

# TORONTO STAFF REPORT

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February 9, 2006

To: Economic Development and Parks Committee

From: Treasurer  
General Manager, Parks, Forestry and Recreation

Subject: Request for Proposal (RFP) 0613-05-0299  
Development and Operation of Food and Beverage Facilities at Five Golf Courses  
and Three Locations in the Parklands  
(Various Wards)

Purpose:

The purpose of this report is to advise on the results of Request for Proposal (RFP) 0613-05-0299 for the development and operation of food and beverage facilities at five golf courses and three locations in the parklands within the Parks, Forestry and Recreation Division, and to request authority to negotiate and enter into a five (5) year License Agreement with the recommended Proponents for the period from May 1, 2006 to April 30, 2011 including a five (5) year renewal option for the period May 1, 2011 to April 30, 2016. The decision to exercise the option to renew the agreement will be at the sole discretion of the City.

Financial Implications and Impact Statement:

The RFP terms included improved service levels; more diverse and healthy food choices; opportunity for expanded hospitality facilities (including a full-service restaurant open throughout the year); and financial considerations (including capital investment and financial returns). Based on the two proponents being recommended, the combined minimum guaranteed annual rent payable to the City from concessions at the eight locations will be \$304,800. The guaranteed revenues over the five year period, May 1, 2006 to April 30, 2011 would be \$1,524,000, with similar returns to be reviewed and negotiated if the option for an additional five year term, May 1, 2011 to April 30, 2016, is exercised by the City. In addition, the two proponents will be making capital improvements to the eight concession locations estimated at approximately \$685,000 during 2006 and 2007, and will be responsible for all taxes and utilities.

There are no current, additional, or anticipated future costs that the City of Toronto will incur with the implementation of the proposed License Agreements. The recommended Proponent(s) will be responsible for all operating costs, capital costs, property taxes and any other related costs for the operation of the food and beverage concession facilities for the five golf courses and three locations in the parklands.

Recommendations:

It is recommended that:

- (1) The Proposal submitted by the Grenadier Group (505707 Ontario Ltd.) be accepted for the period from May 1, 2006 to April 30, 2011 with guaranteed rent to the City at Don Valley Golf Course, Dentonia Park Golf Course, Humber Valley Golf Course, Scarlett Woods Golf Course, Tam O'Shanter Golf Course and Sunnybrook Park concession facility for the five (5) year term of \$1,500,000;
- (2) The Proposal submitted by International Foods & Snacks Corporation be accepted for the period from May 1, 2006 to April 30, 2011 with a total minimum guaranteed rent to the City for G. Ross Lord Park and Ken Morrish Softball Complex for the five (5) year term of \$24,000.00 or 25% of gross sales, whichever is greater;
- (3) Authority be delegated to the General Manager of Parks, Forestry & Recreation to negotiate and execute License Agreements with both Grenadier Group (505707 Ontario Ltd.) and International Foods & Snacks Corporation in a form and content, consistent with the RFP and acceptable to the City Solicitor for the period from May 1, 2006 to April 30, 2011 and be delegated to exercise the five (5) year option License Agreement with the Grenadier Group (505707 Ontario Ltd.) and International Foods & Snacks Corporation under the same terms and conditions, provided that the operation of the food and beverage concession facilities were performed at a level satisfactory to the General Manager of Parks, Forestry, and Recreation; and in the form and content, consistent with the RFP and acceptable to the City Solicitor for the period from May 1, 2011 to April 30, 2016; and
- (4) The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

In January 1996, the former Municipality of Metropolitan Toronto's Parks and Culture Department issued an RFP to enter into a license agreement for the food concession operations located at the five golf courses and three locations in the parklands. Based on the fact that the food concessions were a non-core service of the department, the need for outsourcing the food and beverage facilities was recommended as the best practice in concession operations. It was decided that the private sector would have a distinct advantage in food and beverage operations over public operation by the Parks and Culture Department. The successful proponent for this

RFP, H.S. Food Services Limited entered into a ten (10) year license agreement with the former Municipality of Metropolitan Toronto for the period from April 1, 1996 to March 31, 2006.

To ensure continuity of service and in keeping with Council direction, an RFP was issued on November 9, 2005 through Purchasing and Materials Management for this service that is scheduled to expire on March 31, 2006.

