

EXHIBITION PLACE

January 20, 2011

ACTION REQUIRED

To: The Board of Governors of Exhibition Place

From: Dianne Young
Chief Executive Officer

Subject: **Proposed Expansion of Direct Energy Centre**

Summary:

As part of the Board's strategic goal, Exhibition Place staff have been working on the objective of a one hall expansion of Direct Energy Centre. Zeidler Partnership (which was the architect for the design build contract of Direct Energy Centre in 1994) was engaged to undertake a concept plan and costing for the construction of a one hall expansion of Direct Energy Centre. That concept design will be the subject matter of a presentation at the Board meeting of February 4, 2011.

At an overall cost of approximately \$163.0M (excluding escalation), this expansion would be a major undertaking and would require funding from all three levels of government (Federal, Provincial, City) similar to the original funding of Direct Energy Centre in 1994. There also could be some opportunity for the participation of the private sector in this development. However, because of the cost, it is important to understand the financial feasibility of building this extension and in the Fall 2010, a Request for Proposals was issued to seek a consultant to conduct this study and this report is recommending an agreement with HLT Advisory Inc. (HLT) at a cost not to exceed \$55,000.00.

Recommendations:

It is recommended that the Board approve of entering into an agreement between HLT Advisory Inc. and the Board on the terms and conditions outlined in this report and other such terms and conditions satisfactory to, the Chief Executive Officer of the Board and the City Solicitor.

Financial Impact:

Approval of the agreement between the Board and HLT will result in a projected fee for Phase I of the contract not to exceed \$55,000.00 which cost is provided for in the 2011 Operating Budget.

Decision History:

In the 2009-2012 Strategic Plan the Board set a Goal to *"Enhance and sustain our dynamic and diverse public assets and integrate these assets with the surrounding urban fabric"* with a specific Objective to *"Seek out private sector partnerships and government funding or the expansion of Direct Energy Centre (including meeting rooms)"*.

Comments:

Expansion Plans

There will be a full presentation to the Board by Zeidler Partnership at its meeting of February 4, 2011. However, in general, the concept plan for the extension of Direct Energy Centre by one hall is as follows:

- Building consisting of underground parking, exhibit hall on ground floor with meeting rooms and administrative space on second and third levels
- Total gross floor area of basement is 189,150 sq. feet with 159,960 net sq. feet for 386 new parking spaces
- Total gross floor area of ground floor is 206,440 sq. feet with net square footage of 108,000 for exhibit hall and back of hours of 43,300 sq. feet
- Total gross floor area on second floor of 78,400 sq. feet the majority of which is meeting rooms
- Total gross floor area on third floor of 85,790 sq. feet which would be dedicated to meeting rooms and administrative space
- Existing loading dock would be relocated to the west end of the new build but new hall would allow for a "swing space" to the north of the new hall to allow for loading of the existing Hall A from the new west loading dock
- Existing kitchen would remain in situ with no expansion of the kitchen but with a dedicated kitchen loading and storage within the new underground parking lot
- New exhibit hall would allow for contiguous exhibit space with existing Hall A
- Fit and finishes would be generally to the level of the existing Direct Energy Centre but would be targeting LEED Silver designation

Zeidler completed an order of magnitude estimate through Hanscomb which indicated the cost of this one hall expansion would be in the range of \$163.0M (with no provision for escalation).

Financial Feasibility Study

On October 29, 2010, Exhibition Place issued a Request for Proposal (RFP) to establish an agreement for the provision of a financial feasibility study respecting the expansion of the Direct Energy Centre. The RFP outlined two phases to this assignment as follows:

Phase I:

- In consultation with the staff, review the existing trade, consumer show and convention business at Direct Energy Centre and assess the Board revenue assumptions based on the booking potential of the expanded facilities
- Meet with Tourism Toronto to review additional demand for the City and Direct Energy Centre with enhanced space
- Provide a scan of comparable and competitive venues within the North American marketplace and determine the impact of the existing facility constraints including the lack of meeting spaces
- Prepare a report for staff with respect to the initial observation
- Assist in the evaluation of the potential of the new expansion
- Carry out a high level assessment of the Economic Impact that could arise from both the development and operation of the one hall expansion of Direct Energy Centre

Phase II:

- Lead at least three (3) separate focus groups with key contacts identified by staff to receive feedback and input to the proposed facility design and identify growth opportunities.
- Based on all the above analysis and assumptions, develop a business plan incorporating a five (5) year projection of revenue including food and beverage revenues and building overhead expenses. Staff will provide the information on all expenses based on experience with the existing facility.
- Outline all risks and opportunities of this expansion
- Prepare a report and presentation to the Board in conjunction with CEO, CFO, and GM Sales & Events for a Board meeting (date to be determined)
- Prepare a presentation to the City Manager, City of Toronto in conjunction with CEO, CFO, and GM Sales & Events for a Board meeting (date to be determined).

