

21

EXHIBITION PLACE

July 26, 2011

To: Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young, CEO

Subject: **Hotel Development – Updated Revised Schedule**

Summary:

Since approval by City Council, the hotel developer, HKHotels LLC (HKH) has been working diligently with City Planning and City Legal to complete the requirements of the Exhibition Place Alternative Site Plan Approval process and long form lease. The parties executed the long form lease on November 22, 2010 and in early June 2011, City Planning issued a Notice of Approval Conditions to HKH. Because the process with City Planning was longer than anticipated, HKH is requesting a revision to the Schedule of Milestones included in the Lease Agreement.

Recommendations:

It is recommended by the Board approve of the revised Schedule included in this report as amendments to the Lease Agreement between the Board and HKHotels LLC.

Financial Impact:

There is no financial impact from this report.

Decision History:

At its meeting of October 8, 2009, the Board approved of the development plan for a hotel at Exhibition Place and the terms and conditions of a lease with HKHotels LLC which recommendations were subsequently approved by City Council at its meeting of November 30 2009.

At its meeting of June 24, 2011, the Board had before it a report from the CEO entitled "Hotel Development – Revised Schedule" which recommended changes to the construction schedule previously approved by the Board. On a motion from the Board, two changes were made to the proposed schedule as follows:

- a. "Commencement of Construction" to change from August 31, 2012 to September 30, 2012 so that construction begins following the 2012 CNE Fair.

- b. "Open for Business" to change from January 15, 2015 to July 31, 2014 so that construction is finished prior to the 2014 CNE.

Issue Background:

The Lease Agreement between the Board and HKHotels LLC sets out timeframes to be met by both parties with the next key step being the approval of the Development Plan by City of Toronto Planning. Following the amendments made to the recommended revised schedule, Exhibition Place staff contacted HKH which agreed with (a) proposed amendment noted above but has requested consideration of the (b) proposed amendment.

Comments:

In early Summer, 2010, HKH presented the development plan for the hotel to the City of Toronto Planning Department. While Exhibition Place is exempt from formal Site Plan Approval, City Planning for its review process required all the same documents and information as would be required by the Site Plan process. In the original schedule this City process was estimated to take approximately six months but for a variety of reasons it took almost 12 months with City Planning issuing a Notice of Conditional Approval to HKH in early June 2011. The plans approved by City Planning were the ones that were presented to the Board by HKH at its meeting of March 4, 2011. Because of this delay, HKH is requesting an adjustment of the schedule of Milestone Dates included as part of the lease.

HKH accepts the change of the commencement of construction date to one month later so that it follows the 2012 CNE. However, it is requesting reconsideration of the requested change to completion date. The Board's amended change has the effect of shortening a 24 month construction schedule by 6 ½ months (just over one-quarter of the total schedule) which HKH indicated is impossible to achieve and because not meeting the schedule could be a reason for default under the lease, both parties want to ensure the schedule is realistic and finishing a major development such of this 6 ½ months early is not realistic. While this amendment to the proposed schedule was made so as to finish the project prior to the 2014 CNE, there are provisions in the lease agreement to require HKH to work with Exhibition Place to ensure the construction does not disrupt events including the CNE.

Accordingly, the proposed schedule below amends the construction commencement date but does not amend the open for business date from the schedule proposed at the June 24th meeting of the Board.

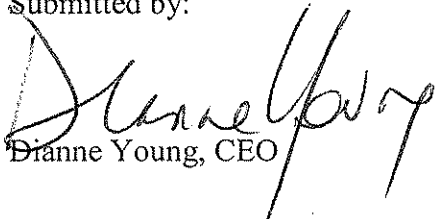
Previous Date	Proposed Date	Action
December 31, 2010	June 15, 2011	Obtain Site Plan Approval / Notice of Approval Conditions (NOAC)
December 31, 2010	September 30, 2011	Reference Plan registered on title and separate property identifier
April 30, 2011	September 30, 2011	Completion of Schematic Design
June 30, 2011	November 30, 2011	Financial Projections Submission
June 30, 2011	November 30, 2011	Capital Cost Estimate Submission

July 31, 2011	January 31, 2012	Completion of Design Development
	March 30, 2012	Obtain revised NOAC Letter
December 31, 2011	June 30, 2012	Deliver LOI from Lender to provide necessary construction and (at HKH's option) mini-permanent financing for the Project Deliver LOI from investor(s) to provide necessary equity financing
January 31, 2012	July 31, 2012	Apply for Building Permit
March 31, 2012	August 31, 2012	Completion of Contract Documents
May 1, 2012	(a) August 31, 2012 which recommendation was amended by the Board at its meeting of June 24, 2011 to read September 30, 2012 and accepted by HKH	Commence Construction
April 30, 2014	November 30, 2014	Substantially Complete construction (except for FF&E)
June 30, 2014	(b) January 15, 2015 which recommendation was amended by the Board at its meeting of June 24, 2011 to read September 30, 2014 which HKH is requesting reversal of this amendment on the basis of the issue raised above.	Open for business

Contact:

Dianne Young, CEO
Telephone: 416-263-3611
Fax: 416-263-3640
Email: dyoung@explace.on.ca

Submitted by:


Dianne Young, CEO