

Guild Revitalization Next Steps

Date:	September 3, 2008
To:	Government Management Committee
From:	Sue Corke, Deputy City Manager Bruce Bowes, Chief Corporate Officer
Wards:	Ward 43 – Scarborough East
Reference Number:	

SUMMARY

This report is to inform Council of a new opportunity to move forward revitalization efforts for the Guild Inn site after previous unsuccessful attempts. Staff are seeking authority to undertake negotiations with Centennial College (“Centennial”) and the Toronto and Region Conservation Authority (“TRCA”) for Centennial to establish a new small scale conference style hotel and related facilities (the “Hotel”) at the Guild and to use part of the site for the operations and activities of Centennial’s new Institute of Culture and Heritage Management (the “Institute”).

RECOMMENDATIONS

The Chief Corporate Officer and the Deputy City Manager responsible for Economic Development, Culture and Tourism; and for Parks, Forestry and Recreation recommend that:

1. authority be granted to the Chief Corporate Officer to undertake negotiations with Centennial and TRCA for a letter of intent (“LOI”) containing the key terms of a long-term sublease to achieve the Hotel and the use of a portion of the Guild Inn site for the operations and activities of Centennial’s new Institute and any other relevant agreements, all on terms and conditions satisfactory to the Chief Corporate Officer, in consultation with the General Manager of Economic Development, Culture and Tourism and the General Manager of Parks, Forestry and Recreation, in a form satisfactory to the City Solicitor, and to report back to Council on the results of those negotiations.

FINANCIAL IMPACT

The Parks, Forestry and Recreation 2009 Capital Budget submission includes \$1 million for the demolition of the existing five storey hotel tower and the connecting corridor to the old inn, as well as removal of the outdoor swimming pool and restoration of the site to parkland. This work is required under all scenarios for future use of the site.

Included in the 2005 negotiations with the Westeinde Group to develop the site was a proposed \$7.5 million City investment in the Culture Precinct of the site. This gives an indication to Council of the magnitude of the City's investment that may be required as a result of the negotiations with Centennial.

A staff report on the results of the letter of intent negotiations with Centennial College is anticipated for spring 2009, and is expected to identify funding impacts and cash flow timing for the Culture Precinct improvements.

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

DECISION HISTORY

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 non-binding 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 undertake the negotiation of formal leasing documentation among the City, the Developer and the TRCA. 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.

In April 2007, after the parties had made substantial progress on relevant issues and transactional legal documentation for the Guild Inn project, staff were 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, at that time.

ISSUE BACKGROUND

Guild Inn Background:

The Guild site was acquired in 1978 by the TRCA from Spencer Clark for waterfront trail and shoreline conservation reasons. The table land of the site was then leased to the former Metro for parkland and heritage purposes. When the site first came into public ownership 30 years ago, the Guild Inn was considered one of the most preferred hotels in Canada. As a notable Canadian landmark steeped in the arts and history, the Guild Inn hosted many national and international dignitaries and on occasion hosted Provincial and Federal cabinet retreats.

In its prime, it was the arts activity of the “Guild of all Arts” that attracted people to visit and/or stay at this beautiful site on the Scarborough Bluffs overlooking Lake Ontario. The motivation for publicly acquiring the site from Spencer Clark was to secure the site for parkland, to provide land for a neighbourhood primary and secondary school and to facilitate waterfront conservation efforts. Heritage preservation was also a public objective for the site.

Over the years, successions of management interests have run the hotel on the municipality’s behalf. Those operating agreements by nature were not designed to attract private capital to renew the built assets. For over a decade, the core area of the Guild site has been in steady decline primarily because there has been no public money available to invest in the state of good repair of the Guild Inn. Predictably, the inn operation lost market share and became run down to the point where it became uneconomical to continue operating.

The City closed the Guild Inn in October 2001, although the site and the grounds surrounding the Inn remain open to the public as parkland. Recent feasibility studies have confirmed that the Guild Inn hotel structure is not suitable to be adaptively re-used as an arts facility for either visual or performing arts uses. There have been many attempts in the past, either through feasibility studies or development proposals, to find a way to renew the site. The oldest part of the Guild Inn known as the Bickford residence, along with its additions prior to 1950, the Studio building and all architectural fragments on the site were designated by the City in 1999 under Part IV of the Ontario Heritage Act (By-law No. 266-1999). By adoption of Clause No. 3 of Report No. 5 of the Scarborough Community Council at its meeting of June 14, 15 and 16, 2005, Council amongst other matters, authorized the entering into a Heritage Easement with the Developer and the amendment of this designation by-law to include the “Sculpture Studio” and “Building 191” and the demolition of the Bickford Residence/Guild Inn under Section 34 of the Ontario Heritage Act.

Revitalization Process to Date:

In the spring of 2002, the City put out a request for proposals to restore, redevelop and operate the Guild Inn hotel structure (the “hotel”) based on the potential opportunity that the City in conjunction with the TRCA would be willing to offer a long-term sub-lease for approximately six acres of land out of the approximately 88-acre total site. No viable proposals materialized. Only vague expressions of interest in redeveloping the hotel were received. Because these first submissions did not contain the level of detailed information anticipated, the staff evaluation committee was unable to objectively recommend a preferred proponent. The decision was then made to re-issue the Request for Proposal document (the “RFP”) in the fall of 2002 with more succinct submission requirements. This second RFP closed in December, 2002. Four submissions were received including one from the “Westeinde Group”, a group of companies that were affiliated with one another and connected to the Westeinde family, and a forerunner to the Developer.

