



**STAFF REPORT
ACTION REQUIRED**
with Confidential Attachment

**Guild Inn - Revitalization and Development of
Restaurant and Banquet Centre Facilities**

Date:	February 5, 2014
To:	Government Management Committee
From:	Chief Corporate Officer General Manager, Economic Development and Culture Acting General Manager, Parks Forestry and Recreation
Wards:	Ward 43- Scarborough East
Reason for Confidential Information:	This report involves the security of the property belonging to the City or one of its agencies, boards, and commissions.
Reference Number:	P:\2014\Internal Services\RE\Gm14003re – (AFS#18074)

SUMMARY

On July 16, 2013, City Council approved the selection of Dynamic Hospitality and Entertainment Group ("Dynamic") to design, build, finance and operate a new restaurant and banquet/event centre at the Guild Inn site. The purpose of this report is to update the Government Management Committee on the status of the project and the principle terms and conditions of proposed long-term sublease agreement and other agreements related to the project.

RECOMMENDATIONS

The Chief Corporate Officer, the General Manager, Economic Development and Culture and the Acting General Manager, Parks Forestry and Recreation recommend that:

1. This report be received for information; and
2. Information contained in the Confidential Attachment 1 will not be released to public as it is part of an interim report and involves the security of the property belonging to the City.

Financial Impact

There is no financial impact from the recommendations. Proposed financial terms are outlined in the Confidential Attachment 1. Staff will report back to City Council with full financial implications.

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

DECISION HISTORY

By adoption of Administration Committee Report No. 9 Clause 17, Council at its meeting on September 22, 23, 24 and 25, 2003, approved the declaration of surplus of a portion of the leasehold interest in the Guildwood Park known as the Guild Inn Hotel Precinct and authorized staff to enter into negotiations for a long-term sub-lease with Westeinde Group.

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030922/adm9rpt/cl017.pdf>

By adoption of Clause No. 9 of Report No. 5 of the Administration Committee at its meeting held on June 14, 15 and 16, 2005, Council authorized the execution of a nonbinding letter of intent with the Windmill Development Group (the “Developer”) with respect to the redevelopment and future operation of the Guild Inn, and granted authority to negotiate a lease between the City, the Developer and the TRCA.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050614/adm5rpt/cl009.pdf>

By its adoption of Clause No. 40 of Report No. 6 of the Administration Committee at its meeting held on September 25 to 28, 2006, Council authorized staff to continue negotiations with the Developer and the TRCA based on a long-term direct lease arrangement between the Developer and the TRCA for a large scale leasehold condominium hotel project.

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/adm6rpt/cl040.pdf>

On April 27, 2007, after the parties had made substantial progress on relevant issues and transactional legal documentation for the Guild Inn project, the City was advised of the withdrawal by the Developer and its partners from any further project discussions and development efforts for the site. The Developer cited major impediments over the course of 2006 which made their plans for a condo/hotel unworkable including unfavourable market conditions for a hotel on the site.

By adoption of Government Management Committee 17.1 on September 24 and 25, 2008, Council authorized the CCO to undertake negotiations with Centennial College and TRCA for letter of intent containing the key terms of a long-term sublease to achieve the Project and the use of a portion of the Guild Inn site for the operation and activities of Centennial's Institute of Culture and Heritage Management and to report back to Council on the results. A Letter of Intent was signed by the parties on October 1, 2009 to allow the development of the Centennial proposal to move forward. After considerable effort to find a financially viable solution, the College advised that unfavourable market conditions made it impossible for their proposal to continue. The parties terminated the Letter of Intent on October 31, 2011.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2008.GM17.1>

By adoption of Government Management Committee Item GM23.11, Council at its meeting on July 16, 2013, awarded the project to Dynamic Hospitality & Entertainment Group, being the only proponent meeting the requirements of RFP No. 0613-13-0067 to design, build, finance and operate a new restaurant and banquet/event centre and other complementary facilities at the Guild Inn site, and authorized staff to negotiate the terms and conditions of an agreement and report back to City Council on results of the negotiations.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM23.11>

ISSUE BACKGROUND

The City currently leases the Guild Inn parklands, containing a notable Canadian landmark steeped in arts and history totalling 88 acres, from the TRCA under a long-term ground lease expiring September 1, 2083. At its centrepiece is a white stucco Arts and Crafts style mansion constructed in 1914, which is designated under Part IV of the Ontario Heritage Act. In its prime, it was the arts activity that attracted people to visit this beautiful site on the Scarborough Bluffs overlooking Lake Ontario. For over a decade, the Guild site has been in steady decline primarily due to lack of public funds available for conservation and restoration.

