017,  
\$119,250 per annum. This rent is proposed if the Landlord does not grant  
the Tenant an option to renew as outlined in Section 3 below.



-2-

3. Options to Renew: The Landlord grants the Tenant one (1) five (5) year option to renew based on the Fair Market Value of the demised premises. This option to renew would have to be exercised 12 months in advance of September 24, 2017.

Please note that the referred business terms are for your consideration and that on an agreement of same, McDonald's will then endeavor to prepare a formal Lease Extension Agreement that will qualify all of the appropriate terms and condition in detail. Also, please be advised that this proposal is not intended to be a legal enforceable agreement; only the aforementioned Lease Extension Agreement would be final and binding.

If the foregoing is acceptable to you please sign and return one copy of this letter.

Yours truly,

**McDonald's Restaurants of Canada Limited**

A handwritten signature in black ink, appearing to read "D Lee", written in a cursive style.

Darcie Lee  
National Property Tax Manager & Asset Manager, Ontario

We hereby agree to the contents of this letter, this \_\_\_\_ day of \_\_\_\_ of 2012.

Toronto Transit Commission

Per: \_\_\_\_\_

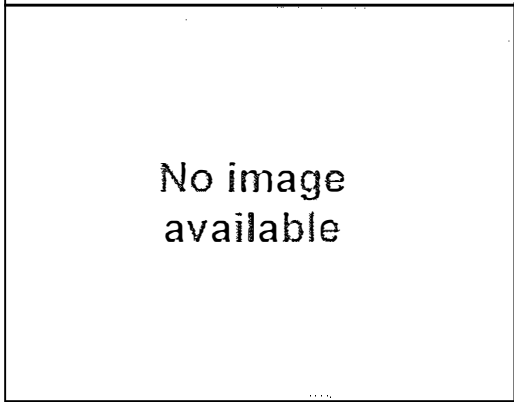
Name: \_\_\_\_\_

I have the authority to bind the corporation

Our file 360/66

Listing ID: C2228765

For Lease: \$8,500



Community : Annex  
Address : 836 YONGE ST  
Toronto, Ontario M4W 2H1  
Lease Rate : \$8,500



**WENDY SZE**  
Salesperson  
Telephone: 905-305-1600

**General Description**

Great Frontage At Yonge & Yorkville Area. Ot Of New Condo Near By. Step To Subwayretail Area Suite All Types Of Business \*\*\*\* EXTRAS \*\*\*\* 18.00 Per Sq Ft Of T.M.I.



**HOMELIFE**  
**LANDMARK**  
**REALTY INC.,**  
**BROKERAGE**  
7240 WOODBINE  
AVE UNIT 103  
MARKHAM,  
Ontario L3R 1A4  
Telephone: 905-305-1600  
Fax: 905-305-1609

**Retail**

**Area Available** : 2900 sqft      **Land Size** : Bldg= 20.14x146.88 FT

836 YONGE ST Toronto, ON M4W 2H1

Points of Interest are only available at specific zoom levels

**Map Tools**



Buildings



Financial Centres



Shopping Services



Transit Stations



Police Services



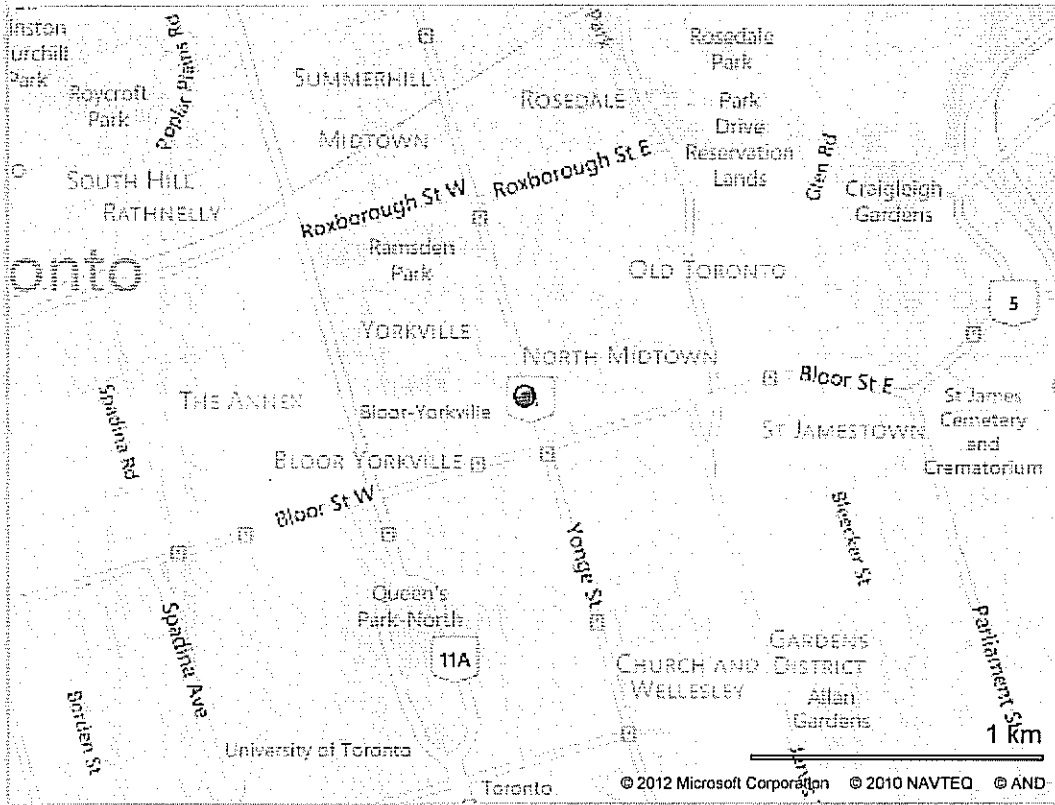
Fire Stations



Schools



Show All



Data provided by: Toronto Real Estate Board

©1998-2012 The Canadian Real Estate Association. All rights reserved. MLS®, Multiple Listing Service®, and all related graphics are trademarks of The Canadian Real Estate Association. REALTOR®, REALTORS®, and all related graphics are trademarks of REALTOR® Canada Inc. a corporation owned by The Canadian Real Estate Association and the National Association of REALTORS®. Site hosted by

