

February 25, 2009

FOR INFORMATION

To: The Board of Governors of Exhibition Place

From: Business Development Committee

Subject: **Conference Centre February 2009 Construction Update**

Summary:

This construction update report was considered by the Business Development Committee of February 25, 2009 and forwarded onto the Board for its information. The Business Development Committee intends to schedule regular monthly meeting to review the financial matters relating to the construction of the Allstream Centre. Attached to this report is a detailed breakdown of these estimates which is confidential as it involves the security of property belonging to the City of Toronto or one of its agencies, boards, and commissions and it is recommended that this information not be disclosed in order to protect the economic interests and competitive and legal position of the Board.

Financial Impact:

It is proposed that the financial items noted in this report be funded as set out in the confidential attachment.

Decision History:

Board of Governors, November 3, 2006	Approval of business terms for an exclusive food services agreement between the Board and Centreplate and the National Hotel Corporation (the "FSP") related to the provision of food and beverage services within the proposed Conference Centre in the renovated Automotive Building.
Board of Governors, December 15, 2006	Approval of the terms and conditions of the full LOI between the Board and the FSP for food services within the renovated Conference Centre and the financial proposal for the proposed Conference Centre which included a loan from the National Hotel Corporation for part of the construction costs.
City Council, March 5 & 6, 2007	Approval of LOI between the Board and the FSP for exclusive food services in the proposed Conference Centre. In addition, approval of a recommendation which deleted the need for financing from the National Hotel Corporation and replaced this financing with a City loan of \$21.2M.
Board of Governors, May 4, 2007	Approval of the engagement of NORR as the design architect on the Conference Centre project at a total fee of \$968,000 (excluding GST) for Phases I & II and the project schedule.
Board of Governors November 7, 2007	Approved of the increase in the overall Conference Centre capital budget from \$29.0M to \$46.88M with request to City Council to increase its loan to the Board from \$21.2M to \$35.6M with an increase in the interest rate from 4.75 to 5.0 percent and an increase

	in the amortization period from 20 to 25 years; and request for the depletion of the full Exhibition Place Capital Reserve.
City Council, December 10, 11, 12, 13 & 14, 2007	Approval of the Board's recommendation as noted above and in addition, increase the term of the loan from twenty to twenty-five years and establish an obligatory reserve fund, called the "Exhibition Place Conference Centre Reserve Fund" to provide a source of funding for any shortfalls in loan payments to the City from Exhibition Place for a new conference centre and direct revenues from the Direct Energy Centre and the Conference Centre naming rights agreements into the fund along with any 2007 operating surplus for Exhibition Place.
Board of Governors, December 7, 2007	NORR Management Group presented a detailed power-point presentation with respect to the proposed design of the Conference Centre, which was unanimously received for information by the Board.
Board of Governors, January 25, 2008	Update of financial details, budget requirements and provide the explanation of the increase on costs for construction and professional services; also attaching to the update was the City Council Decision of December 2007 and supporting report of the Deputy City Manager and CFO. Report deferred to next meeting of the Board on March 6, 2008.
Board of Governors March 6, 2008	Update financial details, budget requirements and explain the increase costs for construction and professional services. Approval of amendment to the NORR Architectural fees; also attaching to the update was the City Council Decision of December 2007 and supporting report of the Deputy City Manager and CFO.
Board of Governors March 19, 2008	Award of main construction contract to Vanbots Construction Corporation at a cost of \$33,450,000, excluding GST.
Board of Governors May 2, 2008	Board extended the term of the agreement with MHPM Project Managers Inc. by 7.5 months at a total cost of \$115,000 to be drawn down from the project contingency.

#### Issue Background:

The Board requested frequent reports to the Business Development Committee to report on the state of the construction of the Conference Centre and any issues related to the construction. Attached to this report is a detailed breakdown of the costs of the Conference Centre project broken down by Base Construction and state-of-good-repair Restoration Construction.

#### Comments:

As reported to the Board at several meetings, some of the challenges faced by the Conference Centre project have been as follows:

- As the 1929 building was disassembled completely (other than the exterior walls) serious building issues relating to the heritage elements appeared. Exhibition Place had completed a building assessment 4 years ago and a state-of-good-repair Capital Budget program established for this building was included in the Exhibition Place 10-year capital plan at a

total amount of 5.510M. With the building completely disassembled, Exhibition Place re-engaged the conservation consultant to reassess the building and all his reports indicate that the heritage elements were in much worse stages of deterioration than as stated in his first assessment and the requirement to repair was urgent. Exhibition Place has worked with the conservation consultant on a strategy to repair the most urgent matters now while still leaving some repairs to be done in future years. Staff have shared this plan with City Finance Department and are working on funding solutions.

- During this reconstruction project, the constructor has discovered base building deficiencies that would have typically been repaired/replaced as part of an operating budget. All these deficiencies are being addressed in this project.
- Change orders have been issued to coordinate electrical and mechanical requirements.
- While very minimal, there have been some program design changes addressing the needs of the program and our naming partner which occurred after the project started (pantries, “green room”, video conference room, improved accessibility standards).
- Finally, a major cost is related to the base kitchen cost. The agreement between the Board and its food service provider requires the Board to fund the cost of services (electrical, plumbing, HVAC, fire suppression) to the kitchen and the Food Services Provider funds all costs related to kitchen set up and equipment including all food preparation and serving equipment.

### Contact

Dianne Young, CEO

Tel: 416-263-3611

Fax: 416-263-3670

Email: [dyoung@explace.on.ca](mailto:dyoung@explace.on.ca)