



# Exhibition Place

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## Item No. 19

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| <b>ACTION REQUIRED</b> |
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November 21, 2013

To: Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Subject: **Hotel Development – Approval of Change of Control**

### Summary:

Since approval by City Council of the terms of a proposed lease between the Board, the City of Toronto and Princes Gates Hotel Limited Partnership (PGH or the Tenant), the hotel developer has been working diligently to complete the requirements of the Exhibition Place Alternative Site Plan Approval process with City Planning, obtain its excavation, foundation and building permits and finalize all matters related to financing of the hotel construction project. Since September 2013, PGH's constructor has been on site with active construction of the hotel and by the end of November will likely complete the excavation and begin pouring the foundation. PGH is working diligently with the City to have the full building permit issued by February 1, 2014.

During 2013, the Board received full notice from PGH of the details of its equity financing and construction financing as required by the Lease. Most recently, the Board has received the details of the terms of the partnership agreement between PGH and its equity partner. Pursuant to Article 14 of the Lease, PGH is now seeking consent from the Board on the partnership arrangement and the effective change of control of the PGH limited partnership.

### **Recommendation:**

**It is recommended that the Board:**

- 1) Consent to the change of effective control of PGH limited partnership as set out in the Lease thereby triggering a Transfer as defined by the Lease and as specifically set out in the Confidential Attachment I; and,**
- 2) Direct that the confidential report contained in Attachment 1 to this report not be released publicly in order to protect the competitive position, future economic and legal interests of the Board and the third party information provided to the Board in confidence.**

### Financial Impact:

There is no financial impact from this report.

### Decision History:

At its meeting of June 24, 2011, the Board approved of amendments to the construction schedule.

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.

Issue Background:

Section 14.1 of the Lease provides the following:

14.1(a) Except as otherwise set forth in this Lease, the Tenant shall not assign its rights under this Lease other than to a limited liability company, limited partnership or corporation owned or controlled, directly or indirectly, by Henry Kallan (unless he is no longer alive or no longer active in the hospitality industry or is incapacitated and unable to carry on business) without the consent of the Board...

14.1(c) For greater certainty, a Transfer shall include a change in the effective control of the Tenant by any means whatsoever...

Comments:

As a part of the partnership agreement between PGH and its equity partner, the make up and effective control of the PGH limited partnership is changing so as to trigger the need for consent pursuant to section 14.1 of the Lease. The details of this change is as set out in Confidential Attachment A.

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Dianne Young, CEO