



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

**Award - Request for Proposal (RFP) 0613-11-0107  
Operation of a Food Service Facility at City Hall**

<b>Date:</b>	February 8, 2012
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer Acting Director, Purchasing and Materials Management Division
<b>Wards:</b>	<b>27 Toronto Centre – Rosedale</b>
<b>Reason for Confidential Information:</b>	This report is about a proposed or pending disposition of land by the City or one of its agencies, boards and commissions.
<b>Reference Number:</b>	P:/2012/Internal Services/RE/Gm12002re (AFS #14773)

**SUMMARY**

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The purpose of this report is to provide information on the results of Request for Proposal (RFP) No. 0613-11-0107 for the Operation of a Food Service Facility at City Hall and to request authority to enter into a lease agreement with the recommended proponent, 1158093 Ontario Limited (referred to in this report as "Café on the Square").

**RECOMMENDATIONS**

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**The Chief Corporate Officer and the Acting Director of Purchasing and Materials Management Division, recommend that:**

1. City Council grant authority to negotiate and enter into a lease agreement with 1158093 Ontario Limited, being the highest scoring proponent meeting the requirements of RFP 0613-11-0107, for the Operation of a Food Service Facility at City Hall, for a ten (10) year term, on the terms and conditions set out in RFP 0613-11-0107, Confidential Attachment 1 and Appendix "A", and on such other terms and conditions as may be acceptable to the Chief Corporate Officer, or his or her designate, and in a form acceptable to the City Solicitor.

2. City Council authorize the Chief Corporate Officer to administer and manage the lease 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.
3. City Council authorize the public release of the confidential information contained in Confidential Attachment 1 of this report following execution of the new lease agreement with Café on the Square.

### **Financial Impact**

The relevant financial information is addressed in the Confidential Attachment 1.

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 July 8, 9 and 10, 1998, City Council authorized the City to enter into a Lease and related Management Agreement with Cafe on the Square for a ten (10) year term, for the operation of a café and the provision of catering services within City Hall. Following is a link to the decision document:

<http://www.toronto.ca/legdocs/1998/agendas/council/cc/cc980708/cs9rpt/cl030.htm>

In addition, an Amending Agreement was authorized pursuant to DAF (Delegated Authority Form) #99-0950, dated March 9, 1999, to add additional space on the lower level of City Hall to the leased premises to provide for the construction of washrooms and change rooms for the employees of the Café. The term of the Lease and the Management Agreement commenced on April 11, 1999 and expired on April 10, 2009. Approval to extend the term of the Lease and the Management Agreement until December 31, 2009 was authorized under DAF #2009-026.

A further extension of the term of the Lease and Management Agreement until June 30, 2010 was authorized under DAF #2009-112. An additional six (6) month extension until December 31, 2010 was authorized under DAF #2010-177. Pursuant to Item GM1.3, adopted by City Council at its meeting held on February 7 and 8, 2011, a further extension of the Lease and the Management Agreement until June 30, 2011 was approved. Thereafter and currently, Café on the Square has continued its tenancy of the premises as an overholding tenant. Following is a link to the report and decision document:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM1.3>

## ISSUE BACKGROUND

On November 30, 2009, the City issued RFP No. 0613-09-0070, which closed on January 22, 2010, to select an operator to provide food services at City Hall. The RFP was structured as a "two-envelope" model which required Proponents to meet a minimum technical threshold score in Stage 1 before they can advance to Stage 2 and have their cost of services proposal ("second envelope") opened and evaluated to determine the Proponent's financial proposal. The City received two (2) proposal submissions, one from Café on the Square and the other from Tobmar Investments International Inc. in which both were deemed non-compliant. The proposal from Café on the Square did not include a completed and mandatory Financial Proposal Form and the proposal submitted by Tobmar Investments International Inc. was declared non-compliant since they included financial information within the body of their technical proposal.

In order to comply with Chapter 213 of the City of Toronto Municipal Code (Chapter 213), on September 9, 2010, pursuant to DAF #2010-197, the leased premises was declared surplus with the intended manner of disposal to be by the issuance of an RFP to select a food service operator to lease the space. Under Chapter 213, this step was required before space can be leased for twenty-one (21) years or more. Given that the prior lease term, together with the proposed new ten (10) year lease term, would exceed a period of twenty-one (21) years, it was necessary to complete this step.

It was decided by Real Estate Services that it would be prudent to retain a food service consultant to assist in the development of a revised RFP and to ascertain a better understanding of the food service industry. Cameron Hawkins & Associates Inc. was retained by Real Estate Services through a separate procurement process. On September 28, 2010, the City issued RFP No. 0613-10-0094, which closed November 15, 2010. The revised RFP included enhancements which, among other things, assisted proponents to ensure that their submissions would comply with all mandatory requirements of the RFP. Four (4) proposals were received from Compass Group Canada Ltd., Druxy's Inc., 2038972 Ontario Inc. and Café on the Square. The proposals submitted by both Compass Group Canada Ltd. and Druxy's Inc. were declared non-compliant as a result of a Mandatory Technical Requirement statement not being included in their proposal submissions. The remaining two (2) proposals, 2038972 Ontario Inc. and Café on the Square, were evaluated by the Selection Committee comprised of four (4) members (3 from Real Estate Services and 1 from Facilities Management).

