



**STAFF REPORT
ACTION REQUIRED**

Café on the Square, 100 Queen Street West – proposed new selection process

Date:	February 9, 2015
To:	City Council
From:	Chief Corporate Officer
Wards:	27 Toronto Centre - Rosedale
Reference Number:	P:\2015\Internal Services\RE\Cc15005re

SUMMARY

The purpose of this report is to provide information on the new selection process that Real Estate Services staff intends to follow to find a new food service operator(s) for City Hall, if the Lease between the City and 1158093 Ontario Limited o/a Café on the Square (“Café on the Square”) is terminated, and if staff’s consultations with social enterprise food service providers indicate that a social enterprise model is not a feasible option for City Hall.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. Council receive the information contained in this report regarding the new selection process that Real Estate Services staff intends to follow to find a new food service operator (s) for City Hall, if the Lease between the City and 1158093 Ontario Limited o/a Café on the Square (“Café on the Square”) is terminated and if staff’s consultations with social enterprise food service providers indicate that a social enterprise model is not a feasible option for City Hall.

Financial Impact

It is estimated that approximately \$75,000 will be spent for both the Process Monitor and the advisor to be retained to assist Real Estate Services with the selection process. If the advisor is a registered real estate broker, compensation will be the negotiated rate of commission that is standard in the industry. Funds for the cost of the Process Monitor and the advisor are available in the 2015 Recommended Operating Budget for Real Estate under Cost Centre FA0131.

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

DECISION HISTORY

At its meeting held on January 5, 2015, the Government Management Committee requested the Chief Corporate Officer to report directly to City Council on the proposed new selection process set out in Recommendation 2 of Government Management Committee Item GM1.4, which is before City Council for consideration at its meeting on February 10 and 11, 2015.

COMMENTS

If Cafe on the Square's lease is terminated, staff will consult with the Ontario Restaurant Association and training organizations such as the YMCA, UNITE HERE Local 75, George Brown College and other social enterprise food services, as recommended by the Government Management Committee, to determine the feasibility of and possible interest in a social enterprise food services operation being established at City Hall. Following these consultations and before commencing a new selection process to find a tenant for the City Hall cafeteria space, Real Estate Services will report back to City Council, through the Government Management Committee, on the results of the consultations.

If the consultations indicate that a social enterprise model is not a feasible option for City Hall, the new process that Real Estate Services staff intends to follow to find a new tenant for the space currently occupied by Café on the Square will be somewhat similar to the process that was used to select the commercial head lessee for Union Station. This will entail the use of a Process Monitor to ensure objectivity, transparency and compliance with the defined process, and this will also involve the use of an advisor with expertise in restaurant operations, finance and construction to assist staff from Real Estate Services with the selection process.

Staff and the advisor will be responsible for finding potential tenants who meet certain minimum financial/experience-based criteria established by the advisor and Real Estate Services staff ("qualified potential tenants"), using both relationship based and non-relationship based marketing/business development efforts. The search team will then seek input from the qualified potential tenants, through an iterative process, to test "market response" to the City's proposed lease terms. As feedback is received from the

qualified potential tenants, the advisor and Real Estate Services staff will determine whether the City's proposed lease terms should be modified to reflect some or all of the feedback. The Process Monitor will ensure that all qualified potential tenants are treated the same and receive the same information at the same time. A more detailed outline of the proposed process is set out in Appendix 1.

A description of how the process would work follows:

1. After a list of qualified potential tenants is developed, staff and the advisor will meet with each qualified potential tenant to discuss the City's initial draft of the proposed lease terms.
2. Those qualified potential tenants will be invited to provide feedback as to the feasibility and commercial reasonableness of the proposed lease terms (such as is sourcing ingredients from farmer's markets realistic?)
3. Staff and the advisor will review the feedback and, thereafter, issue revised lease terms that incorporate the feedback that they consider to be acceptable.
4. As the process progresses, it is anticipated that some qualified potential tenants will choose to continue and others will choose to drop out.
5. The iterative process will be repeated until staff and the advisor are satisfied that commercially reasonable lease terms that meet the City's needs have been developed, such that there will be a favourable response when the qualified potential tenants are invited to submit offers to lease.
6. Once offers to lease are invited and received, staff and the advisor will evaluate the offers and staff will report to City Council, through the Government Management Committee, on the recommended new tenant and lease terms.

The entire process will be monitored by a Process Monitor to ensure objectivity, transparency and compliance with the established process.

CONTACT

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SIGNATURE

Josie Scioli
Chief Corporate Officer

ATTACHMENT

Appendix 1 – Proposed Tenant Selection Process