The RFP sought proposals from qualified firms and individuals to provide services for the operation of food and beverage facilities at five golf courses: Don Valley Golf Course, Dentonia Park Golf Course, Humber Valley Golf Course, Scarlett Woods Golf Course Tam O' Shanter Golf Course and three additional locations in the parklands: Sunnybrook Park, G. Ross Lord Park and Ken Morrish Softball Complex. Proponents were allowed to bid on any or all eight concession locations. Proponents were requested to examine opportunities for the required capital investment; the development of improved service levels; expanded amenities; and more diverse and healthy food choices for the general public and the golfing community.

The golf courses themselves are unique and well-respected by the golfing community and generate approximately 210,000 rounds of golf annually. These courses are located throughout the City and offer a range of golf experiences from the par 3 facility at Dentonia Park to the full length regulation golf course at the par 71 Don Valley Golf Course.

The successful Proponent(s) will obtain rights to undertake a business enterprise at several of the locations in accordance with the terms and conditions of the RFP. In exchange for granting these rights, the Division would receive from the successful proponents both a capital investment and remuneration in the form of an annual base rent. The proponents will be responsible for the payment of all property taxes, utilities and all other costs associated with the operation of the concession facilities.

Comments:

Fifty-two (52) firms and individuals on the City's Bidders list were invited to submit proposals and the RFP was also advertised on the City's Internet Website. Proponents were permitted to bid on any or all eight (8) concession facilities. Ten (10) submissions were received from the following proponents and opened at the public opening on December 7, 2005:

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|---|---------------------------------------|
| (1) Food Ideas                                | (Don Valley Golf Course)              |
| (2) The Daily Perk Coffee Company Ltd.        | (Five Golf Courses)                   |
| (3) The Grenadier Group (505707 Ontario Ltd.) | (Five Golf Courses & Sunnybrook Park) |
| (4) Great Lakes Schooner Company Ltd.         | (Five Golf Courses)                   |
| (5) Global Food Services Inc.                 | (Five Golf Courses)                   |
| (6) Gabby's Restaurant Group Canada           | (Five Golf Courses)                   |
| (7) JB Sales and Marketing                    | (Three Golf Courses)                  |
| (8) Pegasus Group                             | (Five Golf Courses)                   |
| (9) Cittadelle Café and Snacks On The Run     | (Humber Valley Golf Course)           |
| (10) International Foods and Snacks Corp.     | (Five Golf Courses & Three Parks)     |

Using the evaluation criteria specified in the RFP, an Evaluation Team comprised of staff from the Parks, Forestry and Recreation Division's, Development & Infrastructure Management Section, Strategic Services Section, and Corporate Finance Division followed the prescribed three stage evaluation process described below. In addition, a Fairness Monitor was retained by the Parks, Forestry and Recreation Division to monitor and report on the evaluation process. The evaluation process was as follows:

- Stage (1) review of mandatory requirements which was a "pass/fail" analysis
- Stage (2) scoring of technical requirements and financial aspects with a 70 percent minimum score required; and
- Stage (3) an interview/question period if Stages (1) and (2) were passed.

The first stage of the evaluation was "pass/fail" analysis based on whether mandatory requirements were met. The proposal submitted by Food Ideas failed to mention three of the eight mandatory requirements as indicated below and the bid was disqualified from further evaluation:

- Confirm with a statement that proponent can supply a renewable Irrevocable Letter of Credit. (Section 4.3.2 (2) );
- Confirm with a statement that the proponent is capable of obtaining the required insurance in case of any resulting agreement. (Section 4.3.2 (3) );
- Confirm with a statement that the City or its designate may audit, examine and copy, any and all the books, records and information relating to the operation for the food and beverage facilities. (Section 4.3.2 (4) ) and;

The second stage involved a detailed technical evaluation for the proponents that passed the first stage of the evaluation process. The second stage was based on the proponents' organization information, approach and feasibility, benefit/capital development, plan/operation/food and financial benefits to the City and was scored out of 100 points.

Proponents were required to achieve a minimum score of 70 percent to progress to the third stage of the evaluation, which consisted of an interview. The proposals from The Daily Perk Coffee Company Ltd., JB Sales & Marketing, and a joint proposal from Citadelle Café & Snacks On The Run failed to achieve the 70 percent criteria necessary to obtain an interview.

