



Ground-floor commercial rental rights at Neill-Wycik College cover a 30-year term at annual rental of \$1 to college, but doughnut shop lease costs \$3,375 yearly. —Globe and Mail

Ground-floor rental rights sold for \$1 a year

Tartu College on Bloor Street West, an 18-story student residence, opened in 1970. Since then its managers have had trouble maintaining a high level of occupancy and the residence has experienced considerable difficulty meeting its mortgage commitments to Central Mortgage and Housing Corp.

Any extra revenue it could get out of the building would help. Erwin Maegi, Tartu's general manager, says. That's why he is still upset that he can't get the revenue from the ground-floor section that is rented to the University of Toronto.

U. of T. pays an annual rent of \$22,535 for 3,577 square feet on the ground floor of Tartu.

Mr. Maegi says the revenue from that annual rent, which should increase with inflation, would be of substantial benefit to Tartu in its precarious financial position.

But the right to rent out the commercial space on the ground floor was given in July, 1970, to Student Management Services Ltd. for a period of 50 years in return for an annual payment to Tartu of \$1 a year.

A statement by Student Management Services dated Dec. 24, 1971, says the shares in the company are owned by the Wells Family Trust and the Tampold Family Trust. Elmar Tampold, 54, and John Malcolm Wells, 46, were the architects who designed Tartu.

How did Student Management Services get the ground-floor commercial rental rights to Tartu? Mr. Tampold and Mr. Wells refused to be interviewed. Mr. Maegi said that when the building was completed Tartu needed \$400,000 to pay its 10 per cent of the cost of the building and the land. Tartu had been built under a student housing loan from CMHC which provided 90 per cent financing at low interest over 50 years.

Mr. Maegi said Mr. Tampold and Mr. Wells agreed to lend Tartu \$275,000 and accept a 25-year debenture at 7 per cent.

But Tartu was still desperate for an extra \$100,000 and couldn't afford the high interest rates potential lenders were demanding, Mr. Maegi said. So Tartu ap-

pealed again to Mr. Tampold and Mr. Wells.

The two architects agreed, he said, to advance Tartu the extra \$100,000 in return for the ground-floor commercial rights for which they would pay Tartu \$1 a year for 50 years.

"We didn't want to do it," Mr. Maegi said, "but we had no choice. We needed the money. I think they got a good deal for their \$100,000."

(Even at \$22,535 annually for the ground floor, the lenders should recover their investment in about five years.)

Mr. Tampold and Mr. Wells also wound up with an interest in the ground-floor commercial rental rights at Neill-Wycik College, on Gerrard Street East, which they also designed.

Revenue Properties Central Developments Ltd., which assembled the land for Neill-Wycik, found itself short of cash in 1969 and it sold a second mortgage it had on the property to Warden Building Management Ltd. The President of Warden Building Management at the time was Mr. Wells' wife, Sybil, and the secretary-treasurer was Mr. Tampold's wife, Leida.

When Warden Building Management took over Revenue Properties' second mortgage it also acquired, for \$2,500, the ground-floor commercial rental rights "for a term of 30 years, at a rental of \$1" a year to Neill-Wycik.

Registry office records show that since then Warden Building Management has leased ground-floor space to the Becker Milk Co., and to Eleftherios Lykos. The document relating to Mr. Lykos' doughnut shop gives the rent: \$3,375 a year for five years. Becker's rent is not shown.

Pestalozzi College on Rideau Street in Ottawa opened in 1971 and is involved in foreclosure litigation with CMHC.

Glenn Cheriton, acting president of the college's board of directors, said the situation as to who has the right to rent the college's ground-floor commercial space is confusing and related to CMHC's court action.

He said the ground-floor leasing rights were originally given to Galway Realty Ltd. The president of Galway Realty is A. Charles Murphy, the Toronto construction man who built **Pestalozzi**.

"(Galway Realty) got a 30-year lease on it for, I think, \$1 a year and the cost of services," Mr. Cheriton said.

Galway then sold the lease, he said, to Student Management Services, which assumed Galway's mortgage on the ground-floor construction work. But legal problems have prevented them from leasing the space, he said.

Mr. Tampold and Mr. Wells were the architects who designed **Pestalozzi**. Mr. Murphy, president of Galway, was a director of Student Management Services from 1969 to 1971.