None of the proponents met all of the requirements of the RFP although the deficiencies in the proposal from the Westeinde Group were more technical than material. There were also some heritage concerns with the proposal that made their bid non-compliant with the RFP requirements. As a result, it was determined that the fairest way to give proponents the chance to bring their proposals into compliance was to re-issue the RFP a third time. At the time of the third RFP closing in May, 2003, there was only one submission received which was significantly non-compliant. Accordingly, the third RFP process was subsequently terminated.

Although all indications were that the opportunity the City had offered regarding the Guild Inn hotel precinct had commercial interest, the impact of the outbreak of SARS on the hotel and tourism industry caused considerable hesitation among bidders.

The Commissioner of Economic Development Culture and Tourism was subsequently directed to approach the Westeinde Group, the top scoring proponent of the second Guild RFP, to determine if an agreement could be negotiated which would respect the heritage designation of the site while substantially conforming to their previous proposal. As a result, in June of 2005, the City entered into a letter of intent with the Developer.

Unfortunately in April 2007, despite having made substantial progress on relevant issues and transactional legal documentation for the redevelopment of the hotel, the Developer and its partners withdrew from any further project discussions and development efforts. 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, at that time.

Cultural Precinct:

The Guild Revitalization includes a renewed Cultural Precinct that will revive the cultural activity that made the Guild of All Arts an important part of Toronto's cultural history. As part of the Developer's proposal, the City was scheduled to invest \$7.5 million in the Cultural Precinct. During its negotiations with the Developer, the City completed "the Guild Cultural Precinct Report, September 2006" by Goldsmith Borgal and Company to layout the plans for this investment in alignment with the private sector investment in the hotel. As mentioned above, the Developer's proposal is not going to proceed but the site plan development and management strategy contained in the Cultural Precinct Report provide the groundwork for the consideration of next steps.

COMMENTS

Over the last year the City has been exploring alternative ways to move the Guild Revitalization forward. The collapse of the Developer's proposal was reported in the local media which brought some fresh interest in the site forward. In total, four parties came forward with unsolicited informal written proposals for the site and each party was given the opportunity to give a presentation of their proposal to the Guildwood Park Advisory Committee established by Councillor Ainslie.

The staff evaluation team consisting of Culture; Parks, Forestry and Recreation; Finance; Facilities and Real Estate; and the Toronto Office of Partnerships reviewed the submissions against established criteria. Evaluation criteria included the experience of the proponent's team; compatibility with the Cultural Precinct and Park uses; compatibility with the City's vision for the site and local community interests; financial capacity; respect for the site's heritage resources and natural environment; and ability to proceed in the immediate term. The staff team determined by unanimous opinion that the proposal from Centennial College was offering the best option, by a significant margin, for moving forward the revitalization of the site. Given the history of unsuccessful RFP's for the Guild Revitalization the staff team recommend, in consultation with Legal and Purchasing, that direct negotiation with Centennial is appropriate in this circumstance.

Centennial is proposing to have its Institute's executive offices on site at the Guild and to be the lead developer/subtenant in conjunction with a development partner of a 60-room hotel, restaurant and conference centre. It is estimated that Centennial's proposal would bring a \$30 million investment to the Guild site. In addition to bringing Culture and Heritage education to the site, that will have a world UNESCO designation, Centennial College would also guarantee a certain number of educational conferences together with a number of room nights to help make the 60-room hotel project and related amenities viable and sustainable. The hotel and conference centre will also offer workplace learning opportunities for students in Centennial's School of Hospitality and Tourism. Centennial has also expressed a willingness to work with the City on the plans for the Cultural Precinct.

The Institute was established by Centennial two years ago and the College is anxious to move forward with plans to secure a permanent location. Centennial has demonstrated that this initiative is a prominent feature in its facilities master plan and has already dedicated considerable financial resources to move its proposed project forward in a way that is mutually beneficial. Staff anticipate that negotiations with Centennial and TRCA will commence over the fall with the aim of reporting back to Committee and Council as early in 2009 as is reasonably practicable.

Centennial College has deep roots in Scarborough and is responding to a strategic market demand for qualified personnel in the Cultural and Heritage Management and Tourism fields. The Institute has already had two successful symposiums on the subject. The College would locate the think tank portion of its Institute at the Guild while retaining the classroom environment at the main campus. Centennial's proposal places great value in the integrity of the park setting at the Guild and would provide an environmentally responsible and sustainable development for the benefit of the general public and the surrounding neighbourhood.

Centennial's proposal also compliments programming opportunities for the Guild Cultural Precinct envisioned by the City taking maximum advantage of the heritage resources of the site. This combination of arts programming together with a compatible education component would strengthen the sustainable economics of the site's hospitality component. As a public institution, Centennial is taking a longer term view of the site's potential that is aligned with the City's interest.

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