The third stage was an interview/question period for the six remaining proponents. The proponents presented their proposals and answered a series of questions from the evaluation committee. Each was scored out of 20 points. The total points for the second and third stages combined totalled 120 points. The scores ranged from 86.2 to 105.7 for the concession facilities.

Following the full review, The Grenadier Group (505707 Ontario Ltd.) achieved the highest overall score in the evaluation process which included criteria based on Organizational Information, Approach/Feasibility, Benefit/Capital Development, Plan/Operation/Food and Financial Benefit. This proponent is being recommended for six locations: Don Valley Golf Course, Dentonia Park Golf Course, Humber Valley Golf Course, Scarlett Woods Golf Course,

Tam O'Shanter Golf Course, and the snack bar facility located in Sunnybrook Park. The proposal includes an investment of over \$650,000 in capital improvements and equipment costs. The improvements include a full service pub style/sports bar theme restaurant where both the golf and non-golf users will be attracted to year round at the Don Valley Golf Course.

The principals of The Grenadier Group (505707 Ontario Ltd.) have operated the Grenadier Restaurant and snack bars in High Park and the Sunnyside Café and concession stands in the Western Beaches. They are supported by a range of required professional staff and have established an organizational structure to manage the five golf courses and Sunnybrook Park food and beverage facilities. The day to day operations of the facilities will be managed on site by one of the principals thus providing excellent customer service oversight.

The proposal from The Grenadier Group includes terms for a guaranteed payment to the City of Toronto of \$1.35 million over the five (5) year term for the food and beverage operations at the Five Golf Courses and an additional \$150,000 for the Sunnybrook Park concession facility for a total guaranteed rent of \$1.5 million over the five year term. This coupled with an investment of over \$650,000 in capital and equipment, improved service levels to the public, and expanded amenities for all six locations resulted in The Grenadier Group achieving the highest overall score based on all of the criteria set out in the evaluation process.

The other proposed vendor, International Foods and Snacks Corporation operates thirteen (13) snack bars located at various arenas and community centres in the Etobicoke York District and North York District of the Parks, Forestry and Recreation Division. International Foods and Snacks Corporation was the only proponent to submit a proposal on the two remaining locations: G. Ross Lord Park and Ken Morrish Softball Complex. International Foods and Snack Corporation has offered a total minimum guaranteed rent over the five year term of \$24,000 or 25% of gross sales, whichever is greater. Furthermore, they are committed to investing approximately \$35,000 in capital improvements and equipment at the two parkland locations, and to offering healthy food choices consistent with Canada's Food Guide to Healthy Eating and Nutrition. The committee members are satisfied that the proposal from International Foods and Snacks Corporation meets their requirements.

Under the previous agreement with H.S. Food Services Limited, in 2005, the operator paid to the City fees and commissions a total of \$263,106 in rent as compared to the new proponents' combined minimum annual rent payable to the City from concessions at the eight locations of \$304,800. In addition, substantial capital improvements are to be made at the various locations.

The Fair Wage Office has reported that the recommended firms have indicated that they have reviewed and understand the Fair Wage Policy and Labour Trades requirements and have agreed to comply fully.

Conclusions:

The proponents that are being recommended have a track record and the expertise to improve customer service, deliver more diverse and healthier food choices, make capital investments and operate financially viable operations. They also have experience working with the City. The two proposals have met all of the required elements and will provide an excellent opportunity for significant improvements at various concession facilities within the Parks, Forestry and Recreation Division with guaranteed minimum revenues to the City of Toronto over the 5 year term of \$1,524,000 as well as capital improvements estimated at \$685,000.

It is recommended that a contract be awarded to the highest scoring proponent, The Grenadier Group for the operation of food and beverage facilities at six locations. It is further recommended that a contract be awarded to International Foods & Snacks Corporation being the only proponent for the operation of food and beverage facilities at the two remaining parklands locations. It is also recommended that authority be granted to the General Manager of Parks, Forestry & Recreation to negotiate and execute License Agreements in the form and content consistent with the RFP and acceptable to the City's Solicitor for the period from May 1, 2006 to April 30 2011, including the option to renew with the authority delegated to the General Manager of Parks, Forestry and Recreation for the period May 1, 2011 to April 30, 2016.

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