

April 9, 2009

To: Board of Governors of Exhibition Place

ACTION REQUIRED

From: Business Development Committee

Subject: **Hotel Development – April Update**

Summary:

A Request for Proposal for the Hotel Development was released on April 17, 2007. Both of the two short-listed developers submitted a proposal and the Board approved of HK Hotels LLC (“HKH”) as the successful proponent. Terms and conditions of a Letter of Intent (LOI) between the parties was approved at the Board meeting in March 2008. Since that time, HKK and Exhibition Place staff met to move forward the schedule which had completion of the Stage II Archeological Assessment by year-end (which has been completed) and the development of a preliminary site plan by March 1, 2009. Since January 2009, HKH has undergone some changes in its business arrangements relating to this project and because of these changes has requested some minor revisions to the project schedule and the terms of the LOI which are set out in this report and recommended for approval.

Recommendations:

It is recommended by the Business Development Committee that the Board approve of the revised terms and Schedule included in this report as amendments to the Letter of Intent between the Board and HKHotels LLC.

Financial Impact:

There is no financial impact from this report.

Decision History:

At its meeting of April 9, 2009, the Business Development Committee considered this report and recommends approval by the Board of the recommendations.

Meeting Date	Decision
September 2006	Directed development of REOI for hotel development
March 2007	Approved two successful proponents of REOI & directed release of RFP to the two proponents
September 2007	Approval by the Board of HKH as the successful proponent of the RFP process and directed staff to enter into exclusive negotiations leading to a letter of intent.
March 2008	Approval of terms & conditions of letter of intent
June 2008	Amendments to schedule & approval to share cost of Stage II Archeological Investigation

Issue Background:

The Letter of Intent 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 and preliminary budget including FF&E, EBITDA by the Board on or before March 1, 2009.

Comments:

Since the last written report to the Business Development Committee, staff have met twice with the successful hotel proponent in December 2008 and in February 2009 and at both meetings, HKHotels expressed its commitment to this project.

While the Letter of Intent for the hotel development was between HKHotels LLC and the Board, HKHotels was represented throughout the RFP and negotiation process by Density Group Limited, a Toronto developer. In addition, there was a clause in the Letter of Intent that allowed for HKHotels to require the City to enter into a final lease arrangement with a “corporation owned by HKH and Density Group Limited”. Early in 2009, HKHotels informed Exhibition Place that it would no longer be represented by Density Group Limited and requested some slight amendments to the LOI to reflect this change which changes have been reviewed by City Legal and are recommended.

Because of the above-noted change in some of the business arrangements, HKHotels has also requested an extension of the term of the LOI from June 15, 2009 to September 30, 2009, and in addition, Exhibition Place staff along with HKHotels have worked on a more detailed schedule as set out below.

Accordingly, it is recommended that the Board approve of the following change in the terms and conditions of the executed Letter of Intent between the Board and HKHotels LLC:

- a) Deletion of any reference to Density Group Limited;
- b) Extension of the term of the Letter of Intent from June 15, 2009 to September 30, 2009; and
- c) Adoption of a more detailed schedule as set out below:

March 6, 2008	Report & Approval of LOI by Board of Governors
July 30, 2008	Limited archeological investigation completed
December 1, 2008	Full Stage II archeological investigation completed
March 15, 2009	Full report on archeological investigation to HKH & ExPlace (report will be prepared by Archeological Services Inc. and released provided past invoices paid by HKH)
April 17, 2009	Stage II Archeological Report to Board of Governors meeting for information
May 1, 2009	Delivery by HKH to Exhibition Place of Development Plan & preliminary construction budget including FF&E & EBITA
May 11 – 15, 2009	Board of Governors Business Development Committee (with all BOG members invited if they want to come) to consider Development Plan (this development plan will need to include all necessary documents that City Planning would require for site plan review); preliminary construction budget including FF&E; & EBITA
May 15, 2009	Declaration of Development Plan lands as surplus through City’s administrative staff process
June 15, 2009	HKH satisfied on soil/environmental conditions, title and all other due diligence including union issues
June, July, August, September 2009	Series of meeting with City Planning to get input & sign off on the Development Plan
May, June, July,	Negotiating and finalizing all substantial lease terms