In October 2001 the City closed the Guild Inn, although the site and the grounds surrounding the Inn remain open to the public as parkland. To advance the revitalization efforts for the Guild Inn site after previous unsuccessful attempts, the City issued an RFP for the design, construction, finance and operation of a restaurant and/or banquet centre and other complementary facilities at the site. Dynamic Hospitality & Entertainment Group was awarded the project by City Council at its meeting of July 16, 2013 and City staff were directed to negotiate with the proponent and report back on terms and conditions of an agreement.

Dynamic is proposing a series of capital improvements to and the development of new facilities on the site as part of their project, as set out in Schedule "A" to the Confidential Attachment 1. The proposed site redevelopment would include:

- A 20,000-24,000 square foot complex combining Banquet/Event Centre and Restaurant that includes the restoration of the Bickford House/Guild Inn as it was originally constructed in 1914, which will involve the removal of the subsequently added wings
- The original Bickford House's exterior will be restored to its once grand splendor. The interior of the building will be restored preserving the heritage attributes in accordance with the Ontario Heritage Act
- The additions to the existing structure, featuring floor to ceiling windows capturing the view of the surrounding grounds, will house four separate event spaces with the capability to be combined as one space for larger events
- First class restaurant with an adjoining patio that will cater both to the local community and destination visitors to this landmark
- Reconstruction and expansion of the parking lots to accommodate the development and future increased use of the park
- Provision of access and use of the facilities for community and City purposes

In addition to reviving the hospitality activities at the Guild, the restoration of the historic Bickford House and development of a banquet/event centre contributes to the City's overall vision of the Guild Inn Parklands. Economic Development and Culture is working with other City divisions, local residents and the arts community to develop the remaining parkland around the Bickford House as a cultural precinct. The setting with its architectural fragments and sculpture garden will be restored and active arts and crafts programming will be re-established in the other historic buildings on site, as well as in the new banquet/event centre. Together, these improvements will restore the site's identity as a cultural attraction and honour its history as a Guild of All Arts.

COMMENTS

Real Estate Services has been working with a team of staff from Economic Development & Culture, City Planning (including Heritage Preservation Services), Corporate Finance, Parks, Forestry and Recreation, Urban Forestry and TRCA to carry out an analysis of the proposed project and identify constraints and opportunities.

Dynamic has demonstrated that it possesses the experience, highly skilled resources, creativity and innovation necessary to renovate, restore, reposition and reintroduce the Guild Inn fostering a renewed sense of civic pride, fully committing to providing significant capital investment to the project.

Real Estate staff have been negotiating with Dynamic resulting in mutually satisfactory terms and conditions leading to a Letter of Intent ("LOI"), as set out below and further outlined in Confidential Attachment 1 to this report:

Confidential Staff Report for action on Guild Inn Revitalization and Development of Restaurant and Banquet Centre Facilities

