

Clause embodied in Report No. 18 of the Administration Committee, as adopted by the Council of the City of Toronto at its meeting held on December 4, 5 and 6, 2001.

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**Lease of the Jolly Miller -
3885 Yonge Street**

(City Council on December 4, 5 and 6, 2001, adopted this Clause, without amendment.)

The Administration Committee recommends the adoption of the joint report (November 12, 2001) from the Commissioner of Corporate Services and the Acting Chief Financial Officer.

The Administration Committee reports, for the information of Council, having received:

- (1) the confidential report (November 13, 2001) from the Acting Chief Financial Officer; and
- (2) the communication (November 12, 2001) from Ms. Eleni Thalassinou, Pegasus Group.

The Administration Committee submits the following joint report (November 12, 2001) from the Commissioner of Corporate Services and the Acting Chief Financial Officer:

Purpose:

The purpose of this report is to secure approval of preferred proponent and approval to negotiate a lease with the proponent for the tenancy of the property at 3885 Yonge Street known as the Jolly Miller.

Financial Implications and Impact Statement:

Revenue will be generated for the City from the leasing of the property.

Recommendations:

It is recommended that:

- (1) Pegasus Group Inc. be chosen as the preferred proponent and staff be authorized to negotiate a lease with Pegasus Group Inc. for tenancy of the property at 3885 Yonge Street, known as the Jolly Miller, according to the terms set out in the Request for Proposal (RFP No. 9118-01-7671) and to the satisfaction of the Commissioners of Corporate Services and Economic Development Culture and Tourism and report back thereon to the March 2002, Administration Committee meeting;

- (2) staff be further authorized to negotiate a lease with Palmont Corp. should negotiations with Pegasus Group fail; and
- (3) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

The Jolly Miller Tavern, located at 3885 Yonge Street, was constructed in 1856 and is the only 19 century commercial structure remaining on its original site in North York. It has been approved for designation under the terms of the Ontario Heritage Act (R.S.O. 1990) as a building of historical and architectural significance in the North York community. In 1997, the former City of North York purchased the property to bring it into public ownership. The parking lot on the north portion of the site is operated by the Toronto Parking Authority. When the parking lot is no longer required to recoup the costs of acquisition, which is estimated to be within 20 years, Council will reconsider the use of this land as a parking lot.

The Report on the Official Plan/Zoning Amendment for the site, approved by North York Council on June 25, 1997, identified the following objectives in relation to the property:

- (a) to provide for the protection and enhancement of the heritage property's character while providing a variety of commercial opportunities to ensure the financial integrity for the re-use of the Jolly Miller;
- (b) to ensure that the heritage nature of the Jolly Miller property is preserved and enhanced and that, in the long term, the property shall be integrated in a compatible manner into the surrounding open space system; and
- (c) the continued commercial function of the Jolly Miller building is encouraged in a manner that is complementary and sympathetic to its heritage nature. To complement the heritage aspects of the building, future expansions should be generally limited to the north and east sides of the Jolly Miller building.

On September 24, 2001, the Corporate Services Department in consultation with the Economic Development Culture and Tourism Department ("EDCT") issued, a Request for Proposals for the Lease of the Jolly Miller. The Request for Proposal ("RFP") outlined the City's objectives as identified above, the criteria for evaluation, zoning restrictions and terms and conditions. A Condition Assessment Report of the heritage building is also included in the RFP.

Comments:

Four proposals were received by the closing date of October 26, 2001. The proponents were interviewed on November 7, 2001, and the proposals were reviewed by a team of staff representing the Culture, Finance, Planning, Legal Services and Facilities and Real Estate Divisions.

Review of the Proposals:

In assessing the relative merits of each proposal, a number of factors were considered. They are listed as follows:

- (a) demonstrated understanding of the scope of the work, and the RFP goals and requirements;
- (b) quality, scope, completeness, content details and potential of the Proposal, and the ability to meet needs outlined in the Condition Assessment;
- (c) preservation of the heritage nature of the property and integration of the property in a manner compatible with the surrounding open space system;
- (d) quality, scope, nature and appropriateness of proposed Capital Investment Plan for the facility;
- (e) proposed preventive maintenance plan for the facility;
- (f) relevant experience (managerial and operational capabilities), qualifications, and successes demonstrated;
- (g) time period required to fulfill commitment;
- (h) demonstrated financial status and ability to finance Capital Investment Plan; and
- (i) financial proposal including revenues to the City, taxes, up front costs for proposed capital investment.

The proposals can be summarized as follows:

(A) Pegasus Group Inc.

Pegasus Group Inc. proposes to restore the original building as recommended in the Condition Assessment Report. They will retain and renovate all additions to the building and will build a small addition to the south side of the building measuring approximately 1,000 square feet. The property would be operated as a high-end steakhouse, restaurant café, banquet and meeting room facilities, bakery and English style pub. The proposed gross floor area for this proposal is 14,900 square feet and the proposed term is for 20 years with a further 20 year renewal option.

This proposal would enhance the west façade to interpret the original architecture and from a built-form perspective, this expansion proposal makes the least change to the existing structure. This proposal provides the greatest financial return to the City. Overall, this proposal ranked highest in the evaluation analysis chart.

