



Exhibition Place

Item No. 21

ACTION REQUIRED

March 27, 2012

To: Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Subject: **Hotel Development – Short-Term Lease to HKHotels LLC**

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 lease. The parties executed the lease for the hotel site (the "Hotel Lease") on November 22, 2010 and in early June 2011, City Planning issued a Notice of Approval Conditions to HKH. Following issuance of this Notice, HKH was required to do further design reviews and submit them to the City as a result of issues that arose related to the Billy Bishop Airport. An Amended Notice was issued by the City on November 2, 2011.

Now that HKH has finalized the first step of the City Planning process, it is working on putting together its investors and construction loan funding, developing detailed costing for the project and engaging the design-build team. Because of this, HKH now needs an office location in Toronto and have requested the use of Stanley Barracks. Since the termination of the previous tenants in Stanley Barracks, the building has been closed and the heating systems "moth-balled" and accordingly, there would be no issue of HKH using the building and in fact, likely better for the building to be heated and used.

Recommendation:

It is recommended that the Board approve of the short-term lease of Stanley Barracks to HKHotels LLC on the terms and conditions set out in this report and such other terms and conditions recommended by the CEO and the City Legal Department.

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 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.

Issue Background:

The Hotel Lease between the Board and HKH sets out timeframes to be met by both parties and a corresponding lease commencement date. With the changes to the construction schedule approved by the Board in December 2011, the commencement date of the Hotel Lease will be similarly delayed and is now expected to be sometime between December 1, 2012 or January 31, 2013. Following this commencement date, HKH would take possession of Stanley Barracks under the Hotel Lease.

Comments:

HKH has requested the use of Stanley Barracks prior to the Hotel Lease Commencement Date and the parties have negotiated a short-term lease the following proposed terms and conditions:

- a) Term: Commence on May 1, 2012 and expires on November 30, 2012;
- b) Use: Office use related to the planning and development of the HKH hotel at Exhibition Place;
- c) Basic Rent: Nominal rent
- d) Net Lease. The Lease is a carefree and absolutely net lease to the Board, except the cost of capital and maintenance costs related to the exterior of the Leased Property, to base building systems and structural elements of the Leased Property including heating, light and power, and water services subject to a right of the Board not to immediately repair or replace base building systems or structural elements if, in the sole discretion of the Board, such repairs or replacements are not included within the Board's 2012 Operating or Capital budgets.
- e) Tenant Costs: The Tenant shall pay any Taxes and any other charges, impositions, costs and expenses of every nature and kind, arising from the Tenant's occupation of the Leased Property, the use and occupancy thereof, the contents thereof, and the business carried on therein by the Tenant including but not limited to housekeeping; maintaining the Leased Property in good repair, subject to reasonable wear and tear; day-to-day costs and operating expenses including, but not limited to utilities and telephone service; and the provision, installation, maintenance and cost of any security systems or security alarms.
- f) Collective Agreements: The Tenant shall conform with and abide by all covenants and agreements in force and in effect from time to time between the Board or the City and any union or association;
- g) Parking: The Board shall provide up to four (4) year-round parking passes for the Tenant's staff to use on a "non-reserved" basis in parking areas to be determined by the Board, in its sole discretion. Such passes shall not be valid during the Toronto Honda Indy and the CNE. Further, the Board will provide an additional six (6) "non-reserved" parking passes that shall be used by the Tenant as "guest passes" for short term parking.
- h) Historical Building Designation: The Tenant acknowledges that the Building has been designated by the City as being of architectural and historic value or interest and the Tenant shall comply with any and all requirements under any applicable legislation and/or any by-law or regulation pursuant to such act or legislation and to ensure that all renovations, repairs, and any and all other work undertaken by the Tenant are in full compliance with applicable laws. The Tenant will not to make any alterations to the Leased Property without the prior written consent of the Board and then only in compliance with such terms, if any, as the Board, in its sole discretion, may impose.
- i) Insurance Provisions will be as acceptable to the City Legal Department and the City Risk Manager.

- j) Assignment: All the rights conferred by this Lease are personal to the Tenant and are not assignable by it without the consent of the Board (which consent may be arbitrarily withheld).

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