Subleased Area:	Approximately the footprint of the structures and immediate buffer area
Use:	Leased Land and/or the Project shall be used to operate a restaurant and event/banquet/conference centre, City and community uses and no other use
Security:	Prior to commencing construction, Dynamic shall supply a security deposit to the City in an amount equal to 105% of the budgeted value of construction for the Project to protect the City should the development not take place as contemplated.
Operating Costs:	Dynamic shall be responsible for all expenses incurred in operating the facilities, including all taxes and utilities
Exclusivity:	Dynamic shall have the exclusive right, throughout the Term, to operate a restaurant and banquet/conference centre within Guildwood Park
Labour & Employment:	Dynamic agrees that it shall at all times comply with the City's employment policies, including but not limited to Workers' Rights, Fair Wage, Labour Trade contractual Obligations in the Construction Industry and Non-Discrimination Policies.
Conditions Precedent to Executing Lease:	<ul style="list-style-type: none"> • Securing the designation of the facility as Municipal Capital Facility for tax exemption as contemplated herein; • Approval of the Lease by Toronto Region Conservation Authority and Minister of Natural Resources • Dynamic shall enter into a Heritage Easement Agreement, and obtain a permit to alter the heritage property under Section 33 of the Ontario Heritage Act, and obtain all other necessary permits and approvals from other departments or agencies having jurisdiction over the Project.

Currently the property is exempt from property taxes as lands owned by the TRCA and managed by a municipality as parkland are not liable for taxation under the Assessment Act.

Upon completion of the project, Dynamic will be required to allow public access to the entire facility less any space required to be used exclusively by Dynamic for more than 50% of the time the facility is in operation for the purpose of providing community permit space. The space will be made available to the public and permitted by the Parks, Forestry and Recreation Division in accordance to the City's Permit Policy and fee schedule.

The areas of the project used exclusively by Dynamic and not available to be permitted by the public will be liable to property taxes which will be the responsibility of Dynamic.

City Real Estate staff will follow through with Dynamic on finalizing the LOI and report back to Council on final terms and conditions of a long-term sublease agreement.

City Planning staff have been and will continue to consult with Dynamic on the required site plan application and other necessary land use approvals.

As the property is designated under Part IV of the Ontario Heritage Act ("Act") the alterations proposed in the proposal will require Council's approval under the Act. Upon submission of the site plan application, Heritage Preservation Services (HPS) in the City's Planning Division, will undertake a detailed review of the applicant's Heritage Impact Assessment for conformity with the City's heritage policies and the Provincial Policy Statement. In accordance with the Act, HPS will report back to the Toronto Preservation Board, the Scarborough Community Council, and Toronto City Council on the proposed alterations to the heritage property illustrated on the City Planning approved site plan and associated approved drawings. Dynamic will be required to enter into a Heritage Easement Agreement to ensure the long-term protection of the property.

The Toronto Region Conservation Authority (TRCA) staff have advised that the contiguous forested areas and forest recharge areas should not be disturbed to accommodate any new development. Staff have suggested that the proponent undertake a scoped Natural Heritage Impact Study to include a hydrologic study in order to determine the impact on tree stands as well as whether the development is feasible from an ecological and construction standpoint which the proponent is completing. Development impacts on the ecological system, if any, will be mitigated, to the satisfaction of the City and TRCA.

As the landowner, it will be necessary for TRCA to approve the long-term agreement with Dynamic. The TRCA approval will be conditional on TRCA obtaining the approval of the Minister of Natural Resources in accordance with the Conservation Authorities Act. Dynamic will also need to obtain a permit for the Proposal from TRCA in accordance with Ontario Regulation 166/06.

Economic Development & Culture, Parks, Forestry and Recreation and Real Estate will continue to work with the proponent to finalize the terms and conditions outlined in the Attachment 1 in a manner that is fair from a market and economic perspective and

consider the proposal to be offering substantial benefit in revitalizing the site and bringing back the opportunity for the implementation of the Cultural Precinct Plan.

CONTACT

Joe Casali, Director
Real Estate Services
Phone: (416) 392-8190
Email: jcasali@toronto.ca

Terry Nicholson, Acting Director
Economic Development & Culture
Phone: (416) 392-4166
Email: tnichols@toronto.ca

Ann Ulusoy
Director, Management Services
Phone: (416) 392-8190
Email: aulusoy@toronto.ca

SIGNATURE

Josie Scioli
Chief Corporate Officer

Michael H. Williams
General Manager
Economic Development and Culture

Richard Ubbens
Acting General Manager,
Parks Forestry and Recreation

ATTACHMENTS

Attachment 1- Confidential Information:
Guild Inn - Sub-Lease for Revitalization and Development of Restaurant and Banquet
Centre Facilities