

July 2, 2010

To: Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young, CEO

Subject: **Exhibition Place Hotel Development Plan Update**

Summary:

A Request for Proposal for the Hotel Development at Exhibition Place was released through the City of Toronto Purchasing on April 17, 2007. Both of the two hotel developers short-listed through a previous REOI process submitted a proposal and the Board approved HK Hotels LLC (“HKH”) as the successful proponent. In March 2008, the Board approved a Letter of Intent (LOI) between the Board and HKH and in the summer of 2008, a Stage 2 Archeological Investigation was conducted on the proposed hotel site by Archeological Services Inc. engaged jointly by the Board and HKH. The full archeological report was received from the consultant in March 2009.

Subsequent to receipt of the full Stage II Archeological Study, HKH engaged an architect, Maragna Architects Inc., to do a preliminary hotel design for the first phase of the proposed hotel. This design was approved by the Board in October 2009 and subsequently by City Council in November/ December 2009 along with the substantial terms and conditions of the proposed lease between HKH and the Board/City.

Following approval by the City, HKH engaged a full-service architectural firm to develop the detailed hotel design for submission to the City Planning Department pursuant to the Exhibition Place alternative site plan approval process. However, as a result of meetings with City of Toronto Planning staff, HKH and Exhibition Place staff have developed a revised schedule that takes into account the City requirements and meeting timetables. Ultimately, this schedule would see the hotel development opening for business in June, 2014.

Recommendation(s):

It is recommended that the Board approve of the amended Schedule for the hotel development as set out in this report.

Decision History:

Meeting Date	Decision
June 1998/Jan 1999	Approval of 1998 Exhibition Place Program & Development Concept Plan for Exhibition Place with the development of a hotel/conference centre complex a first priority
September 2006	Directed development of REOI for hotel development
November 2006	Public release of REOI for hotel
March 2007	Approved two successful proponents of REOI and 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 by Board of Letter of Intent (LOI) with HKH containing all substantive terms and conditions

January 2009	Completion of Stage II Archeological Assessment of hotel site
April 2009	Schedule Revision
September 3, 2009	Meeting of the Business Development Committee of the Board
September 10, 2009	Meeting with archeological groups
September 14, 2009	Meeting of the community
September 25 & 28, 2009	Meetings with City Planning
October 1, 2009	Meeting of Business Development Committee of the Board approving the report entitled Exhibition Place Hotel Development Plan and Agreement which substantial terms were a 49-year lease agreement between the Board, the City and HKK substantially on the terms and conditions contained in that report
October 8, 2009	Meeting of the Board approving the report entitled Exhibition Place Hotel Development Plan and Agreement to Lease
November 30 & December 1, 2009	City of Toronto Council approving the report entitled Exhibition Place Hotel Development Plan and Agreement to Lease

Financial Implications and Impact Statement:

The new construction schedule delays opening of the hotel and the commencement of the rent payments by approximately six months but given the length of the term the overall change in return to the Board is very minimal.

Issue Background:

At its meeting of October 8, 2009, the Board approved of the HKH as the successful proponent of the RFP for the Hotel Development that was released through the City of Toronto Purchasing Division on April 17, 2007. Two developers submitted proposals; the Evaluation Team recommended HKH as the successful proponent; and the Board approved of entering into exclusive negotiations with HKH to develop the terms and conditions of a proposed Letter of Intent (LOI) including a construction schedule.

Comments:

Since approval of the hotel development by City Council, HKH has been working diligently to move this project forward. HKH has put in place its consultant team which includes the following:

NORR Limited – Architecture, Planning, Structural, Mechanical, Electrical
 Archeological Services Inc. – Heritage
 ERA Architects Inc. – Heritage
 Carl Bray & Associates Ltd. – Heritage
 Dillon Consulting – Landscape, Site Services & Traffic
 HH Angus – Vertical Transportation
 Larden Muniak – Code Consultant

Meetings have also commenced with City Planning, City Urban Design, City Culture and Heritage and the first set of drawings have been submitted by NORR pursuant to the Exhibition Place Alternative Site Plan process and HKH will be presenting the proposed design to the City's Design Review Advisory body on July 15, 2010.

With respect to the long-form lease, several drafts have been exchanged, negotiations are ongoing and we are looking to complete and execute by the end of July. HKH has also completed its bore-hole tests and has completed its elevation drawings. Exhibition Place is working with HKH to finalize a reference plan for the leased area which will be deposited on title.

Although HKH has implemented significant steps to date, in meetings with Planning staff and its architects it became apparent to them that the schedule below could not be met with the additional City meetings and approvals required (including presentations to and approvals of heritage and design panels) particularly in this year when meetings occur less frequently due to the election break, and therefore, the parties have developed a proposed schedule which is more realistic now that we have identified the approvals that will be needed for this proposed development and the timing related to the associated City processes.

Previous Schedule – October 2009

The proposed schedule for this project as outlined in the LOI as approved is as follows:

October 1, 2009	Board of Governors Business Development Committee
October 8, 2009	Special meeting of the Board of Governors
September – December 2009	Declaration of Development Plan lands as surplus by City
September – December 2009	HKH satisfied on soil/environmental conditions, title and all other due diligence including union issues
November 1, 2009	City of Toronto Executive Committee
November 30 & December 1, 2009	City Council
January 1, 2010 – September 30, 2010	Completion of alternative site plan process with City Planning & completion of contract drawings for building permit application by HKH
June 30, 2010	Finalize & execute Lease
December 31, 2010	Deliver letter of intent from recognized lender to provide necessary construction and (at HKH's option) mini-permanent financing for the Project. Deliver letter of intent from a qualified investor(s) to provide necessary equity financing for the Project
May 1, 2011	Building permit issued and construction begins
October 1, 2011 – October 1, 2013	Construction (approx 24 months)
November 1, 2013	Opening of the hotel

Proposed Schedule

As a result of better information now available regarding the required steps to obtain all development approvals for the hotel, and the meeting schedules and submission requirements related to the approvals which are needed, staff are recommending that the schedule be amended as follows:

October 1, 2009	Board of Governors Business Development Committee	Completed
October 8, 2009	Special meeting of the Board of Governors	Completed
September – December 2009	Declaration of Development Plan lands as surplus by City	Completed
November 1, 2009	City of Toronto Executive Committee	Completed
November 30 & December 1, 2009	City Council	
September – December 2009	HKH satisfied on soil/environmental conditions, title and all other due diligence including union issues	Completed
June 2010	Submission of full design to City Planning	Completed
July 15, 2010	Presentation to Design Review Advisory Board	
August 31, 2010	HKH satisfied on title and all other due diligence including union issues	
August 31, 2010	Execution of Long-form Lease	
September 30 2010	Obtain approval from City Planning pursuant to Exhibition Place Alternative Site Plan Approval process	
December 31, 2010	Reference Plan registered on title and separate property identifier	
April 30, 2011	Completion of Schematic Design Plans	
April 30, 2011	Completion of Design Development Plans	
June 30, 2011	Financial Projections Submissions	
June 30, 2011	Capital Cost Estimate submission	
December 31, 2011	Deliver LOI from Lender to provide necessary construction and (at HKH's option) mini-permanent financing for the Project. Deliver LOI from investor(s) to provide necessary equity financing	
January 31, 2012	Apply for Building Permit	
March 31, 2012	Completion of Contract Documents	
May 2012	Commence construction	
April 2014	Substantially Complete construction (except for FF&E)	
June 2014	Open for business	

Contact:

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