The RFP used a "two-envelope" model which required Proponents to meet a minimum technical score of 75 points in Stage 1 before they can advance to Stage 2 and have their cost of services proposal ("second envelope") opened. As a result of the evaluation, only the proposal submitted by Café on the Square, met the minimum technical and advanced to Stage 2. The Selection Committee completed its Stage 2 review of this proposal and recommended to City Council that a lease agreement be entered into with Café on the Square. At its meeting on February 7 and 8, 2011, however, City Council did not approve a lease agreement with Café on the Square and instead authorized the Chief Corporate Officer to reissue an RFP to select an operator to provide food services at City Hall.

In consultation with members of the Government Management Committee (GMC), Real Estate Services staff were directed to review the results of the most recent RFP. Meetings were held with GMC members and advice sought of the external food service consultant, to gather feedback about the RFP and possible approaches for an improved offer. Changes were made in the overall objectives of the RFP, including a greater emphasis on the base and percentage rent to be received by the City and less emphasis on the capital investment to be made by the successful proponent in the leasehold improvements. Additionally, the RFP was adjusted to encourage proponents to (1) be more creative in the food offerings in terms of value, quality, and variety; (2) focus on expanded marketing program to increase visibility and attendance; and, (3) examine alternative formats such as full service dining and special events.

## **COMMENTS**

On September 6, 2011, the City issued a new RFP No. 0613-11-0107, with a closing date of October 14, 2011 for the Operation of a Food Service Facility at City Hall. The RFP was advertised on the City of Toronto's Internet website and eight (8) firms downloaded the document from the PMMD website. A total of four (4) addenda were issued in response to the questions sent to PMMD prior to the closing date.

In advance of the closing date, the City posted advertisements in the Toronto Star and The Commercial News to increase industry awareness of the RFP and the City issued an addendum to extend the closing date to November 10, 2011, to allow sufficient time following publication of the advertisements for proposals to be received.

The City received three (3) proposal submissions from Café on the Square, Compass Group Canada Ltd. and Limestone & Café. All three (3) proposals met the mandatory submission requirements and, therefore, all three (3) submissions were evaluated based on the RFP's Evaluation Criteria.

The Selection Committee was comprised of four (4) members (3 from Real Estate Services and 1 from Facilities Management). The proposal received from Limestone & Café did not meet the minimum technical score of 45 points in Stage 1 and therefore did not advance to Stage 2 and was not considered further. The proposals received from Café on the Square and Compass Group Canada Ltd. required further clarification as determined by the Selection Committee. Clarifications from both Proponents were requested and received in accordance with the RFP's Process Terms and Conditions. As a result of the clarification, the proposal submission from Compass Group Canada Ltd. was declared non-compliant on the basis that it had failed to provide accurate information in its original submission.

As a result, staff are recommending the City to enter into a lease agreement with Café on the Square for a ten (10) year term, being the highest scoring proponent and offering the highest proposed rent.

The Fair Wage Office has reported that the recommended firm has indicated that it reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

## **CONCLUSION**

As a result, staff are recommending to enter into a lease agreement with the recommended proponent, Café on the Square for a ten (10) year period.

## **CONTACT**

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## **SIGNATURES**

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Bruce Bowes, P. Eng  
Chief Corporate Officer

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Michael Pacholok  
Acting Director  
Purchasing and Materials Management

## **ATTACHMENTS**

Appendix "A" – Major Terms and Conditions of Lease Agreement  
Appendix "B" – Location Map  
Attachment 1 – Confidential Information

**Appendix "A"**  
**Major Terms and Conditions**  
**Lease Agreement for Food Service Facility at City Hall**

**Landlord:**

City of Toronto

**Tenant:**

1158093 Ontario Limited

**Premises:**

Located at Toronto City Hall, known municipally as 100 Queen Street West, the Premises are collectively comprised of approximately: 4,522 square feet of main floor area; 162 square feet of lower level office and staff locker area; 718 square feet of lower level storage area; and 1,438 of seasonal outdoor patio area.

**Commencement Date:**

The commencement date shall be on the earlier of: the date on which the initial renovations are substantially complete; and April 01, 2012.

**Term:**

The Term of the Lease Agreement shall be for ten (10) years from the commencement date.

**Renewal or Extension Options:**

No option to renew or extend.

**Termination:**

The Landlord has the right to terminate the lease, at any time during the Term, upon giving not less than ninety (90) days prior written notice to the Tenant and upon making payment to the Tenant of an amount equal to the undepreciated capital cost (on a straight line basis over the Term) of the Tenant's approved renovations to the Premises.

**Rent:**

Base Rent and Percentage Rent to be paid as detailed in Confidential Attachment 1.

Additional Rent - Tenant will be responsible for all taxes, maintenance, utilities and operating costs so that the lease agreement is fully net to the Landlord.

**Use:**

The Tenant shall not use the Premises for any purposes other than as a licensed or unlicensed cafeteria/food service establishment for the provision of food services within City Hall, without the prior written consent of the Landlord. The Tenant shall have the non-exclusive right to provide office catering services within City Hall.

**Insurance:**

The Tenant is to maintain insurance to be fully detailed in the lease agreement, including Commercial General Liability insurance and All Risks property insurance.

**Renovations:**

The Tenant shall complete a renovation of the Premises as detailed in its proposal and shall maintain temporary interim food service operations, where possible, during such renovations.

**Appendix "B"**  
**Location Map**  
**100 Queen Street West**

