



Exhibition Place

May 7, 2012

To: Board of Governors of Exhibition Place

From: Dianne Young
Chief Executive Officer

Subject: **Hotel Development Project – Temporary Accommodation**

Summary:

At its meeting of April 5, 2012, the Board approved of a short-term lease with Princes Gates Hotel LP for use of Stanley Barracks (“Stanley Barracks Lease”). Now that HKH has finalized the first step of the City Planning process, the hotel developer HKHotels LLC (HKH) needed an office location in Toronto to undertake the next stage of this development which involves finalizing its financing arrangements and starting detailed drawings.

The term of the Stanley Barracks Lease expires on November 30, 2012, however, the commencement of the long-term ground lease between the Board/City and Princes Gates Hotel LP (the “Hotel Lease”) commences on December 1, 2012, which Lease in the first phase includes Stanley Barracks. With the commencement of construction in January 2013, Princes Gates Hotel LP intends to use Stanley Barracks as its Site Construction Office,

While HKH has engaged Toronto architects, NORR, for the hotel project and will likely engage a design-build firm from Toronto, the managing director for the project, Mr. Henry Kallan and the design architect, Mr. Stephen Jacobs, are both resident in New York as will be the sales, marketing and promotional teams. Accordingly, HKH has requested use of Stanley Barracks for temporary accommodation for HKH employees/consultants working on the project that are not resident within Canada during the term of the construction of the hotel. This direction is in keeping with the premise as set out in Section 6.4 of the Hotel Lease as noted below.

Recommendation:

It is recommended that the Board enter into a side letter with Princes Gates Hotel Limited Partnership with respect to use of Stanley Barracks as detailed below pursuant to the Hotel Lease.

Financial Impact:

There are no financial implications to 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 HKH which recommendations were subsequently approved by City Council at its meeting of November 30 2009.

At its meeting of June 24, 2011, the Board approved of amendments to the construction schedule. As a result of these amendments, the commencement date for the Hotel Lease will be delayed, to December 1, 2012 at the earliest.

At its meeting of April 5, 2012, the Board approved of entering a short-term lease with HKH for Stanley Barracks for general offices, storage and a presentation centre related to the hotel project.

Issue Background:

It is essential that key personnel of HKK or Princes Gates Hotel LP who are not resident in Toronto be present at the hotel construction site on a weekly or bi-weekly basis to oversee the project.

Comments:

While the Hotel Lease prohibits “residential accommodations” within the hotel project, Section 6.4 of the Hotel Lease allows for residency in the hotel for the “general manager, resident manager and resident chief engineer, if such residency is desirable in the Tenant’s reasonable judgment for the due performance of such duties.”

Many of the operations key to the hotel development, construction and opening will be headed and managed by personnel who are resident outside Canada. These personnel will likely need to be on-site on a weekly or bi-weekly basis for the duration of the construction period to oversee the project. The presence of these HKH employees/consultants on-site will be crucial to making timely decisions and meeting the completion deadlines for the hotel. While Stanley Barracks will be used mainly as the construction site office for the project, Mr. Henry Kallan has requested a temporary use of a few rooms in Stanley Barracks for short-term accommodation for out-of-town HKH employees/consultants. The request would be acceptable, provided that HKH agrees in writing to operate within the following parameters:

- a) Temporary Use: Commencing December 1, 2012 and continuing during the construction period of the hotel and expiring on the Opening Date of the hotel as set out in the Hotel Lease, the Board will permit Princes Gates Hotel LP to use Stanley Barracks as short-term accommodation (as defined below) of employees or consultants employed or engaged directly by HKH or Princes Gates Hotel LP provided the area for such use is no larger than 1,000 sq.ft. and accommodates no more than three persons at any one time.
- b) “Short-Term Accommodation” shall mean accommodation that does not extend more than three (3) consecutive days in any one week for any one person.
- c) Compliance with Laws: With respect to the Short-Term Accommodation, Princes Gates Hotel LP shall, at its sole cost and expense, at all times comply with all provisions of any present or future law, by-law, rule, regulation or order enacted or made by any Federal, Provincial or Municipal authority having jurisdiction, including but not limited to the Building Code, Fire Code and Board of Health requirements.
- d) Renovation: Princes Gates Hotel LP must obtain all permits and approvals required for, and pay all costs related to, the renovations or physical changes to Stanley Barracks to create the Short-Term Accommodation. All proposed alternations must have due regard to the heritage designation of Stanley Barracks and must be undertaken in accordance with plans and specifications which have received the prior approval of the Board’s Chief Executive Officer.
- e) Insurance – The insurance provisions of the Hotel Lease shall govern any Short-Term Accommodation established in Stanley Barracks and Princes Gates Hotel LP shall ensure that it has adequate insurance to cover such use.

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