



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Hotel X Status Update

Date: March 6, 2017
To: The Board of Governors of Exhibition Place
From: Dianne Young, Chief Executive Officer
Wards: Ward 19 - Trinity Spadina

REASON FOR CONFIDENTIAL INFORMATION

This report involves the security of property belonging to the Board.

SUMMARY

This report provides a status update on both the construction schedule of Hotel X and liens related to that construction as it relates to the terms and conditions in the lease between the hotel developer, Princes Gates Hotel Limited Partnership (PGH), as tenant, and the Board / City, as landlord, dated November 22, 2010, as amended by an agreement made April 24, 2012 and a further agreement agreed to on December 9, 2016 (collectively, the "Lease").

RECOMMENDATIONS

The Chief Executive Officer recommends that the Board:

1. Receive this report for information.
2. Direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it involves the security of property belonging to the Board.

FINANCIAL IMPACT

There are no negative implications to this report.

DECISION HISTORY

The Exhibition Place 2014 – 2016 Strategic Plan had a Goal *to enhance our public assets through major new builds and /or renovations* and as a Strategy *to work in partnership with the private sector to complete Phase I of the hotel and Stanley Barracks Park.*

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 HKHotels LLC which recommendations were subsequently approved by City Council at its meeting of November 30, December 1, 2 & 3, 2009 (Item EX36.3).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX36.3>

At its meeting of December 6, 2011, the Board approved of a revised schedule for the hotel development.

<http://www.explace.on.ca/database/rte/files/Hotel%20Development-Dec.pdf>

At its meeting of December 4, 2015, the Board considered a report to respond to a request for information on the construction schedule for the hotel.

[http://www.explace.on.ca/database/rte/files/Item%2017-Hotel%20Development%20Info%20Report\(1\).pdf](http://www.explace.on.ca/database/rte/files/Item%2017-Hotel%20Development%20Info%20Report(1).pdf)

At its meeting of December 9, 2016, the Board considered a status report on the hotel construction schedule and the Tenant decision to engage a new constructor and liens registered on title and approved of a recommendation to amend the lease to extend the date for opening.

<http://www.explace.on.ca/database/rte/files/Item%202-Hotel%20Development.pdf>

COMMENTS

Status of Construction

At its meeting of December 9, 2016, the Board approved of amending the Lease to provide for a "Substantial Completion Date – April 14, 2017" and an "Opening Date – May 14, 2017". This Amending Agreement has now been executed by the parties.

Major construction work that has taken place since December is as follows:

- 90% of landscaping and walkways complete - only south strip near Lakeshore to be completed in conjunction with City road closure in May
- 90% of underground parking garage complete - final top coat and parking equipment still to be installed
- Hotel entrance on south side will be completed depending on weather for concrete pour and asphaltting
- Executed an agreement with a Food & Beverage supplier / restaurants operator
- Kitchens construction and roughing-in are in progress and kitchen equipment ordered

- Construction for all rooms to 21st floor finished and furniture to be delivered shortly and millwork to be installed
- Second floor conference centre now in process of completing decorative upgrades
- Verbal approval received but not a formal sign off from City Planning for pool in the fitness centre rooftop
- The major priority construction still ongoing is the lobby area and the main hotel guest specialty restaurant on the second floor accessible from the lobby
- All fire suppressions systems complete and testing has begun
- Archeological restoration of enlisted men's barracks is complete and the public art project in conjunction with this restoration will be installed weather dependent
- Second priority items are in construction and progressing: Athletic centre, cinema, storefronts on Princes' Boulevard (except for Starbucks which is being fitted out), full-service public Garden Restaurant

Status of Liens on Exhibition Place Land Title

On October 20, 2016, Exhibition Place received a copy of a notice by Multiplex to PGH dated October 18, 2016 that Multiplex was suspending work on the Hotel site due to PGH's alleged failure to pay amounts owing under the construction contract. Following receipt, immediate discussions took place between Exhibition Place and PGH and also between the City Legal Department and solicitors for PGH. On October 23, 2016, PGH sent Exhibition Place a copy of a letter from PGH's counsel to Multiplex advising that it was treating Multiplex's suspension of work as a repudiation of the construction contract and declaring that the contract was at an end. PGH also indicated to Exhibition Place that it had entered into negotiations with McKay-Cocker Construction Ltd. (McKay-Cocker) to manage the completion of the hotel. McKay-Cocker is, in fact, now managing the hotel project.

Following several searches of title to the Exhibition Place lands, City Legal advised that a number of construction liens had been registered by Multiplex and by various subcontractors on the Exhibition Place title. City Legal has issued seven separate notices to PGH demanding that all liens on title be discharged or vacated within 30 business days of such notice, as required by the Lease.

In December 2016, Exhibition Place asked for and received a commitment from PGH that all liens would be discharged or vacated by December 31, 2016, except those liens for which the 30 business day discharge period did not expire until after December 31, 2016 which would be discharged in accordance with the terms of the Lease. Although PGH's counsel attempted to reserve court time to address the Multiplex liens in December 2016, they have since advised that they were unable to argue the motion as the court did not have enough time available and discussions with Multiplex were ongoing.

Recent title searches up to March 6, 2017 have indicated that fourteen (14) liens have been registered on title of which ten (10) liens have been discharged. The value of the four liens remaining on title as of March 6, 2017 is \$51,694,507 of which \$50,191,999 is related to two liens registered by Multiplex.

Multiplex and the two subcontractor lien claimants have commenced court actions for the amounts claimed under the liens. The City is named as a defendant under the subcontractor actions. PGH's counsel is defending the City's interest in those actions under the supervision of City Legal. They have also advised that efforts continue to discharge or vacate all remaining construction liens from title.

CONTACT

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SIGNATURE

Dianne Young
Chief Executive Officer

ATTACHMENTS

Confidential Attachment 1 - Hotel X Status Update on Outstanding Liens