August, September, 2009	
October 9, 2009	Board of Governors Business Development Committee to consider proposed final design - suggested date but will need to be confirmed with Chair & members
October 12 – 15, 2009	Evening meeting to be booked of the Business Development Committee to invite community to present Development Plan and have community feedback – City planning will also be invited to this meeting
October 23	Special meeting of the Board of Governors to deal with only the hotel development – suggested date but needs to be confirmed with Chair & members – this meeting will have the final proposed design and the substantial lease terms and conditions & construction schedule
November 1	Executive Committee – any report going to Nov 30 th Council must go to Executive Committee first – Council may decide that there will be an added Executive for Capital Budget but at this point it is not in the City calendar
November 30 & December 1, 2009 & December 7, 2009	The last regular Council meeting is Nov 30 th / Dec 1 st and then Dec 8 th is Council Capital Budget only – need to determine which meeting to go to depending on the substance of the Exhibition Place report
January – September, 2010	Completion of contract drawings for building permit application by HKH
March 1, 2011	Building permit issued & construction begins
April 1, 2011 – May 1, 2013	Construction (approx 24 months)
June 1, 2013	Opening of hotel

For the information of the Board, attached as Appendix “A” to this report are the previous schedules approved by the Board. As noted there is little change to the actual date of opening of the hotel but the amendments mainly are related to additional steps for community consultation and a longer period for initial planning and delivery of the first site plan. Staff are recommending the approval of this revised schedule.

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Submitted by:

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Appendix "A"

Proposed Schedule reported in March 2008	
(a) Declaration of Surplus Property by City – This was approved by City Council in 2004 but may need to update depending on lands to be used for Phase I but the existing City process is through an administrative committee	
(b) Report & Approval of LOI by Board of Governors	March 6, 2008
(c) Limited archeological investigation and decision of the exact site for Phase I	June 30, 2008
(d) Report & Approval of Development Plan and preliminary budget including FF&E, EBITDA by Board of Governors	On or before November 15, 2008
(e) Approval by City Council of LOI, Development Plan and preliminary budget including FF&E, EBITDA	On or before December 31, 2008
(f) HKH/Tenant satisfied on soil/environmental conditions, title, and all other due diligence including consequences of complying with paragraph 13 of the LOI in respect of Board controlled Union agreements	On or before December 31, 2008
(g) Parties negotiate and finalize all legal agreements & approval, if necessary, by Board of lease terms	March 15, 2009
(h) Building permit application	March 15, 2010
(i) Construction period (approx. 24 months)	December 31, 2012
(j) Opening of Hotel	January 31, 2013

Proposed Schedule June 2008	
(a) Report & Approval of LOI by Board of Governors	March 6, 2008
(b) Limited archeological investigation and decision of the exact site for Phase I	July 31, 2008
(c) Report & Approval of Development Plan and preliminary budget including FF&E, EBITDA by Board of Governors	On or before March 1, 2009
(d) Declaration of Surplus Property by City – This was approved by City Council in 2004 but may need to update depending on lands to be used for Phase I but the existing City process is through an administrative committee	On or before December 31, 2008
(e) Approval by City Council of LOI, Development Plan and preliminary budget including FF&E, EBITDA	On or before April 15, 2009
(f) HKH/Tenant satisfied on soil/environmental conditions, title, and all other due diligence including consequences of complying with paragraph 13 in respect of Union agreements	On or before April 15, 2009
(g) Parties negotiate and finalize all legal agreements & approval, if necessary, by Board of lease terms	June 15, 2009
(h) Building permit application	June 15, 2010
(i) Construction period (approx. 24 months)	March 31, 2013
(j) Opening of Hotel	May 1, 2013