(B) Palmont Corp.:

Palmont Corp. submitted a proposal to maintain, restore and reuse the original 1857 building; restore and integrate the 1920's Yonge Street façade, remove the 1950's and 1970's building additions that are located to the north and east of the original building. It is proposed that a new building addition be constructed that wraps around the original 1857 building to create a butterfly-shaped complex. It would be operated as a signature retail and restaurant, and professional offices. The second and third floors will be occupied by the Tenant. The remainder will be leased out. The proposed building will measure a total of 19,018 sq.ft. gross floor area and the term of the lease is for a period of 50 years.

The massing and the scale have the potential of detracting from the historical building. This proposal provides the second best financial return and on an overall basis.

(C) Harbour Sixty North:

Harbour Sixty North proposes to restore, recreate and recapture the character of the Jolly Miller when it was a mid-19 century inn and begins to create a streetscape that interprets the history of Hogg's Hollow. A refined, historically traditional steakhouse restaurant is proposed. The facility would consist of two or three main dining rooms, a cocktail lounge bar, one or two wine cellars several small private dining rooms, one or two courtyard/terraced areas; project may contain some space to be leased out to other tenants. The later additions i.e. 1950's and 1970's will be removed. They propose to build a two storey building in a vernacular consistent with the early time period. This construction is set back from the Yonge and Mill Street corner and a second addition "tail" to the original structure which will attach the original building to the new building. The proposed gross floor area is 17,017 square feet with the term of the lease being for 30 years with two ten-year renewal options.

This proposal was attractive from a heritage perspective. However, it ranked third in the evaluation analysis in financial return and on an overall basis.

(D) North 44⁰:

North 44⁰ submitted only a two-page letter and did not fully meet the requirements of the RFP. The proponent was interviewed as a matter of courtesy. The proponent proposes to remove the additions constructed in 1920's and 1950's and to restore the original 1857 structure in accordance with a plan to be approved by the appropriate Heritage Authorities. It would be operated as a retail food store and cooking school. The proposed floor area is 19,500 square feet and the term of the lease is for 50 years.

This proponent scored very low in the proposal evaluation analysis, and thus was not further considered.

Following review of the proposals, the staff review team held interviews with the Proponents.

The Proponents understand and agree that:

- (i) should there be additional costs associated with construction on or near the Toronto Transit Commission Subway Easement situated east of the Jolly Miller building, such costs shall be borne by the Tenant;
- (ii) it shall be the sole responsibility and cost of the Tenant should any environmental issues concerning soil contamination arise on the site during construction which may require remediation;
- (iii) the Tenant shall be responsible for all capital costs throughout the term of the lease. The lease shall be completely net and carefree to the City; and
- (iv) the “use” of the subject property shall exclude “night clubs” or similar uses;

Furthermore, the proponents have all agreed to provide space for the North York Historical Society on the second floor of the renovated facility as was required by Council. It is noted that the specific financial returns are not set out in this Report and will be addressed by the Acting Chief Financial Officer In Camera.

As a result of the review of the proposals and the interview process, the staff review team has concluded that Pegasus Group Inc. is the preferred proponent and we agree. The next step is to negotiate with the Pegasus Group Inc. a lease of the Jolly Miller based on the proposal submission and taking into account the appropriate details with respect to building design, traffic and use criteria and addressing in detail all components of a long term lease.

Conclusions:

The proposals received for the lease of the Jolly Miller were reviewed by the staff team against the criteria and objectives established by the City. The staff review team is recommending Pegasus Group Inc. as the preferred proponent as their proposal demonstrates the intent to improve and protect the heritage building while also providing the highest financial return to the City. It is further recommended that negotiations with Pegasus Group Inc. for a lease and restoration plan for the Jolly Miller be authorized and that staff report back on the results of the negotiations to the March 2002 Administration Committee Meeting.

Contact:

Name: Vicky Papas
Position: Valuator/Negotiator
Telephone: 392-1830
Fax: 392-1880
E-Mail: vpapas@city.toronto.on.ca

The Administration Committee reports, for the information of Council, having also had before it a confidential report (November 13, 2001) from the Acting Chief Financial Officer with respect to the lease of the Jolly Miller at 3885 Yonge Street.

(A copy of the Property Location Map attached to the foregoing joint report (November 12, 2001) from the Commissioner of Corporate Services and the Acting Chief Financial Officer was forwarded to all Members of Council with the November 13, 2001, agenda of the Administration Committee and a copy thereof is also on file in the office of the City Clerk, City Hall.)

The following persons appeared before the Administration Committee in connection with the foregoing matter:

- Mr. Terry Tsianos, President, Pegasus Group;
- Ms. Eleni Thalassinos, Pegasus Group; and
- Mr. Franco Romano, on behalf of Palmont Corporation.

Councillor Joanne Flint, Don Valley West, also appeared before the Administration Committee in connection with the foregoing matter.

(City Council at its meeting on December 4, 5 and 6, 2001, had before it, during consideration of the foregoing Clause, a confidential report (November 13, 2001) from the Acting Chief Financial Officer, such report to remain confidential in its entirety, in accordance with the provisions of the Municipal Act, given that it concerns matters of the security of property of the municipality.)

(Councillor Feldman, at the meeting of Council held on December 4, 5 and 6, 2001, declared an interest in the foregoing Clause, in that his principal residence is in the vicinity of the subject property.)