



**STAFF REPORT  
ACTION REQUIRED**

**Guild Inn – Amendment to the Sublease Agreement  
between Guild Inn Estate Inc. and the City of Toronto**

<b>Date:</b>	June 12, 2015
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer General Manager, Economic Development and Culture General Manager, Parks Forestry and Recreation
<b>Wards:</b>	<b>Ward 43 – Scarborough East</b>
<b>Reference Number:</b>	P:\2015\Internal Services\RE\Gm15023re (AFS # 21492)

**SUMMARY**

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By adopting (as amended) Report GM28.10 on April 1, 2 and 3, 2014 and Motion MM55.51 on August 25, 2014 (collectively the "Original Authority"), City Council approved the proposed plans and principle terms and conditions of a long-term sublease agreement (the "Sublease") with Guild Inn Estate Inc. ("GIE"). The purpose of this report is to amend some of the terms and provisions in the Sublease.

**RECOMMENDATIONS**

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

1. City Council authorize the amendment of a portion of the Original Authority by rescinding those previously-approved Sublease terms and conditions listed in Schedule A, Section I, and by authorizing those additional Sublease terms and conditions listed in Schedule A, Section II.

2. City Council authorize the City to enter into an amending agreement (the "Amending Agreement") to reflect the changes set out at Schedule A hereto and on such further or amended terms and conditions as deemed appropriate by the Chief Corporate Officer, General Manager of Economic Development & Culture and the General Manager of Parks, Forestry and Recreation and in a form acceptable to the City Solicitor.
3. City Council authorize, in addition to the City's regular signing officers, the Chief Corporate Officer and Director, Real Estate Services to severally execute the Amending Agreement on behalf of the City.
4. City Council authorize the Chief Corporate Officer or his/her designate in consultation with the General Manager, Parks Forestry and Recreation or his/her designate, to administer and manage the Amending Agreement including the provision of any consents, approvals, notices and notices of termination provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.

## **Financial Impact**

Further to the Sublease, GIE shall provide a Letter of Credit ("LC") to the City as security for the completion of the project in the amount of \$5,197,500.(the "Security LC"). The Security LC value includes any LC required pursuant to the Heritage Easement Agreement entered into between the City and GIE (the "Heritage LC"). The Heritage LC has a value of \$418,165.

If Council approves this report, the value of the LCs for the project required in the normal course of development, including the Heritage LC, estimated at \$1,045,000., will be included in the Security LC. This would leave approximately \$4,152,500. remaining in the Security LC as a construction guarantee.

Additional work required to bring the site up to current public use standards includes repair of sanitary sewer lines, storm water management, electrical, and additional parking at a cost of \$1,213,500. GIE will pay Parks, Forestry and Recreation \$152,000. for cost sharing of requested improvements in addition to absorbing significant added costs for its own development. The remaining costs of \$1,061,500. will be included in the 2016 Capital Budget Submission, funded through Parkland reserves.

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

## **DECISION HISTORY**

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>

By adoption of Government Management Committee Item GM28.10 (as amended) at its meeting on April 1, 2 and 3, 2014, Council authorized the City to enter into a letter of Intent with Guild Inn Estate Inc. to construct and operate the proposed restaurant and event/banquet/conference centre (the "Project"). To implement the letter of intent, Council authorized the City to enter into a sublease and any other Project-related agreements required to implement the transaction. In connection with construction of the project Council authorized the City to approve any necessary tree removal that may be required, Pursuant to Section 252 of the City of Toronto Act, City Council also authorized the City to enter into a Municipal Capital Facility Agreement with Guild Inn Estate Inc, in respect of a portion of the proposed facility that will be used for municipal and community centre purposes and exempt the eligible portion of the Project from property taxation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.GM28.10>

By adoption of Motion MM55.51 on August 25, 2014 City Council authorized the City to enter into the Sublease which included additional terms not yet approved by Council.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.MM55.51>

## **ISSUE BACKGROUND**

The City and GIE entered into the Sublease on January 22, 2015. Under the Sublease, GIE is responsible to obtain any approvals and agreements with any authorities and utilities, including Site Plan Approval, for its development. During the Site Plan Control

Application review ("SPC Review") it was determined that unforeseen project costs, such as state of repair of water and sanitary sewer lines, stormwater management, electrical supply and parking, would have to be incurred by both the City as sublandlord and GIE as the subtenant for the project to proceed. Many of these additional costs would have to be incurred irrespective of what is being developed on the site.

In the Sublease, GIE has agreed to invest a minimum of \$9 million for the development which includes the restoration and rehabilitation of the Bickford House to accommodate a full service restaurant and ancillary uses, construction of two new wing structures totalling approximately 28,000 square feet of event space and ancillary facilities, landscaping and additional parking lot construction and an additional driveway. Costs for this construction have increased since the execution of the Sublease and as such GIE has agreed to increase its investment amount to \$11 million.

The Original Authority approved the City's contribution of approximately \$3,330,000. to the project. During the SPC Review, costs for various items, including the City works, (including water, storm water tank and lines, sanitary sewer connection and electrical supply) have been more fully identified and are higher than anticipated, necessitating Parks, Forestry and Recreation to request additional funding of approximately \$1,213,500. in their 2016 Capital Budget request.

Over the last year while conducting the due diligence phase of this project, GIE's engineers and City staff determined that the site and surrounding park infrastructure, such as electrical, water and sanitary lines and the storm water system is approaching the end of their life cycle. With the development of the former Guild Inn site it was decided to upgrade the infrastructure at the same time.

The Amending Agreement is therefore necessary in order to delineate what previously unanticipated costs each party will incur.

If Council approves this report, value of the remaining LC's required under the SPC Review, estimated at \$1,045,000 for the project (including the Heritage LC), would be included in the Security LC.

Heritage Preservation will require an amendment to the Heritage Easement Agreement, however, this will be dealt with in a separate process.

## COMMENTS

City staff continue to work with GIE to ensure that this very valuable Heritage property is developed successfully for the benefit of the local community and the City as a whole.

## CONTACT

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## SIGNATURE

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Josie Scioli  
Chief Corporate Officer

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Michael H. Williams  
General Manager  
Economic Development and Culture

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Janie Romoff  
General Manager  
Parks Forestry and Recreation

## ATTACHMENTS

Schedule A – Amended Terms and Conditions to the Sublease

**Schedule A**  
**Amended Terms and Conditions to the Sublease**

**Section I: To Be Rescinded**

Security: Prior to commencing construction, GIE 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. Such security shall be reduced as work is completed and once the CCO is satisfied that all amounts owing to contractors, suppliers and (sub) trades have been paid in full.

**Section II: To Be Authorized**

Security: Prior to commencing construction, GIE shall supply a security deposit of \$5,197,500. which will include construction security, all security deposits required under the Site Plan Approval process as well as the security deposit required under the Heritage Easement Agreement. Such security shall be reduced as work is completed and once the CCO is satisfied that all that all amounts owing to contractors, suppliers and (sub) trades have been paid in full.

The Security LC shall not be released until all of GIE's obligations under both the Heritage Easement Agreement the Sublease have been fulfilled and that a portion of the Construction Security will be withheld until all warranties under the SPC Review have expired.

Financing of Project  
Development:

GIE shall provide the City with a statement prior to starting construction certifying their costs for construction, fit out, furnishing, pre-start-up operations and related works, within 5 years from the execution of the Sublease, shall be at least \$11,000,000.