Listing ID: C2310630

For Lease: \$5,350



Community : Rosedale-Moore Park  
 Address : 895 YONGE ST  
 Toronto, Ontario M4W 2H2  
 Lease Rate : \$5,350



**PHILIP DANIEL PICK**  
 Salesperson  
 Telephone: 416-922-0777

**ESBIN REALTY CORPORATION, BROKERAGE**  
 50 CUMBERLAND ST., 3RD FLR  
 TORONTO, Ontario M4W 1J5  
 Telephone: 416-922-0777  
 Fax: 416-922-9606

**General Description**

Heart Of Rosedale, Ground Floor Plus Finished Basement And Front Patio. Close To Subway And Yorkville And Pay Parking. Surrounded By Condo/Office Towers And Across New Hotel/Condo Project. Suits Restaurants, Retail, Health And Beauty, Spa, Fitness, Homefurnishings, Medical, Professional Offices And Service Uses  
 \*\*\*\* EXTRAS \*\*\*\* Bonus, Approximately 1200 Ft Of Finished Basement With Walkout To Parking

**Retail**

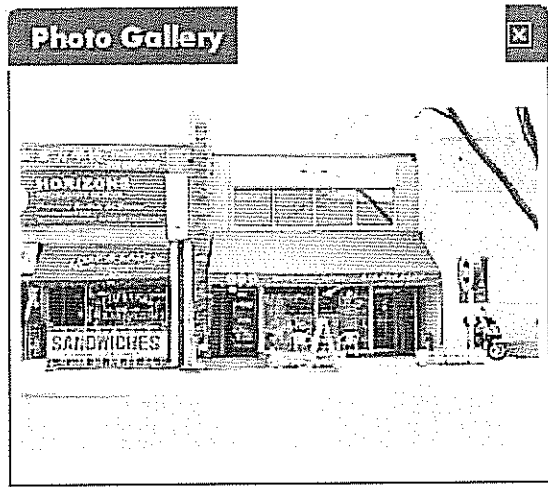
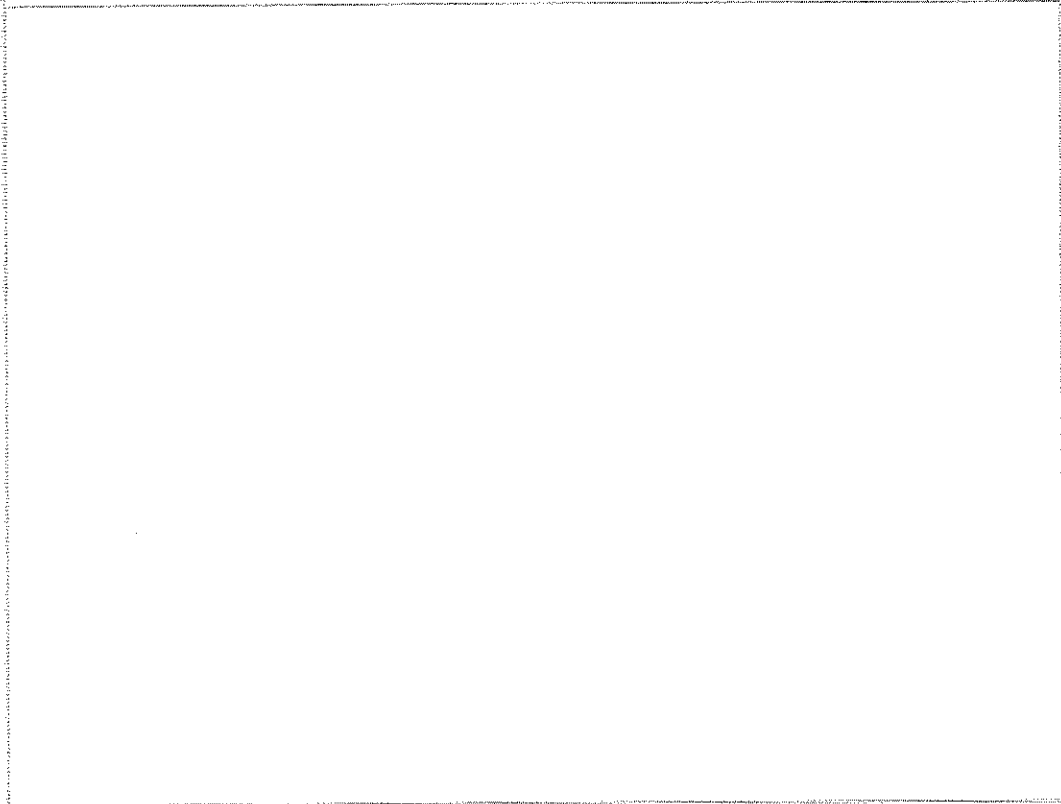
Area Available : 2000 sqft  
 Land Size : Bldg=  
 Total Parking Spaces : 1

895 YONGE ST Toronto, ON M4W 2H2

Points of Interest are only available at specific zoom levels

**Map Tools**

- Buildings
- Financial Centres
- Shopping Services
- Transit Stations
- Police Services
- Fire Stations
- Schools



Data provided by: Toronto Real Estate Board