



**STAFF REPORT
ACTION REQUIRED**

Guild Inn Revitalization and Redevelopment: Letter of Intent with Centennial College and Next Steps Project Documentation

Date:	June 15, 2009
To:	Government Management Committee
From:	Chief Corporate Officer and General Manager, Economic Development, Culture and Tourism
Wards:	Ward 43 – Scarborough East
Reference Number:	P:\2009\Internal Services\F&re\Gm09065F&re – (AFS 10277)

SUMMARY

To recommend the redevelopment and revitalization of the Guild Inn hotel site (“Project”) and obtain Council authority to enter into a letter of intent with Centennial College (“Centennial”) and to negotiate and enter into a long-term sublease (the “Sublease”) between the City and a City-approved, single purpose not-for-profit corporation for the Project (to be incorporated and controlled by Centennial) (“Newco”) and other agreements related to the Project (the “Project-Related Agreements”).

RECOMMENDATIONS

The General Manager for Economic Development, Culture & Tourism and the Chief Corporate Officer recommend that:

1. Council grant authority to enter into a binding letter of intent with Centennial on the terms and conditions outlined in the term sheet attached to this report as Appendices “A” through “H” inclusive, subject to such further revisions and other terms and conditions as may be satisfactory to the General Manager of Economic Development, Culture and Tourism (“General Manager”) in consultation with the Chief Corporate Officer (the “CCO”) and Toronto and Region Conservation Authority (“TRCA”), and in a form satisfactory to the City Solicitor (the “LOI”);

2. to implement the LOI, Council grant authority to:
 - a. the CCO to negotiate the Sublease and all easements, licenses and other Project-Related Agreements required to implement the Sublease and LOI, including any loan agreement for the use of any Guild Inn artifacts, subject to such further revisions and other terms and conditions as may be satisfactory to the General Manager and TRCA, in a form satisfactory to the City Solicitor;
 - b. enter into the Sublease and other Project-Related Agreements with Newco and/or an approved Developer/Hotel Operator of the Subleased Premises and its/their lenders, and Centennial and TRCA, as applicable, in a form satisfactory to the City Solicitor;
 - c. the CCO to administer and manage the Sublease and Project-Related Agreements, including the provision of any consents, approvals, notices and notices of termination provided the CCO may, at any time, refer consideration of such matters (including their content) to Council for its determination and direction; and
3. the appropriate City officials be authorized and directed to take the necessary action to give effect to these recommendations.

Financial Impact

The revitalization and redevelopment of the Guild Inn by Centennial would relieve the City of any future capital or operating obligations associated with the existing structures on the subleased premises. The City would also be relieved of significant potential health and safety liabilities associated with maintaining the existing vacant hotel facility. The Project would also generate new property tax revenue to the City.

In conjunction with the Project, and as a condition of the Sublease, the City will make certain capital improvements to the publicly retained portion of the balance of the park. Economic Development, Culture and Tourism's approved 5-year Capital Plan includes \$4.208 million for the Guild project that includes \$408,800 carried forward from 2008; \$850,000 approved in 2009; and cash flow of \$1 million in 2010; \$1.2 million in 2011 and \$750,000 in 2012 subject to Council's consideration in future year Capital Budget processes. The City's capital investment will be directed to stabilize and improve the heritage buildings in the Cultural Precinct and to improve the public circulation to those facilities.

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

DECISION HISTORY

By adoption of GMC17.1 on September 24 and 25, 2008, Council authorized the CCO to undertake negotiations with Centennial and TRCA for an LOI 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 (the "Institute") and to report back to Council on the results.

ISSUE BACKGROUND

The City currently leases the subleased premises and other lands totalling approximately 88 acres from TRCA under a long-term ground lease whose term expires September 1, 2083, for nominal consideration.

Centennial proposes to have Newco enter into the Sublease with the City for the Project, and to sub-sublease space in the Bickford Residence for the Institute's office/administrative facilities and meeting rooms. Newco will partner with a City-approved Developer/Hotel Operator for the Project, which is to include a 3.5 star, 120 room hotel, restaurant, spa and conference centre. The hotel and conference centre will also offer workplace learning opportunities for students in Centennial's School of Hospitality and Tourism. It is estimated that Centennial's proposal would bring a \$30 million investment to the Guild Site.

COMMENTS

Subject to Council approval, negotiations with Centennial have resulted in a mutually satisfactory term sheet leading to the LOI.

The Project will be completed in two separate phases or concurrently. Phase 1 contemplates the restoration of the Bickford Residence by Centennial/Newco within 24 months of execution of the Sublease and, at Centennial's option, construction of a conference centre in accordance with approved plans.

Phase 2 of the Project involves the development of a hotel/conference/restaurant/spa facility by an approved Newco/Developer/Hotel Operator within 24 months of finalizing Phase 1. Phase 2 may be concurrent with Phase 1 but, in total the Project completion time-frame is not to exceed 48 months.

Newco will enter into a Sublease of the subleased premises at market value, which shall be determined by a mutually satisfactory independent appraisal process agreed to by the parties.

Included in the LOI (and Sublease when settled) will be provisions that financially protect the City should development not take place as contemplated, or should Development start and then stop before completion, or if the Project is abandoned after being established. These provisions also give the City certain operational rights if any of these eventualities should occur.

Economic Development, Culture and Tourism and Facilities and Real Estate staff consider the terms and conditions outlined in the term sheet attached to this report as Appendixes “A” through “H” to be fair and reasonable.

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SIGNATURE

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ATTACHMENTS

Appendix “A”	Term Sheet
Appendix “B”	Phase 1 & Phase 2 Leased Lines
Appendix “C”	Project Description
Appendix “D”	Phase 1 LOI/Sublease Pre-Conditions
Appendix “E”	Newco Criteria to be Provided by Centennial and Approved by TRCA and City
Appendix “F”	Developer Criteria to be Provided by Centennial/Newco and Approved by TRCA and City
Appendix “G”	Initial Phase 2 Hotel Operator Criteria
Appendix “H”	Termination/Events of Default