The RFP closed on December 10, 2010 with two submissions received from PKF Consulting Inc. and HLT Advisory Inc. On December 21, 2010, the Evaluation Team comprised of Exhibition Place staff scored the responses submitted in accordance with the detailed evaluation RFP criteria and requirements which included the proponents qualifications, references and experience with similar projects, understanding requirements, project manager & team qualifications, and lowest fee with ratio of points for fees higher than lowest. The Evaluation Team concurred that there was no need for an interview with either Proponent as the documentation from both was complete and responded well to all evaluation criteria.

Based on the submissions, the Evaluation Team has concluded that HLT received the highest overall score and staff are recommending the approval of HLT on the following terms and conditions:

(a) Phase I Services:

- In consultation with the staff, review the existing trade, consumer show and convention business at Direct Energy Centre and assess the Board revenue assumptions based on the booking potential of the expanded facilities
- Meet with Tourism Toronto to review additional demand for the City and Direct Energy Centre with enhanced space.

- Provide a scan of comparable and competitive venues within the North American marketplace and determine the impact of the existing facility constraints including the lack of meeting spaces
 - Prepare a report for staff with respect to the initial observation
 - Assist in the evaluation of the potential of the new expansion
 - Carry out a high level assessment of the Economic Impact that could arise from both the development and operation of the one hall expansion of Direct Energy Centre
- (b) Fees: Fixed \$45,000 for Phase 1
- (c) Disbursements: In addition to the fee as set out above, the Board will reimburse the HLT for approved disbursements made as required in order to undertake the Services as defined in this Agreement, at HLT's cost, with no mark-up, provided that the total amount to be paid for disbursements under this Agreement shall not exceed \$4,000.
- (d) Assignment: The agreement shall not be assigned by HLT without written consent of the Board.
- (e) Indemnity/Insurance: HLT shall provide proof of insurance in a form and amount satisfactory to the Board and containing provisions including the Board and the City of Toronto as additional insured with a cross liability/severability of interest clause of standard wording.
- (f) Union Obligations: HLT shall comply with all trade union/association agreements affecting work done on the grounds.
- (g) Other Commercial Terms: The agreement shall include other standard commercial terms respecting termination and other matters in a form satisfactory to the City Solicitor and the CEO.

The intent of the Financial Feasibility study is to provide a more complete evaluation of the potential economic impact of an expansion for Toronto, the GTA and the Province. However, in advance of that study, Exhibition Place requested information from Toronto Tourism on potential conferences / events that rotate through various cities that cannot come to Toronto because of the lack of meeting rooms and/or exhibit space. Attached as Appendix "A" to this report is a letter from David Whittaker, President & CEO, Tourism Toronto including a list of potential events for the information of the Board.

Contact

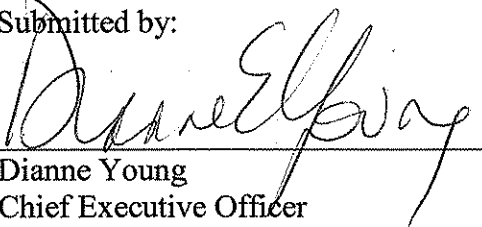
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Submitted by:



Dianne Young
Chief Executive Officer

APPENDIX A



January 12, 2010

Dianne Young
Chief Executive Officer
The Board of Governors of Exhibition Place
200 Princes' Blvd., Exhibition Place
Toronto, Ontario M6K 3C3

Dear Dianne:

As always, many thanks to you and Exhibition Place/Direct Energy Centre/Allstream Centre for your outstanding partnership and support.

This letter is to endorse and support your and the City of Toronto's ongoing discussions about convention centre expansion.

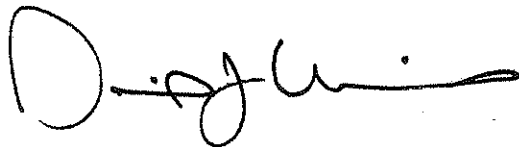
Attached is a list and a vivid example of a number of major meetings that we have aggressively solicited, and although showing keen interest in Toronto as a destination, these meetings literally are too large to be hosted in our current facilities.

Although these are tangible examples, the potential also exists for us to collaborate with you on additional major meetings, as well as a number of special events that could also have a dramatic economic impact for our city.

Flexible options, a variety of choices, and competition always bode well for our end user – the meeting planner and their delegates.

We at Tourism Toronto look forward to continuing to collaborate with you, your Board of Directors, and the City of Toronto in further discussions on this important opportunity.

Warmest regards,



David Whitaker
President & CEO

DW:ch
attach.

cc: Councillor Mark Grimes, City of Toronto
Michael Williams, Economic Development, City of Toronto
Arlene Campbell, GM, Direct Energy Centre & Allstream Centre, Exhibition Place